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New Assessment of Jiang Zemin's Power

93CM0207A Hong Kong KAIFANG [OPEN MAGAZINE] in Chinese No 53, 18 Feb 93 pp 18-19

[Article by Wu Suli (3527 5685 6849): "A New Look at Jiang Zemin—The New Spring Topic of Conversation"]

[Text] Deng Xiaoping originally planned to use Yang Baibing as a counterforce against Jiang Zemin, Jiang subsequently discovered that Yang had a telephone recording of Deng's order to fire on the democracy protestors in Tian'anmen Square on 4 June 1989, so took the initiative to win Deng's confidence in throwing Yang out of power. Jiang's authority has increased sharply since.

During the dozen or so days directly following the lunar new year, I had occasion to chat with several parties who are up on mainland affairs, particularly the news about Jiang Zemin, so asked for their comments.

It used to be "fruitless" to discuss the attitude of mainland intellectuals toward Jiang Zemin, because they would give only superficial views, and did not know the inside scoop. While Jiang Zemin leaves an impression of a fondness for superficial efforts and posturing, increasing numbers of those in Beijing political circles have in fact come to believe that Jiang Zemin is not one to be underestimated!

Initiative Regained in the Struggle Against the Yangs

Among the many rumors surrounding the dramatic downfall of the Yang family generals (Yang Shangkun and Yang Baibing), the most recent story is as follows: Jiang Zemin was certainly quite left-leaning in 1990 and 1991 after taking power in the aftermath of the 4 June incident, because he feared taking the same disastrous road as Hu Yaobang and Zhao Ziyang, and had not yet thoroughly grasped Deng Xiaoping's dual tactics of keeping tight control on the one hand, and giving free rein with the other. When Deng saw the mishaps in Eastern Europe and the former Soviet Union, he certainly did not launch a class struggle to safeguard state power as had Mao Zedong, but rather preserved stability through economic opening, which was a well-thought-out plan. So when Deng saw Jiang following the conservatives, he was quite disappointed, and used Qiao Shi and Yang Baibing as a counterforce against Jiang around the time of his tour of southern China in early 1992.

For a time, there was a temporary clamor for Yang Baibing to become "the emperor's escort" and Qiao Shi to become General Secretary. But when Jiang Zemin discovered this danger, he launched a counterattack, seizing on Yang Baibing's vile military connections, first attacking him for building up a personal following, by planning to make generals of 200 of his trusted followers, which put Yang on the defensive. Yang had high military position with no real authority, was too overbearing, and had offended many people, who had informed old Deng about his misdeeds, such as covering up an actress's evasion of 180,000 yuan in taxes, as well as helping her to leave the country.

The turning point came when Jiang Zemin began to pressure Yang Baibing to take the responsibility for the order to fire on the democracy protesters in Tian'anmen Square on 4 June 1989. This enraged Yang Baibing, who told Jiang that he did not have the authority to give the firing order, saying that only one person had such great power! While Jiang understood that he had better not open up the 4 June Pandora's box, he still persisted in asking what had actually occurred, only to find out that Yang Baibing had kept a telephone recording of Deng Xiaoping's order to fire!

Jiang Zemin is not stupid, so took advantage of his discovery to make sure that Deng Xiaoping knew about this crucial piece of evidence. Whereupon the situation reversed, with Deng Xiaoping switching from using Yang as a counterforce against Jiang to employing Jiang to throw Yang out of power. This occurred during the preparation stage for the 14th CPC National Congress, when Deng issued a directive that the Jiang Zemin-Li Peng system was to remain in force, so as to ensure unified party leadership, and reaffirming Jiang's central position.

Great Progress in Learning High-Level Power Shifts

While the Yang family did not yet know of this, old Yang (Shangkun) had suggested to old Deng prior to the 14th CPC National Congress that young Yang (Baibing) be made Military Commission Vice Chairman, Deng readily replied that yes, this could be considered. It is reported that at the last minute before the opening of the 14th CPC National Congress, Yang Shangkun had himself driven to Deng's residence twice, only to discover that Jiang Zemin's limo was already parked at the entrance both times, so had to turn around and leave.

My informed sources certify that "the key plotter in the Yang family's loss of military power was Jiang Zemin! While you may not know it, Jiang is now in control, and when Deng is gone, is going to have even greater power."

Another friend compares Li Teng-hui with Jiang Zemin, saying that they are both leaders with "stamina," who did not seem so at first, but got increasingly better with time. The appraisal of Jiang Zemin by those in power is that he is cautious, dependable, not rash, well-read, and focused. They call him a "patient and precise worker." It is even remarked that Jiang's conservative tendencies are necessary to keep a Chinese leader from acting too rashly.

In short, Jiang Zemin has made great progress in a little over three years, learning step by step the skills necessary to high-level politics, and certainly not being backward at it.

While a traditional Chinese political view means that he will not necessarily be rewarded for this, and the plot is

not yet necessarily over, this news of Jiang Zemin heard shortly after lunar new year's day 1993 is certainly readable stuff that had not been heard before.

Deng Xiaoping Has Directed the Second Plenary Session of the 14th CPC Central Committee To Emphasize Unity

The news of Deng Xiaoping is as follows:

Deng has directed that the theme of the Second Plenary Session of the 14th CPC Central Committee be "Emphasis on Unity," because it was reported to him that conflicts exist among two-thirds of the top- and second-level leaders of all provinces, municipalities, and central ministries and commissions. Deng fears that leadership division will weaken party control.

While most believe that Deng's physical condition is "deteriorating daily," most do not believe the rumors that he has gland or testicle cancer.

The most told and believed story about Hong Kong is that Deng "would rather sacrifice Hong Kong than concede," i.e., that Hong Kong's economic status is inconsequential. Many senior cadres back up Deng's decision, commenting that the British show too little due respect for others' feelings, trying to profit from both the new airport and politically, forcing the Chinese to teach them a lesson.

Deng Xiaoping is very pleased with Wan Li, having invited him to a meal and told him that "I want to thank you for setting such a good example." This is because Wan Li plans to retire at the congress in March, and not hold any further posts. Deng has called Wan Li a mature statesman.

Li Peng Has Become a Little Wiser and Mastered the Art of Going Along

The question of most concern in Beijing political and diplomatic circles is: Will Li Peng retain his premiership during the senior personnel changes at the March national congress? While it is generally believed that Deng would like Zhu Rongji to succeed Li as premier, Deng has also approved the principle of "keeping the Jiang Zemin-Li Peng system unchanged." Li Peng has also become a little wiser and mastered the art of going along, unlike Zhao Ziyang who contradicted at will. Li Peng is closely connected to the 4 June incident, the premiership is unlikely to change excluding the unexpected.

But Li Peng's image has still not improved, Beijing cultural circles are quite good at making jokes about this, just as they were about British Prince Charles' telephone scandal. They are calling female sanitary napkins "li pengs," joking that they swell up when in inside, which all think is screamingly funny.

The March congress elections will not be real ones, at least being more strictly controlled than the last ones, because the senior leadership has been very disappointed about the results of certain recent provincial and municipal real elections. Take Guizhou for instance. The centrally-backed Wang Chaowen [3769 2600 2429] (Miao nationality) lost with just a few less than 50 percent of the votes, while Shanghai's 50-plus-year-old Chen Shineng [7115 1102 5174] was elected provincial governor with only one vote over half, leaving no one of Miao nationality as either governor or vice governor, and Guizhouites saying that "the Han nationality is of course less obedient than we Miao!"

NATIONAL AFFAIRS, POLICY

Journal on Factor Price Reform in 1990s

HK0104050093 Beijing JINGJI YANJIU in Chinese No 11, 20 Nov 92 pp 14-16

[Article by Zhang Zhuoyuan (1728 0587 0337) of the Institute of Finance, Commerce and Commodities Economics under the Chinese Academy of Social Sciences: "Focus on Pushing the Factor Price Reform in the 1990s"]

[Text] In the 1980s, China achieved tremendous success in its price reform, which was mainly launched in the realms of material products and labor price using a method which combined price readjustment and the lifting of price control, with price readjustment preceding price deregulation. At present, the market price system is enjoying a dominant position, and the market mechanism is playing a guiding role in price formation. It has taken many economists by surprise that the price reform, generally reckoned to be the most difficult and risk-prone, could actually set the pace for economic structural reform as a whole, leaving enterprise reform, which was once regarded as a much easier task, trailing far behind. However, this does not mean that the price reform has been completed or has basically resolved the problems. The price reform is still faced with many formidable tasks which have yet to be tackled.

In the 1990s, particularly since the public acknowledgement of the need to establish a socialist market economic structure and bring the role of the market mechanism into play in optimizing the deployment of resources in order to better ensure the effective running of the national economy, it has become imperative that we further broaden our horizons in the price reform and deepen the price reform in diverse ways. It has also become quite evident that in the 1990's we must take the factor price reform as the focus of price reform while promoting price reform in other areas.

The reform of the pricing of production factors essentially means the gradual introduction of the market mechanism in the pricing of production factors.

As the Chinese economy gradually moves toward a socialist market economy, the importance and necessity of the production factor price reform have become keenly felt. A most salient feature of the market economy is that it has the market as its principal means of resource deployment. Guided by market forces, the limited economic resources in society are channeled from low-efficiency sectors and enterprises to high-efficiency sectors and enterprises. This improves the efficiency of resource deployment and helps accelerate economic development. The premise for the free and rational flow of resources lies in the commercialization and market circulation of production factors and the pricing of these according to market supply and demand. In the 1980s, as the market-oriented reform gradually unfolded, we gradually came to understand the need to commercialize production factors step by step and circulate these in the market, and to introduce the market mechanism in their pricing. However, reform in these respects was sluggish. Compared with the material product and labor price reform, the production factor price reform was obviously lagging behind. This is an important reason why little progress has been made in recent readjustments of the industrial structure. The recent 14th CPC National Congress unequivocally pointed out that we must make the transition toward the socialist market economic structure. Since the pricing of material products and labor is now mainly based on market forces, we should naturally focus the price reform on the pricing of production factors.

Production factor prices mainly include the price of funds—interest, the price of labor—wages, the price of land—land rent and land price, and the conversion rate between the renminbi and foreign currencies—exchange rates. According to the requirements for the development of a socialist market economy, all these have to be formed and regulated by the market. In this way, distortions of the most crucial market signals can be prevented, and the improvement of resource deployment will not be adversely affected.

The introduction of the market mechanism in the pricing of production factors and the formation and development of a production factor market are inseparable. At present, it is imperative that we quicken the pace of reform in both areas. We must strive, as quickly as possible (preferably before the end of this century), to form a unified, open and competitive production factor market and to introduce the market mechanism in the pricing of production factors.

The price of funds (capital)—interest—is the most important of all production factor prices because funds are the most important and scarce type of economic resource in a market economy. When introducing the market mechanism in the pricing of production factors, the first thing we must do is to introduce the market mechanism in interest rates.

In a market economy, interest rates are the most important lever with which the state carries out macroeconomic regulation. In order to ensure steady, coordinated and effective economic growth, the state must take steps to regulate interest rates. For example, in times of economic overheating, it is necessary for the central bank to raise its rediscount and relending rates and dump bonds (mainly short-term state bonds) in the open market so as to force up market interest rates, control inflation and curtail economic growth. In times of economic depression, however, it is necessary for the central bank to lower its rediscount and relending rates and buy bonds in the open market so as to lower market interest rates, boost investment and consumption and precipitate economic recovery and expansion as quickly as possible. When regulating interest rates, what the government or central bank should do is mainly regulate the basic interest rates in order to influence market rates

rather than directly stipulate market interest rates or changes in them. The deposit and lending rates of commercial banks and other financial institutions should be regulated by market forces; the government should not intervene. As for interest rates on funds directly raised by individual enterprises and companies, the fixing of interest rates should be determined by the bond-issuing entities themselves and the government should refrain from intervention. Meanwhile, it is necessary to differentiate between commercial financing and policy financing. When preferential loans have to be granted to finance infrastructure construction or the development of leading industries in accordance with the state's industrial policies, methods such as state discount rates may be adopted to set these apart from commercial financing in general.

The introduction of the market mechanism in interest rates is also inseparable from the development and maturity of the financial (monetary and capital) markets. Only when there is a unified, open and competitive monetary market will there be standard and market-regulated interest rates. Only then will market interest rates be able to more truly reflect the supply-demand situation and scarcity of funds.

Wages are the price of labor. In the reform of the wage system, the introduction of the market mechanism remains the direction to be followed. In other words, wages should be formed through competition in the labor market.

In the past, people refused to admit that labor could be turned into a commodity in a socialist society, arguing that laborers had already become the masters of the means of production and that the public ownership of the means of production rejected the commercialization of labor. As we see it now, this argument is not quite sound. In a socialist society, labor is still a means of making a living. In this society, it is still necessary to recognize the working ability of individuals as a kind of "natural endowment," and that people with greater working ability and labor contributions are entitled to a larger share in distribution. This in fact recognizes people's ownership of their working ability, that they have the right to demand payment according to work, that is, the right to the exchange of labor for wages at equal value. Thus, it is logical for labor in a socialist society to assume the commodity form or be treated as a commodity. As the reform deepens, many state enterprises in China, particularly the large- and medium-sized ones, will gradually switch to the shareholding system and become shareholding enterprises or companies with the state acquiring controlling shares (and staff and workers acquiring partial shares) or simply holding shares. As employees of these enterprises or companies, it is only natural that staff and workers who sell their labor should receive remuneration in accordance with the principle of exchange at equal value. Here, there is no obstacle that cannot be surmounted.

The introduction of the market mechanism in the price of labor—wages—is also the prerequisite for enterprises to truly become commodity producers and managers who are independent and responsible for their own profits and losses. It is also the prerequisite for enterprises to become market activity entities. How can enterprises compete in the market if labor cannot flow freely, and staff and workers are paid the same regardless of their performance under the "iron rice bowl" system? If outstanding staff and workers and enterprises are not encouraged and those performing poorly are not punished, there is no way that the market mechanism can be fully brought into play. Thus, the introduction of the market mechanism in the price of labor—wages—is an important link in transforming the operational mechanism of enterprises and steering them toward the market. Of course, the introduction of the market mechanism and the process of the establishment and development of the labor market must be closely coordinated with the establishment and gradual perfection of the social security system to ensure public morale and social security.

In the past, land in China, particularly land in the cities, was used without compensation. Because of this, this scarce and unrenewable resource could not be properly and effectively made use of, and there was serious waste. Although the price of land began to be taken into account following the gradual introduction of the market mechanism after reform, many problems remained. As economic development quickened and the demand for urban land soared, land prices in the cities (mainly black or grey market prices) skyrocketed, the number of people engaged in property speculation increased, and the momentum of jacking up land prices soared. Since China is such a vast country, there are bound to be great disparities in land prices between different cities or different sections within the same city. As there is no standard to follow in price formation, land prices may range from several yuan per square meter to scores of thousands of yuan per square meter. In order to increase the efficiency of land utilization and deployment, it is necessary to gradually introduce the market mechanism so that the prices of land for commercial use will mainly be determined by market forces. At present, the most important task before us is to form and develop land markets, both primary and secondary, as to gradually reflect the price of land as a commodity, form a regular set of market-regulated prices and ensure the more effective running of the national economy.

The development of a socialist market economy calls for the all-round opening of the country to the outside world. It also requires us to actively participate in international market competition, make domestic and international markets meet, and do things in accordance with international practices in economic exchanges as far as possible. This calls for the gradual introduction of the market mechanism in the exchange rate of China's currency—the renminbi. Many countries put lifting control over local currency exchange rates at the end of their process of economic mechanism transformation. However, since the deregulation of exchange rates is an

intrinsic requirement in the transformation of economic mechanisms, it is more advisable for the state to mainly rely on economic means in intervention and regulation. In bringing about this transition, the state must rationally readjust the official exchange rates in such a way as to bring them closer to the market exchange rates, keeping the disparity to around 10 percent. On the other hand, it is necessary to develop a foreign exchange regulation market so that foreign currencies needed by the state will mainly be purchased from the foreign exchange regulation market. Wherever possible, these should not be obtained through apportioning by administrative means. At the same time, restrictions on entry into the foreign exchange regulation market should be gradually lifted so that all enterprises (companies) and citizens can carry out transactions in the market freely. Having done that, and having developed foreign economic and trade relations and increased our foreign exchange reserve, we will not be far from our goal of turning our renminbi into a freely convertible currency. We should all work hard toward this goal.

In short, the focus of China's future price reform should be shifted step by step to the factor price reform. China's pace-setters in reform, such as the special economic zones, have already focussed their price reform on production factors.

At the same time, we must not slacken the work of deepening the price reform in respect of material products and labor, and must continue with our efforts to resolve existing problems of price distortions. Of particular importance are the prices of commodities and labor entering the competitive markets. We should lift control over the prices of commodities which are currently in short supply but have relatively great supply or demand elasticity, including products still subject to double-track pricing, and let these be regulated by market forces. In this way, the role of the market mechanism in automatically making supply and demand meet can be fully brought into play. At present, the scope and proportion of products priced by the government are obviously too large. Efforts should be made to gradually reduce these to about 20 percent of the transaction volume. As for commodities and labor which are in serious shortage and have a small supply-demand elasticity, such as crude oil, electricity and railroad freight rates, resolute and systematic steps should be taken to raise the price levels, which have remained low for a long time, so as to accelerate the production of these basic products and the development of these infrastructure facilities under the guidance of market forces. We may also consider taking advantage of the double-track pricing system within a given scope and period by allowing the products produced with investments made by localities, enterprises or foreign investors to be sold at market-regulated prices, which are higher than the state prices. As for the small number of monopolistic products or important public products, pricing and price adjustments should still be done by the government. However, when fixing or adjusting prices, the government should respect the law of value and fully take supply-demand relations into account. We believe that after three to five years of hard work, we should be able to basically complete the shift to the new structure in the pricing of material products and labor and give full scope to the pricing mechanism. Immediately after this, the market mechanism will gradually be introduced into the pricing of production factors, thereby establishing a new and all-round market price system and ensuring the smooth running of the socialist market economy.

Journal on Roles of Market, Government

HK0104060293 Beijing JINGJI YANJIU in Chinese No 11, 20 Nov 92 pp 11-13

[Article by Li Yining (0632 0110 1337), School of Economics, Beijing University: "The Market Regulates the Economy, the Government Administers the Market"]

[Text] There is not much difference between market economy and commodity economy. In a book published in 1988, I wrote: "It is generally held that market economy only exists under capitalism, or under private ownership. This is wrong. Could commodity production and exchange have taken place without markets? Could there be a commodity economy without markets? Commodity production and exchange are both preconditioned by markets, whether in a capitalist society or in a socialist society, under private ownership or under public ownership. Whether we call it commodity economy or market economy is not the issue here.... There is no difference in meaning between commodity economy and market economy." (Footnote 1) (*Management of the National Economy*, Hebei People's Publishing House, 1988, pp 47-48)

A laissez-faire market economy is but a theoretical supposition. In reality, a market economy is always an economy where regulation by market mechanism and regulation by government coexist. The essence of the market economy lies in the deployment of resources according to the economic laws of the market. Under the market economic structure, competition rather than orders, choice rather than quotas, are emphasized. It is quite the opposite under the traditional planned economic structure: Competition is pushed aside by orders; choice is preempted by quotas.

Under the market economic structure, it is important that distinction be made between primary regulation and secondary regulation. Regulation by market mechanism is called primary regulation or basic regulation. Primary regulation may be expressed as regulation of the economy by market forces, that is the market regulating the economy. Primary regulation takes place at all times and in all spheres. Regulation by the government is called secondary regulation or high-level regulation. Secondary regulation may be expressed as the government re-regulating the economy by laying down the rules of competition and administering the market. If something can be taken care of by the market, the government

should refrain from intervention. The government should only do things that the market cannot do. This is the gist of primary and secondary regulation. The market economic structure is an economic structure that has yet to be realized under socialism. Under this economic structure that has yet to be realized, "market regulates economy, government administers market." "Market regulates economy" and "government administers market" are a unified whole. In my view, "market regulates economy" refers to primary regulation, while "government administers market" refers to secondary regulation, that is, the administration and re-regulation of the market which regulates the economy.

Why do we say that the market economic structure is an "economic structure that has yet to be realized" in a socialist society? What does "has yet to be realized" mean?

First, "has yet to be realized" is a term used in positivist economics. It suggests that such an economic structure is not yet present in our economy. This is in keeping with the actual conditions in our country. We may divide the socialist economic structure into the traditional planned economic structure, the two-tier economic structure and the market economic structure. Under the traditional planned economic structure, even if commodity production and commodity exchange did exist, they were very limited in scope and were confined to the production and exchange of consumer goods and the mutual exchange of needed capital goods between two public ownership systems (ownership by the whole people and collective ownership). The regulation of the economy by market mechanism simply did not exist then, and the economy was rendered straight-jacketed and lacking in vitality by the government's mandatory plans and quota system. Under the two-tier economic structure, the scope of commodity production and commodity exchange is enlarged, the regulatory role of the market over the economy is strengthened, and the government's regulation of the market is undergoing changes in scope, significance and function. However, this is only a transitional stage between the traditional economic structure and the new economic structure. The traditional economic structure, although gradually leaving the arena of economic activities, has not totally disappeared. Mandatory plans and the quota system are still operative, while market mechanism has only just entered the arena of economic activities and has yet to play its role to the full. In this economy there is no objective economic environment for the market to perform the task of primary regulation, nor are there the conditions necessary for the government to perform the task of secondary regulation. The economic structure where "market regulates economy" and "government administers market" is still one that "has yet to be realized." Thus, it is only after the two-tier economic structure has been replaced by a market economic structure that an economic environment where "market regulates economy, government administers market" can develop. Only then will the new economic structure become one which dominates all socialist economic activities.

Second, "has yet to be realized" is also a term used in normative economics. What it means is that regardless of whether or not the idea of "market regulates economy" and "government administers market" has become a reality, and regardless of what conditions are necessary for the realization of such an economic structure and how these conditions can be created, from the perspective of normative economics, the phrase "has yet to be realized" suggests that an economic structure where "market regulates economy" and "government administers market" is a target structure that is worth fighting for and transforming into reality. The phrase "has yet to be realized" points out the direction in which we should exert ourselves. The reason is clear: "Market regulates economy" and "government administers market" can fully bring into play the initiative and enthusiasm of all microeconomic units in taking part in economic activities, and can impel the government to perform the task of secondary regulation, thereby ensuring that resources are deployed in a rational way.

This economic structure which "has yet to be realized" is a socialist market economic structure. In reality, it is a new structure with "small government but big market." Here, "small government" means a simple but efficient administration. Since the government will only do what it should do and will leave to the market matters that can be taken care of by the market mechanism, it will not be necessary for the government to manage enterprises, intervene in their production and operation, or make concrete arrangements in respect of the supply of and demand for goods in general (including capital and consumer goods). In the past, whether it was under the traditional planned economic structure or the two-tier economic structure, the government apparatus was necessarily unwieldy and inefficient because the government took upon itself things that should have been left to the market. Under the new economic structure, "small government" means not only a simple administration, but also an efficient one. In the new economic structure where "market regulates economy" and "government administers market," the government apparatus will be small, but work will be carried out in an orderly manner.

What is meant by "big market" here is a comprehensive market system which includes markets for commodities, capital, labor, technology, information, property rights, real estate, and so on. After switching to the market economic structure, gaps in supply and demand will not disappear all at once; they will only be gradually narrowed. Neither will the market system become perfect all at once; it will only become less and less imperfect. When a comprehensive market system has been developed, the supply of and demand for commodities, capital and labor can be regulated by their respective markets. The "big market" does not suggest that the market has become so perfect that economic competition is a thing of the past; it suggests that all supply-demand relations that can be regulated by the market mechanism have been put in the hands of the market, with the government performing the task of secondary regulation only.

"Small government" and "big market" are a unified whole. Without "big market" there can be no "small government." Conversely, without "small government" there can be no "big market." If a "big government" is maintained, with the government taking upon itself many things that could be done by others, the market will inevitably shrink and be straight-jacketed.

In short, a market economy is a market economy, and the question of whether it is socialist or capitalist in nature does not arise. Capitalism is not synonymous with market economy, and neither is socialism synonymous with market economy. Socialist market economy refers to market economy in a socialist society or market economy under socialism, while capitalist market economy refers to market economy in a capitalist society or market economy under capitalism. As long as it is a market economy, we are talking about an economy characterized by competition and choice, where resources are deployed according to the economic laws of the market. It is the same whether in a capitalist society or in a socialist society. If there is any difference at all, it is that in one case resources are deployed according to economic laws of the market in a socialist society or under socialism, while in the other case resources are deployed according to economic laws of the market in a capitalist society or under capitalism.

Whether the market economic structure is briefly expressed as "market regulates economy, government administers market" or as "small government, big market," we can see exactly where the difference between the socialist market economy and the capitalist market economy lies.

"Market regulates economy" means that the market performs the task of primary regulation. Under socialism, the "economy" that is regulated by the market refers to the predominantly publicly owned economy, while under capitalism it refers to the capitalist private economy. "Government administers economy" means that the government performs the task of secondary regulation. Here, the "government" that administers the market refers to the government led by the political party of the proletariat in a socialist society and the government led by the political party of the bourgeoisie under capitalism.

"Small government" refers to a simple but efficient administration. Likewise, this refers to the government led by the political party of the proletariat in a socialist society, and the government led by the political party of the bourgeoisie in a capitalist society. "Big market" is a comprehensive market system. Under socialism the market system is established on a predominantly publicly owned basis, while under capitalism the market system is established on the basis of capitalist private ownership.

If we understand all this, we can further understand that the transition from the traditional planned economic structure to the new market economic structure is the development and perfection of the socialist economic structure itself, and there is simply no question of whether or not it will slip down the capitalist road.

Article on Socialist Market Economy

HK1603124993 Beijing JINGJI YANJIU in Chinese No 11, 20 Nov 92 pp 3-10

[Article by Ma Hong (7456 3163) of the Development Research Center under the State Council: "Establish a New Socialist Market Economic Structure"]

[Text] As pointed out in the report submitted to the 14th CPC National Congress, our aim in carrying out the socialist economic structural reforms is to establish a new socialist market economic structure. Over the past 14 years, we have always adhered to the direction of reforming the highly centralized mandatory planning management system and expanding the regulatory role of the market mechanism. After more than 10 years of hard work, we have made substantial headway in theory as well as in practice. As early as 1979, Comrade Deng Xiaoping pointed out that we could also develop the market economy under socialism. At the beginning of this year, he pointed out during his inspection tour of south China that planning and market were not the respective hallmarks of socialism and capitalism, for capitalism also had planning and socialism also had markets. In so doing, he clarified people's understanding on this major issue and boosted people's confidence in accelerating reform and the opening up of the country. The recently concluded 14th CPC National Congress further stressed the need to develop a socialist market economy. With this major breakthrough in the theory of socialist reform, the cause of reform and opening in China entered a new period of development.

Developing the socialist market economy is a fundamental part of the task of developing socialism with Chinese characteristics. We must see that since developing a market economy under socialism is an undertaking with no precedent in history, it is necessary for us to work creatively in the Marxist spirit of seeking truth from facts. Although we have made substantial headway in establishing a new socialist market economic structure, a lot of problems have yet to be resolved. With some problems (such as market development), time is needed to achieve perfection; with others (such as the invigoration of large and medium-sized state enterprises, the form of management for public-owned property, the improvement of the system and form of macroeconomic-control system), exploration and innovation are required. Thus, it is a pressing task in our theoretical and practical work to conscientiously sum up the experience of reform over the past 10 years and more and explore ways of developing a socialist market economy.

I

The role of the market in the socialist economy has always been a major theoretical and practical issue in the

history of the development of socialism. The relationship between planning and market has been an issue of universal concern since Marx first put forward the important concept of the planned organization of production and economic activities in society as a whole. This question became all the more pronounced and important when it was put on the agenda in a truly practical sense following the success of the socialist revolution in Russia in 1917. In the early 1920's, Lenin, proceeding from the actual conditions in the Soviet Union, put forward his famous new economic policies. He abandoned the practice of "direct transition," which was the communist trend at that time, and "turned to the market" form of economy, resorting to flexible means to put plans into practice. Due to limitations in people's theoretical understanding, the ideology which rejected the market mechanism and the commodity economy and advocated running the national economy as a big factory gained predominance after Lenin's death, and a highly centralized planned economic system developed under the guidance of this ideology. After the World War II, many emerging socialist countries mechanically copied this planned economic system that rejected the market. To be objective, this highly centralized planned economic system did play a positive role in helping these newly emerging socialist countries quickly amass and mobilize their resources, enabling them to carry out large-scale construction in key areas more swiftly under the encirclement of imperialism and other hostile forces, and lay a solid material foundation for the strengthening of national defense and for future economic, scientific and technological development. It is not in keeping with Marxist historical materialism to deny or overlook this fact. However, we must also see that this planned economic system has a serious drawback, having a low resource deployment efficiency. This drawback was particularly pronounced during those early years after the completion of industrialization. On the microeconomic level, because enterprises lacked autonomy and had little motive for innovation, and because the notion of market competition was rejected, enterprises did not feel pressurized to improve their performance. On the macroeconomic level, efficiency in the deployment of resources between departments and regions was low because the product mix and industrial structure generated by the planned deployment of resources fell seriously out of step with the demand structure of the market. Unrealistic and over-ambitious plans which were divorced from our national strength and conditions resulted in great fluctuations in the national economy. These show that the old planned economic system which rejected the market mechanism was fettering the development of the productive forces. Thus, after the 1950's, the former Soviet Union and some East European countries began reforming their economic systems. In the subsequent waves of reform, they achieved varying degrees of progress in enlarging the authority of enterprises and encouraging them to compete in the market. In all, however, they had neither effectively established the market mechanism in the socialist economy or found the correct and effective methods for integrating planning and market in the socialist economy. These countries not only were unable to extricate themselves from their economic predicament, but were further weighed down by problems like the shortage of commodities, inflation and mounting foreign debts. In a sense, the collapse of the former Soviet Union and the socialist bloc in East Europe was, to a large extent, due to their failure to establish a market structure within the socialist framework.

Our party began to see the drawbacks of the planned economic system around the time of the Eighth CPC National Congress in 1956. That year, Comrade Mao Zedong sharply criticized the over-concentration of power under the planned economic system in his article "On the 10 Major Relationships." Not long after that, he also discussed the need to attach importance to the study of the commodity economy and the law of value. Despite repeated structural readjustments aimed at arousing the enthusiasm of different quarters in subsequent years, no substantial progress was made due to the constant interference of "left" guiding ideas. After the Third Plenary Session of the 11th CPC Central Committee in 1978, our party restored the Marxist ideological line of seeking truth from facts at the initiation of Comrade Deng Xiaoping. Thus began our bold and sustained theoretical explorations for ways of eliminating the drawbacks of the old planned system and establishing a new socialist economic structure that accords with our national conditions. In spite of some relapses, our understanding of the market mechanism in the socialist economy has been progressing, on the whole, deepening and improving these past 10 years and more. In the early years of reform, we did away with the concepts of pitting market regulation against socialism and equating mandatory planning with planned economy, put forward the concept of integrating planning and market, and put this concept into practice. This theoretical advance, which represents a major breakthrough in socialist economic ideology, is of immense historical significance. In the mid-1980's, on the basis of the gradual deepening of reform and theoretical studies, the party adopted at the Third Plenary Session of the 12th CPC Central Committee in 1984 the "Decision on the Reform of the Economic System." Besides emphatically pointing out that China was a socialist planned commodity economy, it called attention to the fact that a major task of our reform of the economic system is to gradually improve the market system. In 1987, on the basis of summing up the experience of reform and opening up, the party further made clear in concrete terms at the 13th CPC National Congress the idea that in the new socialist economic structure, planning and market would both cover the whole society. Since the 1990's, the understanding of the party and government in respect of the relationship between planning and market has further deepened and matured. Comrade Jiang Zemin pointed out in his "Speech at a Meeting Marking the 70th Anniversary of the Founding of the CPC": "As means to regulate the economy, planning and market forces are objective needs for the development of the commodity

economy based on large-scale socialized production. Although we may use both of them to a certain degree, they are not symbols of the difference between a socialist economy and a capitalist economy." It must be pointed out in particular that the recent remarks made by Comrade Deng Xiaoping on planning and market were theoretically even more profound and incisive. In his report to the 14th CPC National Congress, Comrade Jiang Zemin again clearly pointed out that our aim in carrying out the economic structural reforms was to establish a socialist market economic structure in order to further liberate and develop the productive forces. These will guide us in our efforts to more boldly and scientifically accelerate the pace of establishing a socialist market economic structure.

In modern economic life, there is not only social division of labor, which is becoming increasingly complicated and meticulous, but also independent economic interests for laborers and different economic organizations. Thus, commodity-money relations are bound to be widely present under socialism. Since there are commodity-money relationships, there are bound to be markets. Faced with infinitely rich, complicated, ever-changing and multifarious demands, our enterprises, which number tens of thousands, must decide what, how much, how and where to produce in accordance with market changes in order to bring production in line with demand. In other words, they must rely on the market to readjust the deployment of resources. In this sense, the socialist commodity economy is the socialist market economy. The commodity economy cannot exist independent of the market economy, and this will be the case even when the social productive forces are highly developed. At present, we are still in the initial stage of socialism. Given that the productive forces are still not well developed, diverse economic sectors are existing side by side, the market system is still not perfect, market rules and regulations have yet to be strengthened, and the efficiency of regulation through the market mechanism is not high, it is necessary for us to accelerate our pace in establishing the socialist market economic structure and socialist market system, and devote major efforts to developing the socialist market economy. Of course, the socialist market economy we want is quite different from the capitalist market economy both in terms of ownership structure and mode of distribution. What we practice is a market economy which upholds the leading position of public ownership and distribution according to work while striving for common prosperity.

The market economy that we want to vigorously develop is by no means the primitive and backward market economy during the period of classical capitalism. Neither is the market economic structure that we wish to establish one which rejects the state's conscious management of the national economy. An absolutely free market economy does not in fact exist in capitalist countries of the West. Seen from another angle, planned regulation or active management in actual economic life is something endogenous. Thus, planning and market are things inherent in the socialist market economy and are inseparably linked. On the whole, planning mainly seeks to readjust the deployment of major resources and the relationship between major socialist interests from the perspectives of macroeconomic considerations, total supply and demand, structure and so on, and deals with major development strategies for the whole country. These are the basic tasks of macro-control by the state. Market forces, on the other hand, mainly play a fundamental role in the realms of the microeconomy, everyday production and operational activities, as well as the deployment of relevant resources. In short, only by recognizing the fact that China is a socialist market economy can we truly perfect the macroeconomic management system and strengthen macroeconomic management.

II.

Since the task of our economic structural reforms is to establish a socialist market economic structure, we have, besides making continuous efforts to deepen our theoretical understanding in the past 10 years and more, carried out the following five experiments in the actual course of reform.

1. Giving more rights to the lower levels so as to change the over-centralized decisionmaking structure. From the angle of decisionmaking, the biggest drawback of the old structure which rejects the market is the over-centralization of power. The market mechanism is essentially a mechanism of decentralized decisionmaking. In this sense, decentralization is the prerequisite for market formation, or for the market to become a medium for the deployment of resources. The reason is that should the vast numbers of commodity producers and managers be unable to make their own decisions on matters of production, exchange and investment in accordance with cost and changes in market demand, we cannot begin to talk about deploying resources through the market mechanism. Since 1979, our country's economic structural reforms have been primarily concerned with breaking down the highly centralized decisionmaking structure of the past, and in this respect we have adopted a series of policies and measures aimed at expanding the powers of enterprises and allowing them to retain some of the profits. Although the implementation of these policies and measures leaves much to be desired, enterprises have indeed been given greater decisionmaking power. For instance, to varying degrees, enterprises can now make their own decisions in determining the scale of production, readjusting their product mix, and making changes regarding investment direction, product sales and income distribution. They are thus able to readjust their own production and operational activities according to changes in market supply and demand.

The reform aimed at decentralization of decisionmaking power finds concentrated expression in a substantial cut in mandatory planning. A basic feature of the operation of the highly centralized planned economic system is that it relies on large numbers of mandatory plans to

realize the distribution of resources and regulate activities of social reproduction. The industrial and regional deployment of resources on a macroeconomic level is determined by state plans, as are questions of what, how much and for whom enterprises should produce on a microeconomic level. Because a rich variety of products is produced in the microeconomic sphere and demand is ever-changing, and because plans handed down from the top are not only unscientific but have a low time utility and poor efficiency, wastage of resources is serious. Meanwhile, since enterprises lack vitality and motivation, it is necessary to give enterprises more power in order to invigorate them. It is also necessary to reduce the scope of mandatory planning, which has the effect of restricting their scope of activities, in order to give the enterprises more power. Since 1979, the state has gradually reduced the scope of mandatory planning in the spheres of production and circulation. At present, varieties subject to mandatory industrial production plans of the State Planning Commission have been cut down to about 60 from over 120 in the past; those subject to unified state distribution have been slashed to 26 from 125; and those subject to planned purchase by state commercial departments have been reduced to 23 from 188. Commodities produced according to plan and sold according to planned price have been reduced to below 30 percent.

2. Readjusting prices and lifting price control. If we believe that delegating power to the lower levels and letting them retain a proportion of profits is the prerequisite for creating active entities, then lifting price control so that prices can readily reflect changes in market supply and demand is an important condition for the effective deployment of resources through the market. If we only regard price as a means of accounting or auditing, its effects of inverse regulation may not be very obvious. However, if enterprises have the power of decisionmaking, especially in respect of matters of vital interest to them, but prices remain fixed and unreasonable, then market regulation will be inverse and inefficient. Thus, giving enterprises more decisionmaking power and lifting price control must go hand in hand. The following important steps have been taken in the price reform since 1990. First, floating prices were introduced to some products of the electronics and machine-building industry by first lifting price control over small commodities and most industrial goods for daily use. At the same time, control over the selling prices of a large variety of farm and sideline products in the cities was also lifted, so that the production of and demand for all goods in the consumer goods market, with the exception of a small number of farm and sideline products like grain and oil, were basically regulated by price. Second, steps were taken to gradually raise the exceptionally low price of capital goods, and the "double-track pricing system" was introduced to those not eligible for price decontrol for the time being. In 1987, double-track pricing covered 40 percent of all varieties of capital goods and accounted for over 75 percent of their sales volume. Double-track pricing is a typical measure during the transition from the old system which rejected the market mechanism to the integration of planning and market. In essence, this means allowing prices to be used, within a given scope, as signals for stimulating production and deploying resources when the system of planning still operates in the production and circulation of capital goods. Of course, due to its transitory nature, the integration of planning and market is just the tacking together of two systems, and a lot of friction remains. In short, as a result of lifting controls over the prices of capital goods, making price readjustments and practicing the double-track system, prices have become an important regulatory tool and medium of resource deployment in the production and circulation of capital goods.

3. Reforming the unimodal system of circulation with state circulation departments carrying out unified purchase and marketing of products, and creating an open and multi-channel network of circulation. In line with direct planning in production, the production and marketing of the majority of industrial goods were kept apart under the old system. All products of enterprises were purchased by state circulation departments (material, commercial and foreign trade departments), but whether or not they were marketable was the state's business. Under such a unitary system of circulation, gaps between total demand and supply and structural imbalance were commonplace. Following the expansion of the decision-making power of production and circulation enterprises and the recognition of their independent interests, this highly centralized unitary system naturally could not go on. Other forms of circulation, such as marketing by the enterprises themselves, selective purchase by commercial departments and integrated production and marketing emerged as the time required. Meanwhile, due to the need to coordinate supply and demand, the stimulation provided by circulation earnings thus generated, and deregulation by the state, the nonstate sector in the sphere of circulation rapidly expanded and a system of circulation with state circulation departments as the mainstay and involving other sectors took shape. This multi-channel system of circulation is a prerequisite for the market mechanism to play its regulatory role in the commodity market; it is also an important reason for our successful first attempts at integrating planning and market in the sphere of circulation in recent years.

4. Developing and cultivating a market system. In order that the market can effectively deploy resources, prices must be elastic and the market must be a well-developed and healthy system. In other words, we need to have labor and financial markets in addition to a commodity market. Only in this way can labor and financial resources be deployed to those trades that need to be developed and to those enterprises that are competitive and have strong vitality. As far as the development of the commodity market is concerned, there are already over 10,000 farm produce markets, more than 3,000 wholesale markets for industrial consumer goods, more than 200 markets for large items of rolled steel, and nearly

400 trading centers for capital goods. The financial market is already taking shape. While efforts are made to centralize the banking system and significantly increase the fund distribution capability of banks, a short-term money market based mainly on interbank borrowing, a long- term money market based mainly on various types of bonds, and a securities market based mainly on the circulation of securities have also developed. According to incomplete statistics, the number of institutions which are primarily engaged in securities transactions already exceeds 300 in the whole country. Regarding the labor market, efforts have been made to optimize the existing production elements within the state sector of the economy and to implement an all- personnel contract work system and a temporary work system in respect of the newly added production elements. In this way, local labor markets are beginning to emerge out of the non-state economic sector and the newly added labor force in the state sector, thus giving a powerful boost to market involvement and the deployment of resources in the process. At present, more than 8,000 labor market service units have been established by labor departments at and above the county and city levels.

5. Establishing a preliminary system of indirect macroeconomic-control. Delegating power to enterprises and the local authorities and lifting price control do not mean that the central government will no longer have anything to do with economic matters. It only means that direct control of the production and circulation activities of enterprises will be replaced by indirect control through macroeconomic management. Over the past 10 years or more, we have carried out the following reforms aimed at establishing new regulatory means and developing new modes of management: 1) We have established a central banking system in order to give full scope to monetary policies in macroeconomic-control. We have also established a two-tier banking system with the central bank (the People's Bank of China) playing the leading role, supported by specialized state banks. 2) We have made attempts to rely on economic means to regulate investment by replacing allocations for capital construction covered by the state budget with loans granted by the Construction Bank. 3) We have reformed the system of taxation in order to bring into play the regulatory role of taxation in production, circulation, distribution and consumption. 4) We have enacted and perfected various types of economic legislation in order to bring economic management within the legal framework. Through these reforms, we have accumulated new experience in macroeconomic management, examined the effectiveness of our macro-control measures, and discovered problems that need to be addressed in the future.

Reforms carried out during the past 10 years and more in the five areas mentioned above have brought about tremendous changes in our economic operational mechanisms. After the overcentralized power and interest structures became more decentralized, the authority and interests of the local governments and economic entities were strengthened. After the system where administrative departments alone could issue resource deployment signals was replaced by one where the market was also a determining factor, the role of market information in the deployment of resources was obviously enhanced. After direct planned control which relied solely on administrative organs and administrative means for its operation was replaced by a system where regulation by planning and regulation by market forces existed side by side, economic means and indirect control began to play a more important role in macroeconomic management by the government. Although the vertical organizational system of "pyramid-style" administrative coordination still existed, horizontal self-organization market mechanisms began to emerge. Due to changes in these respects, our present economic operational mechanism is no longer the simple planning mechanism prior to reform, nor is it a unitary market mechanism under the macro-control of the government. Rather, it is a dualist mechanism where planning and market have been integrated, but have yet to be organically fused into one. Although mechanisms of motivation, information, control and organization characteristic of the old system have been changed to varying degrees, they have not disappeared completely, and some are still operational. On the other hand, although a new framework is gradually taking shape on the basis of the integration of planning and market, and its basic constituents are coming into being one by one, a new system of economic mechanisms that can operate effectively has yet to develop. Thus, the present structure is a dualist one where the new is replacing the old.

This dualist structure represents a historic step forward compared with the planned structure of the past. It brought about rapid economic growth during the 1980's. However, this dualist structure which cannot organically integrate planning and market is still a long way from the socialist market structure that we want to establish because there are still market barriers and imperfections in the market system. Market barriers or blockades mainly find expression in barriers between different departments and administrative divisions. In the sphere of production, these barriers find expression in scattered production and duplicated layout, with different localities and departments all making a bid to launch "short-term, inexpensive and quick" projects with a large profit margin irrespective of the availability of resources or the local conditions for production and operation, thereby hindering the formation of a unified market. In the sphere of circulation, they find expression in efforts to stop the flow of local products to other places when these goods are in short supply, and stop the flow of goods from outside when supply exceeds demand. We say that the market is unhealthy mainly because when commodity markets are developing, production factor markets cannot keep pace with them. The fact that factor markets, such as markets for capital, labor, technology, information and real estate, are lagging behind in development makes it difficult for the market mechanism to function normally.

Frictions between the two structures at the present stage find expression in the following respects: First, in respect of investment, the irrationality of pricing and the impact of investments by independent market-oriented economic entities on state industrial policies and regional policies have produced inconsistencies between the investment intentions of the central authorities and the investment direction of the localities or enterprises. Second, in respect of production, planned production tasks are adversely affected by tasks subject to market regulation because of their downward bias in prices. Third, in respect of pricing, the huge price disparities produced by the double-track pricing of some commodities have produced "double distortions," with planned prices showing an extreme downward bias and market prices showing an extreme upward bias. Fourth, in respect of commodity circulation, distribution subject to planned allocations and distribution subject to market regulation influence and condition one another. Fifth, in respect of financial institutions, there is a conflict between operational functions that go with economic entities and regulatory functions that go with specialized state banks. Sixth, in respect of enterprise behaviors, the state of "double reliance," with enterprises keeping a watchful eye on the government on the one hand and the market on the other prevails although steps have already been taken to separate government and enterprise functions.

Compared with the old structure, this dualist structure is naturally a great historic step forward, and has enhanced our country's vitality for steady economic development. The 14 years between 1978 and 1991 have seen the fastest economic growth and the fastest improvement in the people's standard of living in China. As the functions of the market in the deployment of resources grew, the role played by customer preferences in the deployment of resources also grew and the gap between supply and demand quickly narrowed. Changes in these two respects are not just some of the tremendous achievements of reform. They are also the material foundation for further efforts to promote reform and establish a market economic structure. If we fail to see this, we will not be able to fully assess the great achievements of reform during these 10 years and more. However, if we only see this but fail to take note of the drawbacks produced by frictions within this dualist structure, and of the necessity and urgency of the task of tackling these drawbacks, we will miss the opportune moment for establishing the socialist market economic structure.

These problems produced by the coexistence of two systems show the pressing nature of the historic mission of establishing a new market economic structure through deepening the reforms within the not-too-distant future. At the same time, we must recognize that the 10-plus years of economic structural reforms and the speedy development of the national economy have created favorable conditions and a rare opportunity for the Chinese nation to accomplish this historic mission. The 10-plus years of economic structural reforms have promoted the great development of the productive forces and a speedy improvement of the people's standard of living. They have laid a profound material base and mass base for mobilizing the people of China to further plunge into the historic torrents of reform and promote the development of the market economy. The 10-plus years of reforms have also made the Chinese people more aware of the significance of the commodity economy and deepened their understanding of the laws of pricing and the market mechanism. A modern contingent of entrepreneurs is emerging and expanding. The ability of leading cadres at various levels to develop commodity economy, master the laws of the market and scientifically carry out regulation is also growing. There has been a significant change in the chronic expansion of total demand, and in some trades buyer's markets have in fact developed, thereby creating extremely favorable conditions for the pricing reform and the readjustment of pricing structure. A large number of competitive enterprises and departments, including state and nonstate enterprises, has emerged, and they are increasingly able to bear regulation through the market mechanism. Standard and orderly market organizations have come into being, providing the organizational base for increasing the efficiency of regulation by the market mechanism. The experience of the state in regulating the economy and organizing reform has been growing. More importantly, people's enthusiasm for reform has been further aroused by Comrade Deng Xiaoping's speeches during his inspection tour of south China, and the 14th CPC National Congress has unified the understanding of the whole party on the need to further speed up reform and boldly establish a socialist market economic structure. Provided that it makes scientific plans, boldly implements them and acts in a prudent manner, the CPC will be able to lead the people of the whole country in accomplishing this important historic mission, establish the socialist market economic structure, and lay the structural base for the Chinese nation to truly establish its position among the nations of the world.

III.

The replacement of the old "planned commodity economy" with socialist market economy involves a substantial change in our understanding of the nature of socialist economy. It also entails corresponding changes in the organizational form of the socialist economy, the aim and strategies of economic reform, and various aspects of social and economic life. It places new demands and exerts a profound influence on the government, enterprises and individuals. With a view to fulfilling this strategic task, the report to the 14th CPC National Congress put forward the following four tasks: Change the way in which enterprises operate; accelerate the establishment of the market system; deepen the reform of the system of distribution and the system of social security; and change the functions of government. Specifically, the following are the changes that need to be made:

First, the ownership system should be changed from a singular system of public ownership by the state or the

collective into a mixed system of ownership (shareholding system) based on the public economy. Practice has proved that under a singular public management mode, government-enterprise relationships are difficult to coordinate and enterprise funding avenues are too narrow. This is not beneficial to the growth of enterprises and cannot meet the needs of the market economy. In order to develop a socialist market economy, it is imperative that the shareholding system be implemented in enterprises. This kind of shareholding system is a system of mixed ownership with public ownership as its basis, and involves exchange of shares between enterprises under different ownership systems and between different types of legal entities, as well as the acquisition of shares by individuals.

The following methods may be adopted to move from the contract system currently in force to a system where the state has the controlling shares, with state organs, mass organizations and members of staff and workers acquiring partial shares: 1) New enterprises established with funds pooled from various quarters may consider adopting the shareholding system. Under this system, investors shall be entitled to profits and decisionmaking power in proportion to their share of investment. 2) Old enterprises which meet the necessary conditions may switch to the shareholding system on entering into cooperative ventures with foreign or other local enterprises. Trial application at selected units during the past few years shows that efforts should be made to prevent enterprises from taking advantage of the switch to the shareholding system to turn profits into wages. In trying out the shareholding system in state enterprises, it is necessary to make proper arrangements and do so in an orderly manner. They should not rush headlong into it.

Second, the mode of economic operation should be changed from one having the government playing the leading role into one which has enterprises and individuals playing the leading role. In a socialist market economy, where the government no longer plays the leading role in the national economy, enterprises and individuals will become decisionmaking, executive and interest entities. In enterprise operation, decisions, execution and interests must reflect the wishes of the entrepreneurs and individual staff and workers. The responsibilities and interests of the entrepreneurs and individuals must be clearly defined, and the leading role of individuals must be fully brought into play. Only then will enterprises be able to truly function as the main body.

Third, enterprises and individuals, rather than the government and the society, should bear the risk of decisions made in enterprise operation. The market economy is a risk economy. Enterprises that are responsible for their own profits and losses also bear their own risks. After declaring themselves bankrupt, not only the managers but also the staff and workers must bear their share of responsibility. Only in this way can enterprises, entrepreneurs, staff members and workers truly gear themselves for the market. State enterprises cannot all switch to the shareholding system at the same time. For the majority of enterprises, the most pressing task is to readjust the structure of existing production elements and improve economic performance. Those enterprises which have more liabilities than assets, are suffering heavy losses, or are producing inferior and unmarketable goods should be suspended or liquidated, or merged with others that are doing well in business. As far as enterprises which are operating poorly and are incurring heavy losses are concerned, the difficulties of declaring bankruptcy and the pressures against such a move do not mainly come from the state, because by declaring bankruptcy the state will be able to remove a financial millstone, and it will allow the factory premises, the equipment and the labor to be put to better use. The pressures against bankruptcy mainly come from the staff and workers, because their income will be affected after they lose their jobs. Moreover, since China practices a system where welfare and insurance benefits go with jobs, the loss of employment also means the loss of welfare and insurance benefits. Thus, out of the need to maintain political stability, the state tends to keep going, at least for the time being, enterprises that should no longer exist. Thus, in order to readjust the structure of existing production elements, we must work out ways of mitigating the loss of income, welfare and insurance benefits inflicted on staff and workers by the liquidation of enterprises. This requires that we speed up the reform of the labor insurance and welfare systems. On the one hand, the welfare, relief and insurance functions now shouldered by enterprises should be passed on to the society. On the other hand, unemployment relief and insurance funds should be established with contributions from individuals, the society and the enterprises.

Fourth, enterprises should change their operational strategy from reliance to self-development. In order to successfully compete in the market, enterprises must find a strategy for survival and development that is suited to their operational needs and is market- oriented. Dependence on government departments at higher levels to hand down plans and monopolize sales can no longer suit the needs of the new situation of market economy. Enterprises must attach importance to competition and quality, integrate economies of scale with diversification, and develop their own special characteristics.

Fifth, the relationship between enterprises and the government should be changed from one where no distinctions are made in their respective functions into one where administrative jurisdiction does not enter. Although a lot of work has been done in separating government and enterprise functions since the commencement of reforms, government and enterprise functions cannot be truly separated because enterprises need to have powerful competent departments. When there is a department in charge, there is jurisdiction, which means that government departments have the power to intervene in one way or another. The removal of administrative jurisdiction is a feasible way of separating government and enterprise functions.

Sixth, the management of economic affairs by the government should be changed from direct management on a one-to-one material basis to indirect management by trade on a value basis. The supply of and demand for products produced by enterprises should be regulated by the market mechanism. The functions of the government should be changed to indirect management on a trade basis through the formulation of industrial policies, policies for individual trades, laws and regulations, the dispatch of economic information, and other indirect means.

Seventh, the management of state assets should be changed from management of physical assets to management in value, money or security forms. At the same time, steps should be taken to shift from the sole management of fixed funds to the integrated management of assets like real estate, negotiable notes, and commodities. The old method of management of state assets was material-based. It only involved the registration of factory premises and equipment formed by state investment, the prohibition of unauthorized transfers, and so on, and paid no attention to the management of assets in the form of value. Thus, it was unable to effectively maintain, increase and circulate the value of state assets. As the capital market develops and improves, state assets should be able to circulate in the market in the form of securities. When the real estate market has been developed, some state assets may be traded there.

Eighth, the labor and employment system should be changed from state guaranteed employment to free choice of employment. In this regard, it is necessary to bring the market mechanism into play in the deployment of resources in order to develop an appropriate labor market. First of all, efforts must be made to promote the rational flow of intellectual labor and improve the method of "two-way selection" in the distribution of university and college graduates, and to continue with the work of improving the contract work system, where enterprises have the right to dismiss or terminate the employment of staff and workers, and staff and workers have the right to choose their jobs. The proper flow of labor between town and country and between regions should also be encouraged.

Ninth, the competition mechanism should be changed from the present mode where different standards are adopted by enterprises under different ownership systems into one where the same rules apply to all kinds of enterprises. In future, enterprises owned by the whole people, collective enterprises and foreign-invested enterprises should, through the formulation of uniform laws and regulations, be made to compete on an equal footing under similar circumstances. The present poor efficiency and confusion in market competition can be attributed to the fact that market laws are far from perfect. While sorting out existing laws and regulations, we must pay close attention to the formulation of basic laws and regulations for the maintenance of market order and the restriction of enterprise activities, such as company law, fair competition law and anti-monopoly law, and strengthen judicial work on the basis of legislation.

Tenth, the system of pricing should be changed from a system in which prices are determined by administrative departments to one in which prices are determined by market forces. In the future, the proportion of prices determined by administrative departments should be further reduced and the overwhelming majority of prices should be determined by market forces. Without a rational pricing system, we cannot begin to talk about effective regulation by market forces. Thus, we must make the best of the present opportune moment, when a basic balance has been maintained between supply and demand for several years running and the gap between double-track pricing has been greatly narrowed, to lift price control over the majority of capital goods and abolish the double-pricing system on the basis of controlling total demand. Raw and semifinished materials needed by key projects of the state and key large enterprises may be ordered from the state with guaranteed quantity but not guaranteed price. The basic principle for the merging of the two pricing tracks is: In the case of commodities where supply and demand are basically balanced, the planned track should be merged with the market track; in other words, price control should be lifted. As for commodities with a large gap between supply and demand, where planned prices are well below the market prices (mainly basic industrial goods), the method of track-merging is to substantially raise the level of planned prices and, through price readjustments and simplifying the forms of planned prices, gradually bring about a single consolidated planned price.

Lifting price control is the precondition for the effective regulation of the market. However, this alone does not mean the formation of markets. While rationalizing prices, it is necessary to positively develop new organizational forms of circulation that are conducive to the smooth and steady flow of goods. In major producing and marketing areas of farm and sideline products and capital goods, efforts must be made to improve existing spot markets and, through the establishment of organized and guided wholesale markets, raise the organizational level of these spot markets. Meanwhile, on the basis of energetically developing long-term contracts, we should also conditionally introduce the mechanism for futures markets and develop futures trading. We should encourage and develop joint operations, joint purchase, joint marketing and other forms of horizontal ties between production, supply and marketing units; energetically develop the construction of transport and storage facilities and information services; and promote the establishment and improvement of the market system, including financial, labor and real estate markets, in conjunction with the reform of the monetary, financial and labor systems in an effort to put an end to the present disharmony in market growth, where the development of production factor markets is seriously lagging behind.

1992 Macroeconomic Focal Points Discussed

93CE0306B Beijing NONGMIN RIBAO in Chinese 7 Feb 93 p 3

[Article by Lin Yifu (2651 3015 1133) et al.: "Putting China's 1992 Macroeconomic Focal Points in Perspective"]

[Text] **A Good Overall Situation**

First, the new rural economic system creating a new agricultural system based on the family-based output-related contract system was established. With this as the starting point, the cities and towns began to develop a competitive economy made up of diverse economic components and different forms of ownership systems, and this injected new energy into the national economy. Second, the market mechanisms were put to reasonable use. With respect to the market environment, reform of the product price system was a success. Today, the role of mandatory plans has greatly diminished. Survey showed that more than 80 percent of the products are now market regulated. Reforms of the wage, interest rate, and exchange rate systems are implemented on a trial basis and have shown initial success in some areas. With regard to enterprise management mechanisms, the contract system, first introduced in the rural areas, was brought to the urban areas and tested on a broad basis with remarkable results. Third, preliminary readjustments were made to the economic structure, and the flourishing township enterprises changed the rural areas' one-dimensional industrial structure. The rural areas' nonagricultural output value now exceeds their agricultural output value, and the mix of products that caters to the people's everyday needs has brought market prosperity and raised the living standard. In addition, the income of the urban and rural population has increased substantially; most people have benefited from the reform. Finally, practice proved that reform has reached an internal point of no return.

Should the Rate of Economic Growth Be Adjusted?

Economic growth has clearly picked up speed this year, and some "bottlenecks" have appeared, or at least there are signs of the economy overheating. To keep the economy from deteriorating, it is necessary to take some effective measures and make adjustments to cure the symptoms. But at the same time, we need to adapt to the new situation and make broader use of the reform measures to eliminate the root causes of the recurring problem of the economy overheating.

Runaway Inflation Should Be Avoided

The credit scope increased 18.9 percent in 1991 and new currency issuance reached a level unmatched except in 1988. Based on these, we can conclude that there is new inflationary pressure in the economy. Because the living standard has been rising steadily in recent years and income has been soaring, consumption of some products has reached saturation point, and so the people's savings has been growing steadily, adding to the inflationary pressure. For this reason, not only will inflation continue to be a potential threat to the economic reform process but the sudden drop in the rate of increase in savings (and in some localities, the absolute amount of savings) in 1992 signaled that inflation could reach a fairly high rate. Recurring runaway inflation will necessarily upset the people's normal expectations and reduce their confidence in the economic reform. Therefore we must seize the moment and drastically change the macro policy environment that breeds inflation.

The Outlook Is Less Optimistic for the Large- and Medium-Sized State-Owned Enterprises

The relative profit generated by state-owned enterprises has plummeted, and their share of contribution is out of line with the share of assets they own. In 1991, 27.8 percent of the state-owned enterprises lost money totalling 31.05 billion yuan, which equalled two-thirds of the state-owned enterprises' total realized profit for the year. A survey in the first six months of 1992 showed that this situation has not changed, and clearly it is very important that we make a proper diagnosis and come up with the correct prescription for the disease.

Will the Rural Problems Become a Destabilizing Factor?

The respective urban-to-rural ratios in terms of income and consumption rose from 1.7:1 and 2.4:1 in 1984 to 2.4:1 to 2.9:1 in 1991. The peasants' income generally fell faster in the central and western regions than in the eastern region. Relevant data showed that between 1985 and 1990, three out of nine provinces and municipalities, or one-third, in the eastern region showed actual decline in peasant income while 16 out of 21 provinces and municipalities, or four-fifths, in the central and western regions showed actual decline. Clearly the rise in peasant income has slowed in China's rural areas and regional income disparity has widened. The fact that the increase in peasant income has slowed or stalled coupled with the widening gap between urban and rural income and between different regions may pose a destabilizing factor to future reforms. How to increase the peasants' income and reduce the urban-rural and inter-regional disparities has become a problem which must be resolved in the next phase of reform.

Corruption in the Economic Realm Must Be Curbed

Even though party organizations and governments at all levels have never eased up on their diligent efforts to investigate and crack down on all sorts of corruptions and crimes, like a malignant tumor, the practices of abusing power for personal gains, trading one form of power for another, and exchanging power for money have firmly attached themselves to different sectors of the economy and have gradually spread to the political and social realms. Although corruption has only tainted a handful of party members and government workers, its effects are detrimental and it has discredited the party

and undermined the people's expectation and confidence in reform and opening up. Therefore, we must resolutely curb corruption in order to guarantee the smooth progress of reform and opening up.

What Is the Next Step?

Based on China's current economic situation, the following should be included in the next phase of reform:

1. We must establish a policy environment conducive to our comparative advantage strategy. The general principle behind the comparative advantage strategy is to allow prices to reflect the relative scarcity of various products and factors of production, so that the development of the national economy can give full play to the comparative advantages of different resources. Interest rates should play a key role among the prices of all factors of production and should be the first to be decontrolled; they should be determined by fund supply and demand in the market. Secondly, we should implement a variable exchange rate system while maintaining macro regulation and control, and we should permit free trade, so as to give even more play to the nation's and the regions' comparative advantages and take advantage of the opportunities provided by world economic development. Furthermore, we should reform the traditional system of low wages and low prices and the welfare and social security system and decontrol wages and prices. Finally, as a scarce and the most basic factor of production, land should be allowed to be traded in the market under government supervision to reduce waste and increase land-use rate.

2. We should implement enterprise reform. The key to invigorating the state-owned enterprises lies in curtailing the government's administrative intervention in and undue protection of state-own enterprises, so that they can be tested by free competition which will eliminate the inferior and establish the superior. With this kind of understanding, we feel that in view of today's underdeveloped markets, the shareholding system may not be as successful as once hoped in the large- and medium-sized state-owned enterprises.

3. We need to implement rural reform. We should change the way agricultural products (vital food grains) are priced and let the market set prices instead. We should stop drawing up mandatory plans with regard to planting area and restricting employment of the rural labor force, and we should develop various markets for products and factors of production.

4. As the market system is steadily being perfected, the government should gradually give up its microeconomic management tasks and turn to strengthening its macroeconomic functions instead.

PROVINCIAL

Guangdong Conference Tackles Economic Problems

Governor Urges Speed, Efficiency

93CE0324A Guangzhou NANFANG RIBAO in Chinese 17 Feb 93 p 1

[Article: "At the Provincial Economic Conference, Zhu Senlin (2621 2773 2651) Emphasizes the Importance of Combining Speed and Efficiency—Urges Diligence in Solving Seven Economic Problems"]

[Text] The Guangdong Economic Conference came to a close yesterday afternoon. At the meeting, Governor Zhu Senlin gave an important talk on seven economic problems which urgently needed solutions.

The seven problems discussed by Zhu Senlin were: 1) How to correctly analyze today's economic situation and remain sober-minded. 2) How to reinforce and uphold the fundamental role of agriculture and promote coordinated development among the three major industries. 3) How to vigorously change state-owned enterprises' management mechanisms. 4) How to strengthen guidance and management toward the development zones and real estate development. 5) How to further open up foreign and domestic markets. 6) How to improve fund-use efficiency. 7) How to strengthen the government's macroeconomic regulation andcontrol.

Putting the Current Economic Situation in Proper Perspective

Zhu Senlin said, to have a correct and clear understanding of Guangdong's current economic situation is the prerequisite to reaching a common understanding among the cadres at all levels and to ensuring completion of this year's many tasks. Today's overall economic situation is indeed gratifying, but despite the fine situation and the raving reviews, leading cadres at all levels must remain cool-headed, face up to and diligently solve the many problems that have emerged as economic development picks up speed. He said that we must have a clear understanding of the opportunities and challenges before us and combine liberated thinkings with practicality and a realistic approach. Today we have the urgent task of catching up with Asia's "Four Small Dragons," and we are also facing other important tasks of establishing a socialist market economic system. We are still not moving fast enough, and our system and ideologies have not fully adjusted to the new situation. In many ways, we are not open-minded enough, and often we still turn to old ideas and old solutions when dealing with new situations and new problems. Thus, to accelerate Guangdong's economic development, we must continuously emancipate our thinkings and embrace new ideas. Meanwhile, we must also insist on seeking truth from facts, start out in practical way in everything we do, respect objective laws which we cannot change, and make concrete analyses of concrete situations. We

cannot achieve the goal of increasing total output eight folds if we do not quicken the pace of development. But we must start out from what is practical and feasible; we cannot ignore reality and blindly pick up the pace; we must not add pressure at every level to "speed things up." We must always insist on gauging our capacity, do our best, build up speed by optimizing structure and improving efficiency, and strive to combine speed and efficiency.

Correctly Guide the "Development Zone Craze" and "Real Estate Craze"

In discussing how to properly guide and manage the development zones and real estate development, Zhu Senlin pointed out that the accelerated development has swept many localities with a "development zone craze" and "real estate craze." To open up development zones and small-scale industrial zones where necessary and feasible is essential, and most localities have done very well. But we must not overlook some existing problems. Some development zones have staked claims to large areas and have taken over many high-yield grain fields and suburban vegetable plots. Many development zones are idle and wasted because of insufficient funding and lack of business. Some localities are offering preferential terms to attract foreign investors and even cutting land prices in order to compete. As for real estate development, many localities ignore market demand and rush headlong into developing expensive residential areas and fancy summer homes, creating all sorts of "villas" everywhere. They mainly target buyers from Hong Kong and Macao. If ever the Hong Kong-Macao market should stall, since few people in the mainland can afford this type of housing, we will face serious economic losses. We must promptly provide correct guidance and management toward this kind of "development zone craze" and "real estate craze"; otherwise, it will bring dire consequences to our economy.

We Must Improve Fund-Use Efficiency

In accelerating Guangdong's economic development, how to raise the huge sums of capital is an important question. According to Zhu Senlin, to help Guangdong speed up its economic development, the state has agreed to manage the province's credit scope "on a separate basis." Pilot projects will be set up in the province's banks to test the system of managing the given quota of loan funds based on asset-liability ratio and asset-risk relationship. The state has also agreed to allocate at least as much credit fund as last year. This scheme clearly is not meant to slow the economy; rather, it makes sure that the economy will continue to grow at the rate originally planned. Zhu Senlin emphasized that in order to make good use of this sum of money, we must improve fund-use efficiency. Last year, some of the loan funds were misappropriated; use-efficiency was poor. Today, many localities in the province are very much motivated to speed up their development. Many projects are underway, and everybody is hoping that banks will extend more financial support. We must be on the alert to prevent unnecessary fund diversion and make sure that we can guarantee funds for key projects. Governments at all levels must pay close attention to financial matters and show concern and support toward the financial departments in improving macro regulation and control. We must keep excess investment under control and work together to make sure that funds are put to good use.

Provincial party committee and government leaders including Lu Ruihua, Huang Huahua, Liu Weiming, Lu Zhonhe, and Zhang Gaoli and others were present at yesterday's meeting.

Commentary on Economic Problems

93CE0324B Guangzhou NANFANG RIBAO in Chinese 17 Feb 93 p 1

[Commentary: "Tackle the Problems Under Today's Fine Circumstances"]

[Text] Since Comrade Deng Xiaoping delivered his major speech during his tour of southern China last year, Guangdong's economy has kept up its rapid growth momentum. The whole province is charged up. The recent provincial economic conference conveyed words used by leading comrades of the central authorities to sum up the current situation: "The situation is good. Avoid overheating." To leaders in charge of economic tasks at all levels, these are indeed sobering words.

Today there are indeed certain phenomena in Guangdong's economy which should not be overlooked. In terms of fixed asset investments, the localities have gone overboard with their investments; the investment structure is poor. In particular, more than a handful of localities have set up "development zones" recklessly and have taken up too much farmland. This is affecting grain production and is shaking up agriculture which is the cornerstone of our economy. It is also making the readjustment of the industrial structure more difficult and is squeezing much-needed funds from the energy, transportation, communications, and raw materials industries. With regard to the credit volume, the localities are displaying a fairly clear tendency to expand the credit scope in order to achieve a high rate of growth. Some localities and units are not setting new priorities for the projects based on their importance and urgency but are insisting on taking on everything and are circumventing the loan quotas and diverting funds to "dead-end" development zones and ordinary processing projects. When it comes to industrial production and economic efficiency, Guangdong has not made sufficient progress toward improving the mix of industrial output. Many of its enterprises' products are not competitive; their overall economic efficiency is poor. China will soon reclaim its GATT seat, and some of these enterprises will not be able to face up to the challenges and tests.

At a time of rapid economic development, leaders in charge of economic tasks at all levels must calmly analyze the current situation, address the issues, and

begin to study and solve the problems. On the one hand, they must fully mobilize and protect the enthusiasm and creativity of the masses of cadres and people to speed up economic construction, and on the other hand, they should take care to prevent and avoid serious fluctuations and losses during the period of economic growth. Today, it is important that we strengthen the macro management of fixed asset investments and guide the investment scope, direction, and focus. We should increase investment in the infrastructure, but we must be resolute in stopping investments in redundant, ordinary processing projects that should be stopped. The existing development zones should be sorted out. Those that have never been examined and approve, that do not have sufficient funding, or those that take up too much land should be stopped, and the land should be restored for farming. Real estate development should be put under uniform planning. The developers' property rights in the land should be revoked if they sit on the land and fail to begin construction work according to schedule. Land speculation as well as Staking claims to land should be prohibited. We must strengthen credit management, put the credit volume under strict control, and put the limited amount of funds on the knife's edge—put them where they are needed the most.

We believe that if the cities and counties work hard, today's economic problems can be solved. Guangdong's fine economic situation will last.

FINANCE, BANKING

Some Issues on Securities Grading

93CE0361A Beijing JINRONG SHIBAO in Chinese 21 Feb 93 p 4

[Article by Wu Jingmei (0702 2533 1188): "What Needs To Be Solved Promptly in Securities Grading"]

[Text] With the business of securities grading being extensively unfolded, some problems in its operating mechanism have emerged and to some extent, affected the role of securities grading.

One, the issue of competition has not been solved. The law of commodity economy and the market mechanism should be anti-monopoly. In actual work, however, securities grading has a specialized nature and specific characteristics. Sheer emphasis on competition is inappropriate. Therefore, the issue of how to conduct appropriate competition based on both certain division of labor and overlapping has not been solved yet. At present, according to incomplete statistics, there are nearly 50 various institutions of financial standing and credit evaluation across the country. They are scattered in 28 provinces, municipalities, and autonomous regions. In general, large- and medium-sized cities have more than two such institutions, and some have six. In addition, their scope of business activities is basically identical, they become one another's competing opponents. It should be said that arenas have been set up, and a competing situation has come into being. But in fact, organizationally these institutions are inclined toward some departments. They are not neutral. Therefore, they all depend upon those departments for their business management. They divide spheres of influence, break up markets, and monopolize management. There are cordons among various evaluation institutions. They do not go one step beyond the prescribed limit. This has, to some extent, weakened the openness of securities grading, and is not conducive to its development.

Two, the scope of business is not clear and definite. The main body of financial standing and credit evaluation, securities grading includes the grading of negotiable securities. But at present, only debenture grading is being offered. As for whether stocks are to be graded, the departments concerned do not have clear and definite regulations, and are disputing the issue. According to international experiences, stocks must be graded in some countries, and some do not grade them. However, viewed from the development of Western financial markets over the past few decades, the advantages of grading are greater than its disadvantages. At present, transformation of the enterprise shareholding system has gradually unfolded in China, and the first class stock markets are rapidly expanding. Nevertheless, the investment mechanisms still are not perfect, negotiable securities markets still are not very developed yet, and the shareholding system is not standard either. To guarantee the interests of investors and the healthy operation of stock markets, the work of grading is extremely urgent.

Three, there is the lack of an operating system. Securities grading mainly evaluates an enterprise's quality, the quality of its financial affairs, the direction in which its funds are invested, and its ability to pay debts. At present, qualitative analysis is mainly relied on for the evaluation of an enterprise's quality, the direction in which funds are invested, and the ability to pay its debts. Standard reference conditions are not quantitative. There is no definite and certain content for specific standards. There are no strict limits for the grasp of the standards. Therefore, there is much flexibility in evaluation and operation. Even the grading of negotiable securities of the same types in the same enterprise can vary from person to person. The subjective coloring has affected the objectivity and fairness of securities grading.

Four, evaluation quotas have not formed a system. In securities grading an enterprise's quality of financial affairs mainly takes quantitative analysis. A set of specific quotas must be used to conduct step by step prediction and computation, examination, and evaluation. Therefore, respectively working out different evaluation quotas for the negotiable securities of different trades and types is the prerequisite to guarantee scientific securities grading. But the current evaluation is excessively simple and general in dividing trades. Therefore, the quotas are aimless. Furthermore, a complete quota system that would include evaluation quotas for various trades does not exist. This has no apparent

differences from the current simple differentiated evaluation quotas of different trades, methods of prediction, computation, and basic reference values. No differences can be found at all in the evaluations of different types of negotiable securities. They are identical. This has directly lowered the accuracy and reliability of securities grading.

Five, grading results lack binding force. Securities grading divides credit into nine grades of three scales. The higher the grade, the less the risk. After evaluation institutions have publicized the notices of securities grades, they have in fact provided investors with information on the risk degrees of securities, and they will eventually affect and restrain the work of securities issuance. To guarantee the smooth proceeding of the work of issuance, securities issuers must readjust and eventually determine issuing prices and interest rates in accordance with the established credit grades. For example, the issuing of high class bonds will be very smooth because their risk is small. Enterprises can raise issuing prices and lower interest rates so as to reduce issuing costs. Conversely, low grade bonds constitute big risks. In order that marketing can be opened up, issuing prices will have to be lowered or interest rates raised. By so doing issuing costs will be heightened. Therefore, the establishment of relationships among the credit scales and the issuing prices and interest rates, and bringing into play the binding force of the grading results can help enterprises with poor efficiency issue fewer or no bonds, and avoid reckless issuing of bonds. Enterprises with excellent efficiency can normally issue bonds and merge capital. This will not only protect the interests of investors, but also help managers achieve a certain degree of macro-regulation and control. At the same time, because various securities have different risks, benefits, prices, and interest rates, different levels are created, and securities markets have also been enriched and enlivened. But in the current securities grading issuing prices and interest rates have been set prior to the grading. Readjustment, which is not made after grading, has nothing to do with high or low grading results. Although grades are different, prices and interest rates are entirely the same. To some extent, this has made grading lose its effect, and the grading results do not constitute any binding force over enterprises.

TRANSPORTATION

Eastern Airlines Opens Shanghai-Madrid Route

OW0204013093 Beijing XINHUA in English 1733 GMT 1 Apr 93

[Text] Madrid, April 1 (XINHUA)—China Eastern Airlines opened a new route between Shanghai and Madrid today when a passenger aircraft of the Chinese airline landed at the Madrid-Barajas Airport this afternoon.

The airline has scheduled a return flight each week on the route, taking off from Shanghai on Wednesday and returning from Madrid on Thursday.

At a welcoming ceremony at the airport, Apolonio Ruiz Ligero, vice president of Spanish Iberia Airline, said the opening of the airway between Spain and China represented a step forward for the two nations in the area of economic cooperation.

Zhu Tonghai, vice president of China Eastern Airlines, said he believed the air route would help increase the two nations' political, economic, cultural and tourism exchanges.

Eastern Airlines Opens Air Route to Chicago

OW0604045393 Beijing XINHUA in English 0110 GMT 6 Apr 93

[Text] Shanghai, April 6 (XINHUA)—China Eastern Airlines, based in this largest industrial city in China, has opened another air route to the United States.

An MD jetliner made the maiden flight yesterday from Beijing to Chicago, via Shanghai and Seattle.

This is Eastern's second route to the United States, following its operation of a Shanghai-Los Angeles route. This brings the number of the company's international routes to nine.

According to the company, there will be one flight every Sunday, starting from Beijing at 20:15 Beijing time and arriving at Chicago at 22:40 local time.

Shenzhen Airport To Begin International Flights

HK0204150793 Hong Kong MING PAO in Chinese 29 Mar 93 p 13

["Special dispatch": "Huangtian Airport To Open First International Airline Route to Singapore on 11 April"]

[Text] Shenzhen Vice Mayor Zhu Yuening said yesterday that Shenzhen's Huangtian Airport will open its first international airline route on 11 April. It will be a regular passenger service between Shenzhen and Singapore. Zhu made the above remarks at a ceremony marking the opening of the Pinghu-Nantou Railway to traffic, the first Sino-foreign joint venture railway in China.

Zhu said: There will be one or two regular international flights a week between Shenzhen and Singapore. Moreover, there will also be an Air China flight a week from Beijing to Singapore via Shenzhen. The first flight will start on 11 April. Zhu also disclosed that the relevant departments of the Shenzhen City Government and Civil Aviation Bureau are holding talks with many countries on opening more international airline routes.

It has been learned that an earlier remark by a Shenzhen City government official for Shenzhen's Huangtian Airport to open more international routes to divert excessive passenger flows at Hong Kong International Airport has attracted Hong Kong's attention.

Cheng Huanrong, deputy director of the Shenzhen Port Office, said yesterday that the work of setting up port facilities had been completed at Huangtian Airport. He said: All facilities have reached the standards for opening international routes. We are waiting for approval from the relevant State Council departments. Once it gets the approval, Huangtian Airport will be officially open to the outside world. He also disclosed that the Shenzhen City government is expanding three key ports, i.e., Luohu, Luomazhou, and Shatoujiao, to meet the growing needs of passenger and cargo volumes between Shenzhen and Hong Kong.

In another development, Shenzhen's Pinghu-Nantou Railway, the first Sino-foreign joint venture railway built by seven Chinese and foreign shareholders, was officially opened to traffic yesterday.

Extending from Guangzhou-Shenzhen Railway's Pinghu Station in the east to Shenzhen's Nantou Town in the west, the Pinghu-Nantou railway links up the three ports of Shekou, Chiwan, and Mawan. The 52 km railway had a total investment of over 400 million yuan.

The railway is jointly funded by seven companies, including the China Merchants Development Company Ltd. in Hong Kong, the Shekou Industrial Zone of the China Merchants Steam Navigation Company, the China Nanshan Development Joint-Stock Company Ltd., and the Guangzhou Railway Group Company, built by the Shenzhen Pingnan Railway Company Ltd., and administered and operated in accordance with the joint-stock system.

Sichuan Province Opens Air Route to Singapore

OW3103153293 Beijing XINHUA in English 1438 GMT 31 Mar 93

[Text] Chengdu, March 31 (XINHUA)—A nonstop air route from Chengdu, capital of southwest China's Sichuan Province, to Singapore will be opened on May 29.

Xiong Jiali, general manager of the Sichuan Huanyu tourism charter airline, said this is the first air route to directly link Sichuan, China's most populated province, with Singapore.

Xiong said a Boeing 757-200 will service a return flight every Saturday.

The Huanyu airline, founded in 1985, previously opened an air route between Sichuan and Hong Kong, with 216 return flights and 42,000 passengers last year.

AGRICULTURE

GATT's Potential Impact on Farm Sector Explored

93CE0330A Beijing NONGMIN RIBAO in Chinese 28 Feb 93 p 3

[Article by Wang Fu (3769 6346) et al.: "China Returns to GATT—Our Agricultural Products Face New Opportunities and New Challenges"]

[Text] Currently China is fighting vigorously to regain its GATT seat. Reclaiming our GATT seat will necessarily mean even tighter links between China's domestic economy and the international economy, the domestic market and international market. As far as the production and circulation of our agricultural products are concerned, this means new opportunities as well as new challenges.

GATT's effects on the domestic market for agricultural products will vary depending on the relative international and domestic prices of different products and on their import and export demands. Overall, upon our return to GATT, the international market for agricultural products will have a definite effect on the domestic market, but relative to the industrial sector, especially the processing industry, the effects will not be significant.

Little Adverse Effect on the Domestic Rice Market and Prices

China is more than self-sufficient in the supply of rice, and the domestic market price is comparable to international prices and is clearly lower than both the CIF and domestic transfer prices. Since there is no tariff, we do not have to worry about tariff reductions or concessions. At the same time, China is not importing or exporting substantial amounts of rice. We only import about 200-300 million jin and export around 700-800 million jin a year. Therefore, after resuming our place in GATT, the international market will continue to be a market for regulating varieties only and will not have a significant impact on the supply, demand, or production of rice.

Domestic Wheat Price May Fall

The domestic price of wheat is higher than the international market price, and upon returning to GATT, more wheat will be imported, which will erode the domestic market and force the domestic price down. Between January and July of last year, the foreign trade transfer price of imported wheat was 0.41 yuan per jin. During the same period, domestic wheat was selling at 0.43 yuan a jin in the Zhengzhou market, which was 0.02 yuan higher than the allocation price. Based on 64 billion jin of commercial wheat, this means domestic wheat price may drop by 1.28 billion yuan. Considering that American wheat yields 7 to 8 percent more flour than domestic wheat, the price difference may be around 0.04 yuan, which will lower domestic wheat price by a total of 2.56 billion yuan. In view of the falling price of wheat in the domestic market today, this can have some effect on future wheat production.

Substantial Effect on Domestic Edible Vegetable Oil

Despite the current 30 percent tariff imposed on imports, the cost of imported edible oil is still much lower than domestic oil. China imported around 4.6 billion jin of palm oil in 1990 and 3.4 billion jin in 1991. Upon returning to GATT, the relevant departments expect imports to increase to around 5 or 6 billion jin. Imported palm oil's current domestic allocation price is

lower than the domestic market price of rapeseed oil by about 0.3 yuan a jin, and if the tariff is reduced to 15 percent, the allocation price of imported oil will be lower than the domestic price by around 0.5 yuan a jin. Based on commercial production of 10 billion jin of edible vegetable oil nationwide, this could lower the total domestic price by about 5 billion yuan, which will have substantial impact on domestic oil production.

Little Effect on Domestic Cotton Production

China's cotton price is below international market level, and even without the 8 percent tariff, Chinese cotton can compete effectively in the marketplace. Looking at the supply and demand situation, cotton supply is slightly ahead of demand, and even without imported cotton, China can basically meet its own demands. Of course, because the international market is more volatile, for short periods of time, the domestic market may be adversely affected by the international market.

Domestic Wool Production Will Still Have a Place

Currently, the allocation price of imported wool is at par with domestic wool price. If the tariff is reduced from today's 20 percent to 10 percent, the domestic allocation price of imported wool will come to 22.77 yuan a jin. If we take the quality difference into account, this will bring the price of domestic wool down to some extent. However, because domestic wool production is still fairly profitable, lower domestic wool price may reduce the producers' profit, but because prices will not be substantially lower, domestic wool producers will not lose money. Meanwhile, imported wool and domestic wool serve different purposes. Moderate- and high-priced textile goods are made from imported wool and low-priced textile goods generally use domestic wool, and even after lowering the tariff, domestic wool will still have its place in the domestic market; it is not likely that it will be completely replaced by imported wool.

Effect on Raw Timber Will Be Limited, But the Effect on Wood Products Will Be More Profound

After reentering GATT, as tariffs are lowered, imported lumber price will drop, which will close the price gap between imported and domestic lumber. While this will have little effect on raw timber, the effect on finished wood products will be substantial. For example, currently there is a 9 percent tariff on imported plywood, and if that is lowered to 4.5 percent, the domestic allocation price of imported plywood will be 3,073.7 [as published] yuan a cubic meter. Even with the 9 percent tariff, imported plywood is more competitive than domestic plywood, and after reentering GATT, domestic plywood will face even greater challenge.

In view of today's situation, upon reclaiming our GATT seat, in order to maximize the positive effects of the international market on China's agricultural production and reduce its negative effects, we should draw up policies to focus on the following:

1) Formulate a proper program on tariff reduction and concession and nontariff barriers and strive to pay only a small price for the resumption of our GATT seat. On the question of tariff reduction and concession regarding agricultural products, we suggest reducing the import tariffs on cotton and wool somewhat, but there should be no substantial tariff reduction on edible vegetable oil, and we should even consider a moderate increase in the tariff on imported wheat and other types of grain to protect the domestic market and stabilize domestic production.

2) Take full advantage of GATT's protective clauses to safeguard domestic agricultural development. Even though GATT generally prohibits all nontariff barriers and demands some tariff reduction or concession, there are still many protective measures. For example, there is the exemption procedure under which, if necessitated by its economic and trade environment, a nation may seek exemption from specific GATT obligations. Many developed nations have taken advantage of this clause to protect domestic agriculture. For example, because of this provision, the United States is free to implement certain agricultural policies that are inconsistent with GATT provisions. Setting import quotas is another example. When faced with balance of payment problems, or when a developing nation is trying to establish or expand domestic productive capacity, or under other unusual circumstances, a nation may seek permission to set import quotas.

3) Readjust the exchange rate and increase agricultural input as means to stabilize and promote China's agricultural production. Besides utilizing GATT's protective provisions, we have several other means to protect agricultural production. For example, we can readjust the exchange rate. Lowering the RMB exchange against the US dollar will benefit our exports but not the imports. In addition, GATT generally restricts export subsidies but does not prevent a nation from increasing its agricultural input. We can build more irrigation works, improve the service system, and take other measures to increase agricultural input to lower production cost and in turn achieve our goal of protecting the peasants' interests.

4) Continue to implement agricultural protection and support policies that have the state's financial backing. Many countries around the world have agricultural subsidy policies. In 1990, Canada spent $2.7 billion (Canadian) on agricultural subsidies; the EC spent $81.62 billion, which accounted for half of its agricultural output value. The United States spent as much as $88.1 billion on agricultural subsidies in 1986. If the developed nations are resorting to this, it will be even more important for China, with its 1.1 billion people and only 1.5 billion mu of arable land, to have a policy that provides financial support to its agriculture. Currently, the localities are reforming their grain procurement and sales systems to get rid of the financial burden. We suggest changing the subsidy system, so

that instead of subsidizing business we subsidize agriculture. We should not completely eliminate the financial support for agriculture.

5) The only way to make China's agricultural products more competitive in the international market is to change the agricultural development policy to vigorously develop high-yield, high-quality, and high-efficiency agriculture. If China's agriculture is to achieve long-term, sustained, and steady development, we cannot rely on specific GATT provisions alone, nor can we rely completely on the state's special policies; instead, we must take the current situation into consideration and change the old developmental strategy of pursuing only quantitative growth. We must make use of advanced scientific technologies and production and circulation modes, optimize quality and improve product-mix, and strive to increase labor productivity and agricultural efficiency, so as to put agricultural production onto a track that not only emphasizes quantity but also quality and efficiency.

Journal on Agricultural Surplus Labor

HK3003110093 Beijing JINGJI YANJIU in Chinese No 11, 20 Nov 92 pp 52-55

[Article by Chen Wu (7115 2976), Ph.D candidate, Agronomics Department, Chinese People's University: "The Pattern of Dual-Stepped Continuous Transfer of Agricultural Surplus Labor"]

[Text] **I. The Proposal for the Pattern of Dual-Stepped Continuous Transfer**

In discussions among China's theoretical circles, the stepped transfer of agricultural surplus labor includes industrial stepped transfer and regional stepped transfer. On the industrial level, labor is transferred first to primary nonagricultural industries which do not involve a high degree of intensified production or high technical skills, and then to industries of a higher level. On the regional level, labor is transferred first to small towns that involve low transfer costs, then to small and medium-sized cities that involve higher transfer costs. The dual-stepped continuous transfer under discussion in this article also embodies these two levels of meaning, but is somewhat different both in substance and in form. In substance, the regional stepped transfer in a dual-stepped continuous transfer refers primarily to the regional transfer of labor within the agricultural industry, that is, the transfer of agricultural labor from agriculture in the under-developed regions (where there is serious excess of agricultural labor) to agriculture in the developed regions (where there is shortage of agricultural labor) to ameliorate the problem of declining agricultural production in the developed regions due to the rapid commencement of the industrial stepped transfer of labor. At the same time, it also releases some of the pressures of growing labor supply experienced by the under-developed regions. Seen from the perspective of form, since this kind of transfer is carried out on the premise of giving priority to agricultural development, it ensures the regional transfer of agricultural labor from the under-developed regions to the developed regions within the agricultural industry, and promotes the industrial transfer of agricultural labor in the developed regions to nonagricultural industries. Thus, at the meeting point of agriculture in the developed regions, industrial stepped transfer precipitates regional stepped transfer within the agricultural sector, and regional stepped transfer within the agricultural sector in turn provides a reliable agricultural foundation for industrial transfer, thereby ensuring the continuation of industrial transfer and continuously generating the necessary pull for regional transfer within the agricultural sector. The two promote and transform into each other, and are each other's cause and result. They converge at the meeting point of agriculture in the developed regions to form a dynamic, continuous and well-integrated path of the dual-stepped continuous transfer of agricultural labor.

The regional transfer of agricultural labor from the under-developed regions to agriculture in the developed regions will promote agricultural development, increase agricultural surplus and effectively promote the transfer of agricultural labor in the developed regions to nonagricultural sectors and cities, thereby promoting industrial and urban development and increasing job opportunities in the industrial sectors. The more job opportunities and the larger the scale of industrial transfer, the greater the pull on the regional transfer of surplus labor in agriculture in the under-developed regions. This will promote the transfer of agricultural labor on a still larger scale on a new foundation. This process of continuous transfer will go on until all hidden surplus labor in agriculture in the under-developed regions has been transferred, agricultural productivity has shown a big increase, and all agricultural sectors are commercialized and modernized.

II. The Necessity for the Pattern of Dual-Stepped Continuous Transfer

1. Agricultural growth in the developed regions is seriously impeded by the shortage of agricultural labor. As we all know, the transfer of agricultural labor has to have agricultural growth as its premise. Regrettably, during the peak of agricultural labor transfer (that is, 1984), agricultural production suffered setbacks for the fourth year running and the momentum of swift transfer of agricultural labor subsided. A reverse flow was seen for the first time in 1989. Some saw this as the result of the transfer of agricultural labor to nonagricultural sectors on a national scale. This view is not very convincing as it is too sweeping and one-sided and lacks concrete analysis.

According to the theory of quantitative determination in a dualistic economy, when the percentage of agricultural labor in a country or region drops to below 70 percent, the economy enters the second stage of agricultural labor transfer. (Footnote 1) (See Deng Yiming (6772 0001 2494): "The Utilization and Transfer of Agricultural

Surplus Labor in China," China Rural Reading Materials Publishing House 1991, p 189) At this stage, zero value surplus labor ceases to exist. Without an increase in agricultural productivity, any transfer of hidden surplus labor which has a marginal productivity greater than zero will lead to a reduction in the total supply of agricultural products. According to this reckoning, we have tabulated the percentage of agricultural labor in the 30 provinces, municipalities and autonomous regions in the whole country under three major regions, namely, Eastern China, Central China and Western China. The following is the result of our tabulation:

Rural Labor Force in Different Regions in the Country
Unit: 10,000 people

	1978		
	Rural Labor	Agricultural Labor	Percentage of Agricultural Labor in Rural Labor
Whole nation	30341.5	27705.5	91.3
Eastern China	9390.0	8304.6	88.5
Central China	15895.5	14624.5	92.0
Western China	5056.0	4774.6	94.4
	1984		
	Rural Labor	Agricultural Labor	Percentage of Agricultural Labor in Rural Labor
Whole nation	35967.6	31685.0	88.1
Eastern China	10816.2	8824.9	81.6
Central China	18898.0	15593.1	82.5
Western China	6253.4	5838.7	93.4
	1987		
	Rural Labor	Agricultural Labor	Percentage of Agricultural Labor in Rural Labor
Whole nation	39000.4	30870.0	79.2
Eastern China	11560.0	7954.3	68.8
Central China	20011.1	16993.1	84.9
Western China	6824.6	6073.0	89.0

Source: *China Statistical Yearbook*, 1985 and 1988; "Annual Report on Labor Wage Statistics," 1987.

From the above table, we can see that by 1987 the developed regions had already entered the second stage of labor transfer in a dualistic economy, with the percentage of agricultural labor dropping to 68.8 percent, whereas in Central and Western China, the percentage of agricultural labor remained as high as 85 percent, still in a period of zero value labor transfer. From the table, we can also see that in 1984, the percentage of agricultural labor in the three regions was not much different from the national average (88.1 percent), but between 1984 and 1987, the percentage dropped rapidly in the developed regions, shedding 13 percentage points in fact. Beijing shed 23.6 percent, with the percentage of agricultural labor dropping to 44.8 percent; Shanghai shed 36 percent, with the percentage dropping to 33.7 percent; Jiangsu, Zhejiang and Guangdong also shed about 16 percent, with the absolute numbers in agricultural labor in the whole region reduced by nearly 10 million. During the same period, the percentage of agricultural labor in Central and Western China basically remained the same. In fact, there was even a slight increase in absolute numbers.

The fact that there is a bigger transfer of agricultural labor in the developed regions does not necessarily mean that there is excessive transfer of agricultural labor. The reason is that if the transfer is based on increases in agricultural productivity and total agricultural production, it is by no means excessive. Rather, it is the successful mode of transfer described in development economics, where shortage is put off and commercialization is moved up. (Footnote 2) (See Fei Jinghan (6316 2529 3352) and La Nisi (2139 1441 2448): *The Development of Labor Surplus Economics*, Huaxia Publishing House, 1989, p 169) However, the reality in the rural areas in China's developed regions is that the rapid transfer of agricultural labor has brought about a decline in agricultural production. Agricultural growth in the developed regions is seriously impeded by the shortage of agricultural labor. First, seen in terms of grain output, national output in 1988 was 13.174 million tons less than in 1984. In East China, the drop in output amounted to 6.879 million tons, or 51.5 percent of the national figure. Second, seen in terms of changes in the sown acreage of grain, the national total declined only once in the four years between 1984 and 1988, but during the same period the sown acreage in East China registered three declines. In 1988, the area sown to grain was 158.58 million mu more than in 1984, but in East China, it was 12.29 million mu less. Third, seen in terms of changes in per-mu yield in the developed regions, during 1984-1988, per-mu grain yield in east China never reached the all-time record of 298 kg set in 1984.

Based on the above analysis, we have come to the following conclusion: The substantial drop in total grain output in the developed regions after 1984 is mainly due to two factors, namely, a substantial drop in the sown acreage of grain and an excessive drain of agricultural labor. Since the former is caused by the latter, in the final analysis, the excessive transfer of agricultural labor (industrial transfer) is the primary reason for the negative agricultural growth in the developed regions. Thus, to sustain the industrial stepped transfer of agricultural surplus labor in the developed regions, it is necessary to implement a dual-stepped continuous transfer and make use of the agricultural surplus labor in the underdeveloped regions to overcome the problem of negative agricultural growth.

2. Increasing labor input is the realistic choice for agricultural growth in China. There are two ways of achieving agricultural growth. One is by way of increasing agricultural productivity and expanding the

scale of operation; the other is by way of increasing labor input and carrying out intensive farming. In terms of unit area farmed by each agricultural laborer, no substantial increase has been seen in the scale of operation. Between 1984 and 1987, the area of grain sown by each agricultural laborer increased by 0.07 mu from 5.34 mu to 5.41 mu. In Beijing, where the scale of operation was the largest, the acreage only increased from 6.07 mu to 8.72 mu. In East China, the average only rose from 4.64 mu to 5.07 mu. The difficulty in increasing agricultural labor productivity and scale of operation can be attributed to the following reasons: 1) Because of the scarcity of land and large population, biological techniques which use labor heavily are favored in the choice of agricultural production techniques. 2) Since China does not have a well-developed machine-building industry, its ability to provide agriculture with modern farm implements is limited. 3) Because of the increasing price scissors between industrial and agricultural products, peasants' enthusiasm for agricultural production is on the decline. 4) Because of the sluggish development of the tertiary industry in the rural areas, peasants' desire to enlarge their scale of operation is inhibited. 5) Without a healthy system for the circulation of agricultural products, peasants feel compelled to keep to the existing scale of operation in order to minimize market risks.

For these reasons, China's agricultural growth will mainly be realized through increased input in agricultural labor for a considerably long period to come. There is no contradiction between an increase in the input of agricultural labor and the transfer of agricultural labor. This increase in labor input is mainly made necessary by the decline in agricultural production in the developed regions as a result of the excessive industrial transfer of agricultural labor, or "pseudo-transfers" purely in pursuit of comparative interests. In order to overcome negative agricultural growth in the developed regions, it is both necessary and feasible to implement the dual-stepped, continuous transfer and ensure agricultural growth by transferring zero value surplus labor from agriculture in the under-developed regions (central and western China) to agriculture in the developed regions (eastern China). In this way, we not only will be able to realize the regional transfer of labor within the agricultural sector in the under-developed regions, but will also be able to promote further industrial transfer of agricultural labor in the developed regions toward nonagricultural industries and cities, thereby promoting the sustained, coordinated and stable development of the national economy as a whole.

III. The Feasibility of the Dual-Stepped Continuous Transfer of Agricultural Labor

1. Doing away with the constraint of funds shortage. Funds are by far the most scarce factor in economic growth, and on the whole the density of funds in nonagricultural industries is dozens of times higher than in agriculture. For every agricultural laborer transferred to nonagricultural industries, a demand for fixed funds ranging between 1,000 yuan and 6,000 yuan in amount will be generated. This greatly exceeds the 120 yuan for agricultural labor. Hence, the transfer of agricultural labor to nonagricultural industries in the under-developed regions is bound to encounter powerful funds constraints. If we can plan the transfer of this surplus labor to the agricultural sector in the developed regions first, before further transfers to nonagricultural industries and cities, we will be able not only to meet the growing need for agricultural labor in the developed regions, but also to ensure the transfer of this labor force to nonagricultural industries after accumulating sufficient funds and improving the quality of this labor. In this way, the constraints of funds will be greatly mitigated, even fundamentally done away with.

2. Doing away with the constraint of poor quality of agricultural labor. The quality of labor has an important bearing on the transfer of labor. The higher one's educational level, the greater one's choice of employment and the less difficult it is for one to transfer to other jobs. Otherwise, transfers will be difficult. The quality of labor is extremely low in our country. According to survey findings, people with primary or secondary education and people who are either illiterate or semi-illiterate make up 66.30 percent of the rural labor force. In western China, they even account for 84.75 percent of the rural labor force. With such a poor quality of agricultural labor, it is very difficult to make a once-for-all transfer from the countryside to the cities or from agriculture to nonagricultural industries. Under such circumstances, a realistic way out of this bottleneck is to transfer agricultural labor to agriculture in the developed regions before further transfers to nonagricultural industries. Agriculture is an age-old industry. It does not require as high a level of scientific and cultural knowledge or technical skill on the part of laborers as in the secondary and tertiary industries. Under a cultivation system based mainly on biological techniques in particular, agricultural laborers can, to a large extent, effectively carry out production with little other than their rich, practical experience. Hence, their regional transfer within the agricultural sector is relatively easy and the employment risk and mental burden after transfer are relatively small. This kind of transfer can help laborers improve their quality and lay the necessary foundation for their future transfers to nonagricultural industries.

3. Doing away with the constraint of the structural barriers in a dualistic society of urban and rural areas. In order to ensure the realization of the industrialization strategy with emphasis on heavy industry in the cities, China has steadily established a comprehensive social welfare and security system which covers such areas as food supply, employment, education, and medical and health care to protect the interests of urban residents. As this welfare system operates on massive financial subsidies, it naturally necessitates strict restrictions on the flow of rural inhabitants into the cities. The introduction of the household registration system in effect creates strongly fortified barriers between urban and rural interests on the basis of population control. In so doing, a

dualistic social structure peculiar to China is created. The incompatibility of the urban and rural structures imposes obstacles to the transfer of rural labor into cities. Even if rural laborers can make their way into cities, they cannot find employment on an equal footing and do not enjoy the same treatment as their urban counterparts. They are likely to bring about even greater "urban ills" because their presence will overstretch existing infrastructural facilities in the cities. The above problems can easily be avoided if agricultural surplus labor is transferred to the agricultural sector in the developed regions (including suburban areas).

From the above, we can see that the regional transfer of labor within the agricultural sector aimed at giving priority to agricultural growth is inevitable under the pull of industrial transfer, and ultimately provides a strong impetus to industrial transfer. Dual-stepped continuous transfer which has regional transfer within the agricultural sector as an important link not only makes full use of the rich labor resources of the underdeveloped regions, but helps overcome the crisis of agricultural decline in the developed regions. It not only promotes the continuous release of agricultural surplus labor on the basis of agricultural growth, but also ensures that the industrial sectors can quickly increase their power to absorb agricultural surplus labor on the basis of securing a substantial agricultural accumulation. Hence, it is a highly effective and the least resistant way of transferring agricultural surplus labor that can ensure balanced industrial and agricultural growth.

Policy Liberalized To Attract Returned Students

93CM0192A Hong Kong LIAOWANG [OUTLOOK] OVERSEAS EDITION in Chinese No 4-5, 25 Jan 93 pp 11-13

[Article by Zhou Daping (0719 1129 1627): "Liberalized Policy Toward Returned Students"]

[Excerpt] A recruitment team jointly put together by the State Education Commission and the Ministry of Personnel fanned out six ways to visit six countries—the United States, Britain, France, Germany, Japan, and Australia— last October in a bid to recruit Chinese students overseas. In a little over a month, the recruitment team held discussions in 87 cities with more than 6,200 Chinese students. More than 1,800 have indicated a desire to return to China, almost 600 decided to come home within two years, and 1,400 said they would return to China to serve the country on a short-term basis or serve the nation while remaining overseas.

According to Wo Shouxin [3087 1343 0207], leader of the large-scale recruitment team and deputy director of the Chinese Returned Students Service Center, there are still more than 110,000 Chinese students overseas. Since the late 1980's, when they obtained bachelor's degrees and other advanced degrees, the number of students returning home has been increasing at the rate of 30 percent each year. He believes the latest recruitment drive, which is on an unprecedented scale, would further boost the number of overseas Chinese students who decide to return home in the next few years.

An important reason the latest recruitment drive has produced gratifying results is Document 44 issued by the Office of the State Council last August: "Circular on Matters Pertaining to Personnel Studying Overseas."

Explaining how the document came about, the person in charge of the department of overseas students at the State Education Commission said, we drew up the document guided by the spirit of the speech delivered by Deng Xiaoping while he inspected the south. Research and drafting took half a year and it went through nine successive drafts in all. Li Tieying [2621 6993 2503], State Councilor and minister-in-charge of the State Education Commission, presided over the drafting and writing of the document and provided detailed guidance as well.

Without exception all personnel studying overseas are welcome to return to China to work regardless of their previous political attitude. This policy was made clear and highlighted in the very first article of the document, which transforms the spirit of Deng Xiaoping's speech in the south into a concrete official policy. The document also broke new ground in many important areas that deeply affect personnel studying overseas.

The period of overseas study and the period of validity of a student's passport are now treated separately. If a student who has both overstayed his period of overseas study and wants to have his passport extended, the government will extend his passport or issue him a new passport. If a student wants to apply for permanent residency overseas, the government will replace his regular official passport with a regular personal passport. If a student has already secured foreign citizenship and wants to give up his Chinese citizenship, the government will help him go through the formalities for renouncing his citizenship and treat him as a foreign citizen of Chinese descent.

When an overseas student has money problems or other difficulties in China that have not been resolved, a solution should be worked out with leniency, understanding, and sympathy through discussion with his department or unit. The problems should not be allowed to get in the way of his application to go overseas.

Adopt the principle "free to come, free to go." At the end of a short stay in China, a student should be allowed to leave the country at any time without having to go through a fresh round of application procedures provided he holds a valid passport and a re-entry visa from a foreign country.

After an overseas student returns home, he may rejoin his original unit or find a job on his own in accordance with the principle of "dual selection." Alternatively, he can join an enterprise that is either partially or wholly foreign-funded, start his own enterprise, or concurrently hold a job overseas with the permission of his unit.

When a family member of a person sent overseas to study at public expense applies to go overseas to visit relatives, the opinion of the unit that has sent the student overseas will no longer be sought as part of the application process.

These breakthroughs demonstrate the trust placed by the CPC and the Chinese government in the overseas students as well as their concern for and warmth toward the latter. Their goal is to further liberalize student policy in the hope that they will finish their studies and return to China soon make contributions.

Faced with increasingly fierce competition in the market economy, localities and sectors have been vying with one another for qualified personnel, a most strategic vital asset. In the past year they have introduced a string of measures that will make it easier for overseas students to return to China and work out some of specific problems in work and daily life that the students may encounter when they come back.

There are signs that the drive to attract overseas students is in full swing everywhere.

The Returned Students Service Center, an inevitable stop in the journey of those sent overseas to study by the government, has officially launched six new services recently: act as an intermediary for overseas students who wish to return home for a short stay to lecture, visit the appropriate units, or conduct academic exchange or

scientific and technological cooperation; provide consulting services to returned students who wish to develop new technology and new products and help them locate partners for cooperation; help returnees go into business on their own or set up joint ventures go through the necessary formalities; act as an agent for a returnee applying for a Chinese patent or engaged in technology transfer; help overseas students apply for the appropriate science and technology research funds; and provide returnees with foreign academic qualifications verification to facilitate their job search.

The Ministry of Personnel, authorized by the State Council to be the final arbitrator in cases involving the inappropriate use of returned students, has also introduced new measures recently to create conditions for the sound circulation of returnees. Among other things, returned student work stations have been beefed up and returnees are being encouraged to set up on their own scientific research organizations, technical development companies, and enterprises integrating technology and industry with trade. Also, funds that must be repaid are being made available to returned students, with the area of funding being enlarged all the time.

The State Planning Commission has decided to spend 20 million yuan in the next three years to build a number of post-doctoral apartments in eight cities, namely Beijing, Shanghai, Nanjing, Wuhan, Hangzhou, Xian, Changchun, and Harbin.

The "Selective Funding Support for Overseas Study" program provides the most outstanding overseas students with generous funding support in their work and daily living.

The National Natural Science Foundation recently set up the "special foundation to aid overseas students" who wish to return to China on a short-term basis to work or to give lectures. At the end of their stay, they are free to return to their country of origin.

To meet the needs of development in Shanghai, particularly the need of the development of the Pudong new zone for all sorts of qualified personnel, Shanghai Municipality recently created a file on overseas students who wish to come to Shanghai and set up an office for the leading group on the attraction of expertise from outside the country. Transfer stations for returnees have been set up in the city and Pudong new zone to provide them with a range of services under one roof. The municipal government has decided to set aside a group of housing to solve the housing problems of returnees.

Guangdong Province, bold and affluent, introduced a new preferential policy half a year ago by issuing the "Some Regulations To Encourage Overseas Students To Work in Guangdong." Among the more striking provisions are those that raise the wages and salaries of returnees by an appropriate margin and authorize the units involved to determine the wage level by consulting with the returnees. If a returnee works in an economically developed part of the province, his housing allocation would not be less than 75 square meters of finished living space and not less than 50 square meters in other areas. A returnee would be entitled to the economic fruits derived from scientific research or the development of a new product as provided for by the contract in question. A returnee who has made outstanding contributions would be rewarded handsomely.

Starting this year, the finance office of Heilongjiang Province will allocate 500,000 yuan each year to help fund continuing research by doctor's degree holders who have returned to China and other accomplished returnees.

China's new policy toward students studying overseas truly embodies the guiding thought stressed time and again by Li Tieying: "Support students to study overseas, encourage them to return to China, let them come and go freely." It has heartened tens of thousands of overseas students and filled them with confidence in China's future. [passage omitted]

Unsolved Problems of College Administrative Reform

93CM0193A Beijing ZHONGGUO JIAOYU BAO in Chinese 5 Feb 93 p 2

[Article by Gu Jihu (7357 4949 5706): "Let Us Truly Invigorate Our Colleges—Thoughts on Several Problems in College Administrative Reform"]

[Excerpt] [passage omitted] In addition to the two major oft-mentioned troublesome college reform problems of "where the people (superfluous staff) will go" and "where the money (funding) will come from," certain new conflicts have appeared, mostly in the following areas:

1. Administrative functions have still not been clearly changed, making it hard to adapt to reform development needs. While many colleges have proposed solving their overstaffing problems by taking the reform step of cutting back a certain proportion (generally 10-20 percent) of their administrative staffs, they have not yet developed a sound strategy for changing their leadership functions to scientific policymaking and macroeconomic regulation and control. Some academic administrations are still practicing the old stereotyped, departmental, job-geared administrative method of reducing staffs and merging organs without changing functions.

2. Colleges are slow in putting their adminstrative and teaching reforms on the same track, even leaving them completely divorced from each other in some cases. In actual practice, some colleges have not yet been able to well-mesh their administrative and teaching reforms, with staffers and professors mistakenly regarding higher incomes as the reform objective. It is hard for earnings-oriented professors to turn their initiative to teaching.

Some college education officials are very worried about this, saying that if it continues, it will be hard to really improve teaching quality.

3. Certain key administrative reform steps are hard to adhere to, becoming a mere formality in some cases. For instance, while many college reform plans contain quite rigorous proficiency-assessment methods and requirements, they often get distorted in application. On one hand, assessees often find that what is pleasing to the ear is accepted and what is grating is not, and assessors gloss things over to avoid conflicts, which "aborts" the original meaning of proficiency assessment. On the other, certain college-stipulated proficiency-assessment methods are copied from other colleges both in China and abroad, so are inconsistent with national and school conditions. Some proficiency-assessment methods are overelaborate, turning many of their provisions into ineffective rules on paper, and others are oversimplified, making it impossible to distinguish excellence from inferiority in the assessment process. The current appointment system has begun to test the contract system, it is still generally burdened with "lifetime appointments," making it easy to renew appointments and hard to break them. In addition, it is very hard to genuinely achieve distribution according to work and widening of the income gap in distribution, as the few grade classifications are often merely symbolic. Certain college bonus-distribution methods are subject to "dealer rotation." As to the universal college salary and bonus increases brought by reform, some comrades see the new income levels as a reappearance of "everyone eating out of one big pot," which will make further reform difficult. [passage omitted]

NORTH REGION

Work Report of Beijing Higher People's Court

93CM0212A Beijing BEIJING RIBAO in Chinese 15 Feb 93 p 6

[Article by Liu Yunfeng (0491 0061 1496), President Beijing Municipal Higher Court: "Beijing Municipal Higher People's Court Work Report to the First Meeting of the 10th Beijing Municipal People's Congress on 1 February 1993"]

[Text] Delegates:

I will now report on the major tasks of the people's court of this city during 1992 and recommendations for work during 1993.

1. Major Tasks During 1992

During 1992, courts at all levels throughout the city tried 53,946 criminals, civil, economic, and administrative first appeal, second appeal, and re-appeal cases, 8.68 percent more than in 1991. This struck a powerful blow against the destructive activities of criminal elements, went far toward solving large numbers of civil and economic disputes and administrative controversies, and performed the role the courts should perform in protecting the interests of state and collectives and the legal rights and interests of the citizens, in maintaining social stability, in supporting economic construction, and in the smooth conduct of reform and opening to the outside world. The main tasks were as follows:

(1) Close attention to ideological education, steadily improving understanding, thereby enabling trial personnel's ideology to keep apace with rapidly developing events so as to be able to meet requirements for fulfilling tasks.

One important job we did during 1992 was to employ different methods for educating trial personnel in ideology to help them improve their understanding and change their outlook. In early 1992, we convened a conference of the presidents of all courts in the city. This conference put into practice the spirit of the conference of presidents of higher courts throughout the country, required trial personnel in courts at all levels throughout the city to study Marxism-Leninism closely, to study the party's basic line, plans, and policies, to enforce the law strictly, to strive to render a good performance in all trial work, and to serve economic construction, reform, and opening to the outside world conscientiously. By way of supporting smooth performance of reform, opening to the outside world, and economic construction, in March 1992 we convened a work conference on the trying of economic crime cases. In this conference we summarized and exchanged experiences, and discussed 17 actual cases by way of linking the conference to realities. After achieving a unified view, we required courts at all levels throughout the city to define correctly what does and does not constitute a crime in the economic field, and the line between what does and does not constitute recidivism, rigorously punishing according to law criminal elements who seriously damage reform, opening to the outside world, and economic construction, particularly those involved in serious corruption and bribe taking. By way to further carrying into effect the spirit of the important remarks that Comrade Deng Xiaoping made during his travels in south China, to deal firmly with all matters, and to enable trial personnel to play a greater role in reform, opening to the outside world, and economy construction, another conference of court presidents from all over the city was held from 27 through 29 July at which the presidents of nine district and county courts provided briefings on their experiences. By way of putting into effect the spirit of instructions from the Central Committee on doing better political and legal work, the better to serve reform, opening to the outside world, and economic construction, we held a third meeting of court presidents from all over the city from 6 through 8 October that conducted penetrating discussions about "changing outlook, adherence to no equivocation on the party's basic line for 100 years, and the need for vigilance against the right, but mostly to guard against leftism." Greater ideological understanding formed the basis for calling upon courts at all levels throughout the city to carry out resolutely the instructions of the Central Committee, and to take the party's basic line as a guide in striving to perform trial work well. Following the 14th party congress, we promptly organized trial personnel to study the report that Comrade Jiang Zemin made to the 14th party congress, and we called upon courts at all levels throughout the city to use the theory of building a distinctively Chinese brand of socialism as a guide, and to apply consciously the spirit of the 14th party congress in trial work, the better to serve reform, opening to the outside world, and economic construction. During the past year, we devoted unremitting attention to ideological work so that the ideology of trial personnel keeps pace with developing events, thereby providing the conditions necessary for our good performance of trial work and better completion of tasks.

(2) Earnest performance of trial work, carrying out to the full the functional role of people's courts, and effectively serving reform, opening to the outside world and economic construction.

During 1992, another 45,706 first appeal cases were received, 10.03 percent more than during 1991. People's courts at all levels throughout the city, as well as Beijing railway transportation courts tapped potential and aroused all positive elements to do a large volume of work, primarily the following:

First was the application of legal weapons to punish the destructive activities of all kinds of criminal elements.

A policy of strict and speedy action continued to be carried out, severe punishments meted out to criminals causing serious damage to public order. During the year, a total of 2,765 criminal cases involving serious damage

to social order were tried, 4,583 criminals being convicted, including 2,592, or 56.75 percent, who were sentenced to five years or more in prison, life terms, a stay of execution, or execution.

A policy of firmness tempered by prudence and fairness continued to be carried out, severe punishments meted out to criminal elements perpetrating serious damage to the economy, particularly those engaged in corruption and bribe taking. During the year 923 people were convicted of crimes that caused damage to the economy including corruption, bribe taking, and the diversion of public funds, 498 or 53.55 percent of them being sentenced to five years or more in prison, life terms, a stay of execution, and execution. In trial work, we paid attention to both cracking down hard on criminals who cause serious damage to the economy, and to distinguishing strictly between what does and does not constitute a crime. We diligently supported the legal rights, interests, and proper activities of citizens, and concentrated forces against the trying of important and serious cases as a means of widening the strength and influence of the fight to crack down on economic crimes, and encouraging the public's fighting will and confidence in the punishment of corruption and the elimination of graft. On 23 January 1992, we convened a conference to announce the criminal acts of nine criminals and first appeal results. These criminals included Li Wenhua [2621 2429 5478], the former manager of the Beijing Municipal Fifth Construction Project Corporation, who obtained more than 650,000 yuan of graft money; Liu Shulan [0491 3219 5695], the former project manager in the trade office of the trade department of the China Huayang Technology and Trade Corporation, who had taken more than 600,000 yuan in bribes and more than 60,000 yuan in graft; and Pang Shuncai [1690 7311 6299], a former assistant to the director and procurement officer in Beijing's Qinghe Psoriasis Hospital, who took more than 730,000 yuan in graft. This constituted another concentrated attack on serious economic criminals in the wake of the open public judgment against Guan Zhicheng [4619 1807 6134] for serious economic crimes in July 1991. It expressed the determination of the party and the state to oppose corruption and encourage clean government. In cases in which a person's behavior had consistently been rather good, or in cases involving managerial or scientific and technical personnel indispensable to production operations or enterprise management but who had been found guilty of corruption and bribe taking, when the criminal behavior was fairly light, and the person took the initiative in returning the gains and showed a good attitude in admitting guilt, we treated them leniently according to law, suspending their sentences or exempting them from punishment and allowing them to continue to apply their expertise under supervision of the masses, their meritorious service making up for their misdeeds.

Active coordination with the battle to oppose larceny, rigorously punishing felons who committed serious robberies. During 1992, a total of 2,766 robbery cases were tried and 4,311 persons convicted, 1,445 of them, or 33.52 percent, to five years or more imprisonment, life terms, commutation of a death sentence, and execution, thereby delivering a powerful blow to robbers.

Second was the application of legal methods for the correct and timely resolution of various kinds of economic disputes.

Economic dispute cases have increased enormously, the number of newly received first hearing cases for the year totaling 5,561, up 27.63 percent over 1991. First hearing economic dispute cases of all kinds that were tried totaled 5,669, up 20.49 percent from 1991. These included 4,430 cases involving various kinds of contract disputes, and 17 cases of dispute involving foreign countries, Hong Kong, Macao, and Taiwan, cases involving funds totaling 755 million yuan tied up in litigation being resolved. In the course of trial work, courts at all levels throughout the city consciously integrated strict handling according to law with effectively servicing reform, opening to the outside world, and serving economic construction in an effort to handle cases well and obtain rather good political, economic, and social results. One example was the final appeal decision made on 4 March 1992 by the municipal higher people's court in a patent rights case that overruled a State Patent Rights Appellate Commission decision, thereby invalidating the Hong Kong Arts Plant's patent rights to the "lazy grip door" invention. After the decision was announced, the news media vied to report the matter and the reaction from society at large was very great. The public felt that legal patent rights to an invention could be effectively protected under the country's laws.

To better serve reform, opening to the outside world, and economic construction, we acted vigorously in bringing to trial major cases or cases having a great effect. Of the 5,669 cases involving economic disputes that were adjudicated in 1992, 89.17 percent were concluded within the time limit set by civil litigation law. In response to a pressing need on the part of those involved, we resolved the main problems in some cases within several days.

While handling cases according to law, we also actively widened the scope to serve reform, opening to the outside world, and development of the economy in many ways. To produce a timely and effective solution to some simple economic disputes, quite a few courts mediated out of court settlements of economic disputes to the delight of business concerns and government units. For example, since the initiation of out-of-court settlements of economic disputes, people's courts in five districts of the city, namely Dongcheng, Xuanwu, Fengtai, Haidian, and Shijingshan have resolved disputes involving more than 10.7 million yuan for enterprises (which have already been carried out).

Third was good performance of civil trial work to protect the legal rights and interests of citizens and juridical persons, thereby advancing the building of both material and spiritual civilization.

During 1992, 32,133 first appeal civil cases were put on the docket, 8.37 percent more than in 1991. Civil cases involving marital and family disputes numbered 19,747 or 61.45 percent of all civil cases. As a result of the steady development of the socialist commodity economy and the formation of markets, the number of debt disputes closely associated with loans, buying and selling, and labor compensation increased greatly, rising 20.59 percent over 1991. Cases involving infringement of reputation became increasingly complex, and the number of copyright dispute cases increased manifold. In the adjudication of civil cases, courts at all levels throughout the city closely hewed to the purpose of serving economic construction, reform, and opening to the outside world, paying close attention to good adjudication of cases of the following kinds: first, those involving elements for instability; second, cases about the payment of indemnification and indebtedness involving foreign countries, Hong Kong, Macao, and Taiwan, and pertaining to economic contacts; third, cases concerned with implementation of the spirit of the Eighth Plenary Session of the 13th Party Congress, and pertaining to moving a step upward in agricultural production and rural work; fourth, cases involving the clearing of obstacles and the razing of buildings in connection with urban construction and rural planning; and fifth, cases involving implementation of laws guaranteeing women's rights and interests, and laws protecting young people who have not yet reached adulthood in diligent protection of the legal rights and interests of women, children, and old people. Thanks to hard work, a total of 32,040 civil cases of all kinds were adjudicated, 16,776 of them divorce cases, 5,304 of them disputes over debts, 3,567 disputes over indemnification, 1,815 housing disputes, 56 personal rights disputes, and 24 intellectual property rights disputes.

Fourth was active conduct of administrative trial work to protect the legal rights and interests of citizens and juridical persons, and to safeguard and monitor administrative organ's administration according to law.

During 1992, 222 new first hearing administrative cases were accepted, 35.59 percent more than in 1991. Two hundred four first hearing cases were adjudicated, 109 of them granting withdrawal of suit when the original appellant requested withdrawal of the suit, 59 cases upholding specific administrative acts, 21 cases overturning specific administrative actions, six cases of partial upholding and partial overturning of decisions, two cases rendering decision on administrative organs discharge of legal functions, and several cases involving the handling of other matters. To avoid administrative controversies that might adversely affect moving ahead on key projects, some courts advanced adjudication dates, taking the initiative to provide service. For example, realizing that the Nanxiang Project—part of a key municipal project—involved the removal of the populace and razing of structures over a wide area, and that if the work was not handled properly smooth performance of the entire project might be adversely affected, the Chongwen District People's Court took the initiative to coordinate with administrative organs in providing legal service. As a result, more than 1,170 residents, 205 government units, and 19 individual businesses were moved and resettled on time, thereby ensuring that the project would be completed on time, and earning a commendation from the authorities concerned.

By way of improving case quality, the municipal higher people's court conducted an examination and a summarization of experiences of 164 first hearing administrative cases ajudicated between March 1991 and February 1992. At the second citywide administrative trial work conference held on 13 November 1992, experiences were exchanged, shortcomings probed, and battle goals proposed for doing a better job of administrative trial work.

Fifth was vigorous improvement of enforcement work for further solution to the problem of "difficulty in enforcement."

For several years prior to 1990, the number of pending enforcement cases increased 10 to 30 percent annually. During the past two years, thanks to the support given the courts by the CPC committee, the government and the National Party Congress [NPC], a real effort has been made to enforce court decisions. Consequently, the problem of "difficulty in enforcement" was further solved in 1992 following major advances made during 1991. As of the end of the year, 2,745 pending cases were enforced, a further 20.96 percent decline from the previous year.

Acting in accordance with the spirit of the Supreme People's Court's 19 March telephone conference about concentrating on clearing up and delegating enforcement cases, courts at all levels throughout the city conscientiously handled 821 cases whose enforcement other provinces and cities had mandated them to handle involving more than 74.44 million yuan. In addition, they concluded 186 nonlitigation cases that administrative agencies had requested them to enforce, thereby supporting administrative agencies in the discharge of administrative responsibilities according to law.

Sixth was improved monitoring of sentencing to safeguard correct judgments, correct mistakes, and promote steady improvement of case quality.

During the past year, litigants unwilling to accept judgments have filed 5,039 appeal cases. Following examination, the judgment was partially or completely changed in 173, or 3.34 percent of cases where the original judgment was inappropriate. In 67 criminal cases that had been brought to trial before 1992 in which the judgment was changed, 80 people had been defendants, 38 of whom had had their sentences reduced, two of whom were exempted from punishment, 18 of whom were declared not guilty, and 22 of whom were otherwise handled. We required courts at all levels throughout the city to assemble designated persons to reexamine, study one by one, and resolve old cases under appeal. To

resolve the problem of longstanding appeals from criminals serving sentences in Xinjiang, we assembled cadres from courts at three levels to go to the labor reform camps for face-to-face meetings with the appellants, to hear what the appellants had to say, to check the facts, to conduct examination and study, and make preparations necessary for bringing six persons before a court for another trial. In the case of 25 people for whom nothing wrong was found in their original sentences and whose appeals were without merit, indoctrination was given by presenting them with the facts and talking reason with them. Thirteen of them accepted their sentence and retracted their appeals. Nine said they would diligently consider the court's views and accept remolding. Only three refused to admit guilt. The local labor reform organ deemed this to be the court's most realistic and most concrete support of labor reform work, and helpful in the transformation of the criminals.

Seventh was linking sentencing to active participation in the overall maintenance of social order.

We took active part in the overall maintenance of social order by linking doing a good job in criminal cases involving not fully mature people with sentencing activities, conducting propaganda about the legal system and making suggestions about the administration of justice. To educate, guide, and salvage criminals who are not yet adults, we resolutely enforced laws for the protection of people who are not yet adults and regulations that the municipal people's congress Standing Committee drew up for the protection of people who have not yet reached adulthood, setting up 36 "young people's courts," and assigning 81 trial personnel to them, thereby substantially achieving trials in which nonadult criminal cases were tried in "young people's courts," employing education as a part of sentencing, and linking punishment and education. In September 1992, the NPC Internal Affairs Judicial Committee and the Municipal People's Congress Standing Committee conducted a joint examination of how well the city's courts implemented the nonadult protection law, and they observed the work of the people's court "young people's courts" in the Shijingshan and Haiding districts, visited exhibits showing the achievements of "young people's courts" and "young people's court" facilities, and heard reports from our municipal higher people's court. They expressed satisfaction with our work, deeming "the work thorough and experiences rather good."

The city's 79 people's courts handled 16,820 minor criminal cases, civil cases, and simple economic dispute cases. They also publicized the legal system, guided civil arbitration, promptly resolved conflicts, and played a very good role in overall control of public order.

(3) Acceleration of the courts self-improvement, steadily improving the political and professional caliber of cadres and police to ensure completion of trial work.

In March 1992, we convened an ideological and political work conference for courts throughout the city, which transmitted and put into effect the spirit of the conference on ideological and political work that the municipal CPC committee and the supreme court convened, proposed ideological and political work tasks, and called for firm attention to and implementation of them. During the past year our main work has been as follows:

First was organization of all cadres and police for diligent study of the important remarks of Comrade Deng Xiaoping during his travels in south China, the Central Committee's instructions on better political and legal work as a means of better serving reform, opening to the outside world, and economic construction, and the 14th party congress documents as a means of improving ideological understanding. During the year, courts throughout the city had 234 office-level cadres and 71 young cadres who were excused from regular duties take part in theoretical training or attend party schools. As a result of study, an overwhelming majority of cadres and police were further inculcated with the ideology of trial work serving reform, opening to the outside world, and economic construction, and it increased their steadfastness and their consciousness in implementing the party's basic line.

Second was an effort to operate well a branch of the Legal College as a means of steadily improving the professional and cultural level of trial personnel.

Today, 50.72 percent of the members of our cadre corps have a college education or better, 72.49 percent of them in high or intermediate people's courts. During 1992, the Beijing Municipal Adult Education Bureau, and the main campus of All-China Law Cadre After-Hours Law University conducted a complete survey of branch schools in Beijing that fully approved and gave a very high evaluation of branch school operating conditions, the level of school operation, and effectiveness of school operation. They unanimously concluded that the level of operation of Beijing branch schools meets the A standard.

Third was continued efforts in building clean government, strict enforcement of the law, and handling cases fairly. Courts at all levels throughout the city continued emphasis on solving the "tendency to accept pleas for leniency" and the correction of unhealthy tendencies, diligently concentrating on the building of clean government. Courts at all levels focused on existing problems to improve their supervisory and limitation mechanisms. While building internal clean government supervisory personnel systems and improving their internal supervisory system, some courts invited NPC delegates and persons from all walks of life to take positions as court specially invited clean government supervisory personnel. Some court leaders led teams on visits to government units, streets, townships and towns to hear views on the courts clean government work. Some courts solicited the views of persons involved in suites that failed. In addition, we also investigated and punished 14 people who violated the law and discipline, six of them who had violated the party or government discipline

code, transferred three out of the court system for a fixed period of time, sentenced one to prison, and is in process of investigating four.

Delegates:

The above is the main work that courts at all levels in the city have done during 1992. During the term of office of the city's ninth people's congress, we have persevered in a struggle to crack down hard. We have rigorously punished criminals who have damaged the economy, done much work in connection with improving the economic environment and rectifying the economic order and clearing up "triangular debt," and have adjudicated 234,595 criminal, civil, economic and first and second appeal, and re-appeal administrative cases. We have concluded 59,157 enforcement cases, processed 90,674 letters, and received more than 480,000 visitors. We cracked down hard on the destructive activities of criminal elements, correctly resolved a large number of conflicts, and we played a positive role in protecting the national interest and the legal rights and interests of citizens and juridical persons, maintained social order in the capital city, and supported and advanced the smooth conduct of improvement of the economic environment and rectification of the economic order, reform, opening to the outside world, and economic construction. While completing trial duties, trial personnel in courts at all levels throughout the city have becoming stronger and stronger, its political and professional caliber has improved greatly, its facilities have improved little by little, the problem of office space for municipal high and intermediate level people's courts as well as for most sub-district and county people's courts has been substantially solved, and marked achievements have been made in every regard. I am deeply grateful to the NPC Standing Committee and the municipal people's congress for their cooperation, understanding and support for the work of the court during the past five years!

Our work also suffers from numerous shortcomings and inadequacies. For various reasons, some cases were not concluded as promptly as they should have been, and some of them exceeded the time limit for trials. In a small number of cases, work was not done with sufficient care, and quality was not as high as it should have been. The political and professional caliber of cadres still does not entirely meet the requirements of rapidly developing events. These problems and inadequacies should be gradually resolved in future work.

2. Recommendations for Work During 1993

The following recommendations are made about the work of the city's courts during 1993 in keeping with the spirit of the 14th party congress as well as the requirements set forth by the Sixteenth National Law Courts Work Conference as they relate to realities in this city.

During the coming year, the main tasks of courts at all levels throughout the city should be: diligent implementation of the spirit of the 14th party congress to do an all around good job of all trial work, using the functional role of trial work to the full to better serve economic construction, reform and opening to the outside world under leadership of the municipal CPC committee, under supervision of the municipal people's congress and its Standing Committee, and under guidance of the party's basic line.

(1) Continue to enforce according to law a policy of strictness and swiftness, severely punishing criminal elements who damage the social order, and severely punishing according to law criminal elements who seriously damage the economy through corruption and bribe taking, as well as severely punishing criminal elements who seriously injure society through the counterfeiting of trademarks, manufacturing and selling fake and shoddy goods, and perpetrating the "six evils."

(2) Strive to do a good job of economic trial work. While correctly, and promptly handling all cases, experiences gained in serving economic construction, reform, and opening to the outside world should be diligently summarized, thinking further emancipated, the sense of service improved, and the realm of service broadened the better to serve economic construction, reform, and opening to the outside world.

(3) Active conduct of civil trial work. All civil cases should be handled diligently. More must be done to build up people's courts and full use made of the role of people courts to serve in advancing agriculture and rural work. Experiences must be summarized, a better job done in hearing cases involving real estate, labor disputes, and debts that are directly related to reform, opening to the outside world, and economic construction, as well as new types of cases involving reputation rights and copyrights.

(4) Understanding of the importance of administrative trial work must continue to be improved, the administrative trial mechanism perfected, the administrative suit law strictly enforced, case quality steadily improved, and efforts made to usher in a new situation in administrative trial work.

(5) A good job of suit, counter suit, and retrial case work. Use of second appeals and reappeals to exercise the supervision and guiding role of higher level courts for lower level courts.

(6) Better enforcement work. Now that the "enforcement difficulty" problem has been substantially solved, emphasis should be focused on solving enforcement cases in which rulings have been suspended, and that are knotty and complex to ensure that the judgements of people's courts and enforced completely and promptly, enforcement work thereby proceeding well.

(7) Need for acceleration of court self-reform. During 1993, a new form for litigation documents, particularly judgment documents, must be tried out. This is a matter of importance for reform of court work and for better building of trial work. It holds important significance for improvement of the transparency of trial work, for

increasing the reasonableness and authoritativeness of decisions, for improving the quality of judgments and trial documents, and for improving the professional caliber of trial personnel. Close attention must be given to this work.

(8) Investigation and study must be improved, and better professional guidance must be given. Today numerous new circumstances and new problems require prompt study for solution. Leaders in courts at all levels throughout the city must personally conduct investigations and study, doing a conscientious job of investigation and study work.

(9) More must be done in building the court corps, the political and professional caliber of cadres and police being steadily improved. The zeal of cadres and police must be aroused to the full, a spirit of pioneering, innovation, and arduous struggle exhibited. Attention must continue to be given to the building of clean government and frugal government, a struggle waged against unhealthy tendencies and behavior in violation of the law and discipline, the purity of the law court cadre and police corps preserved, the law upheld fairly, and wholehearted service rendered to the people.

NORTHEAST REGION

Work Report of Heilongjiang People's Court

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[Article by Tang Lanting (0781 5695 0080), President, Provincial Higher People's Court: "Heilongjiang Province Higher People's Court Work Report Delivered at the First Meeting of the Eighth Heilongjiang Provincial People's Congress on 14 March 1993"]

[Text] Delegates:

I will now report to the congress for its consideration the work of the courts throughout the province during the past five years since the first meeting of the Seventh Provincial People's Congress in 1988.

1. Status of Court Trial Work Throughout the Province

Under the leadership, supervision, support, and direction of CPC committees at all levels, the NPC, the government, and the Supreme Court, courts throughout the province have taken improvement of their functions as their point of departure during the past five years. They have completely improved trial work, adjudicating 817,822 cases of all kinds including first appeals, second appeals, reappeals, sentence commutations, and releases on parole. This was 375,008 cases more than during the previous five years for an 84.7 percent increase. These trials struck a severe blow against criminal elements who seriously impair social order and cause serious damage to the economy, regulated economic relationships and other social relationships of all kinds according to law, and protected the legal rights and interests of citizens, juridical persons, and other organizations. They played a positive role in safeguarding social stability, and in supporting and advancing reform, opening to the outside world, and economic construction.

(1) Better criminal trial work, cracking down hard on serious criminal offenses and serious economic offenses. Work in three regards was highlighted throughout. First was unflagging severe and rapid crackdowns according to law against serious criminal offenses including murder, robbery, rape, hooliganism, and grand larceny, as well as against various criminal gangs of an underworld character, punishment according to law of perpetrators of the "six evils," and of criminals who seek revenge against or injure plant managers and directors during the intensification of reform. During the past five years, courts throughout the province have adjudicated a total of 81,241 first appeal criminal cases and sentenced 86,767 criminals. This represented a respective 5 and 1.8 percent increase over the previous five years. Major crimes accounted for 41.1 percent of these sentences. Major and exceptionally important cases having an important bearing on society were moved forward on the docket, every effort made to do a solid job on the basic facts and basic testimony when conducting investigations and bringing suit so as to ensure speedy processing according to law. Second was following the principle of "firmness tempered with prudence and the need to do things correctly," correctly distinguishing between what does and does not constitute an economic crime, both protecting legitimate economic activity according to law under the new situation of reform and opening to the outside world, and severely punishing serious economic crimes that exploit omissions and openings in reform and opening to the outside world to misappropriate public property and damage the economic order. During the past five years, 14,105 economic offenders were punished according to law for graft and bribery, as well as for smuggling, tax evasion and refusal to pay taxes, manufacturing and selling bogus merchandise, and the reckless cutting of timber, 1,618 of them having made illegal gains of 10,000 yuan or more. This represented a 24.3 and 125.9 percent increase over the previous five years. Third was the close linking of trial work to active participation in overall control of social order through various means including the holding of public trials, convening press conferences, using cases to explain the law, making judicial recommendations, providing new agencies with press releases, regular inspections of sentence reductions, and placing criminals under surveillance.

(2) Improvement of economic trial work, actively regulating economic relationships according to law. Courts at all levels throughout the province actively took part in the regulation of economic relationships according to law, participating in economic control to advance their functional role in economic development. During the past five years, they adjudicated a total of 127,386 cases involving economic disputes. This was 159.1 percent more than during the previous five years. They resolved

suits totaling 3.789 billion yuan, up 356.7 percent from the previous five years. By way of making economic trial work better serve economic construction, courts at all levels throughout the province made a conscious effort to make trial work a part of overall economic and social development. They further increased their awareness of the overall situation, their sense of service, and their understanding of benefits, conducting economic trial work with the needs of reform, opening to the outside world, and economic construction in mind.

(3) Improvement of civil trial work, properly solving civil disputes and safeguarding stability and unity. During the past five years, they adjudicated a total of 10,775 first appeal civil cases, 105.8 percent more than during the previous five years. This included 281,793 marital cases, 35,546 indemnification cases, and 960 new cases involving reputation rights and image rights for a 105.6 percent, 17.8 percent, and 119 fold increase over the previous five years. To ensure social benefit from the handling of cases, not only did they protect legal rights and punish violations according to law in the course of trial work, but they paid special attention to the principle of providing education and guidance, thereby not only rendering impartial judgments according to law, but also using litigation to improve the understanding of the law of those involved, making the passive active, and advancing the building of socialist spiritual civilization. In addition, they energetically bolstered the building of people's courts, fully displaying their dominant position in accommodating the people and helping the people. During the past five years, 324 new people's courts were built, 62.8 percent more than during the previous five years. Total people's courts throughout the province number 840, which means one court for every two townships for the most part. This permits the early handling, the reduction, and the cleaning up of a large number of civil disputes.

(4) Improved administrative trial work to advance the building of the administrative law system. Courts at all levels throughout the provinces universally built administrative trial organs to bolster administrative trial capabilities. During the past five years, they adjudicated a total of 3,172 first appeal administrative cases involving public order, land, environmental protection, health care, and urban construction, including 775 cases, or 24.4 percent of the total number of cases adjudicated, in which specific actions by administrative organs were overturned or revised according to law; and 888 cases, or 28 percent of the total adjudicated cases, in which specific administrative actions were sustained according to law.

(5) Improved enforcement work to maintain the unity and solemnity of the legal system. Since 1988, courts at all levels throughout the province have paid close attention to breaking new ground in solving the "enforcement difficulty" problem, bringing about strict enforcement of the law. They concentrated time and energy on diligently waging a phased, region-by-region mass enforcement campaign, improving across the board the organization and coordination of enforcement work, as well as supervisory, guidance, and investigative work, thereby substantially turning around the former passive situation in enforcement work. As a result, enforcement work has gradually entered a benign cycle. During the past five years, economic and civil enforcement cases, and administrative organ appeal enforcement cases that were brought within the enforcement procedures totaled 221,154. Enforcement rates for 1989, 1990, 1991, and 1992 were 83, 88.7, 92.1, and 88.4 percent respectively, the sum involved in enforcement totaling 1,234 billion, including 258 million yuan in debts recovered from other provinces and municipalities.

(6) Better suit, appeal, and trial work, safeguarding the legal rights and interests of parties to litigation. Since 1988, units that received letters and personal inquires in courts at all levels throughout the province have continuously been transformed into suit, appeal, and trial courts, thereby bringing letter and personal inquiry work within the trial system. This has improved the putting on the trial docket of suit and appeal cases, and trial supervision work, thereby playing a positive role in solving the public's "difficulty doing to court." During the past five years, more than 1.34 million suit, appeal and nonsuit mail and personal inquiry cases have been heard, 17,121 cases of all kinds reappealed in accordance with trial supervision procedures, decisions changed in 3,408 of them. This cleared up a number of old cases that had been tied up in litigation for many years, thereby eliminating some elements of uncertainty.

2. Main Knowledge Gained From Court Work During the Past Five Years

During the past five years, courts at all levels throughout the province have better exercised the functional role of people's courts to meet needs stemming from tasks that have arisen under the new circumstances. They have persevered in opening up new avenues for moving ahead, conducting their work in a creative fashion. They have striven to raise the level of enforcement, and they have gradually discovered some new work avenues.

(1) They have persisted in taking economic construction as the key link, constantly intensifying the guiding thought of trial work serving reform, opening to the outside world, and economic construction. First, they organized courts at all levels throughout the province for a thorough investigation of the new circumstances and the new problems that the intensification of reform, opening to the outside world, and economic construction occasion for the work of the courts. They understand clearly the new situations that court work faces, and they are more conscious about the need to serve economic construction. Second is adherence to the principle of case quality, efficiency, and social benefit being of equal importance in trial work. They have striven to make willingness to enforce the law and adeptness in enforcing the law one, and to make the legal standards for cases and social standards one. Third, they have kept their eyes peeled outward, taking the initiative in widening the

ways in which they can provide service, and doing a good job of taking the lead in providing service and in prolonging service.

(2) They have insisted on the solemnity of law enforcement, striving to raise the level of law enforcement. Courts at all levels throughout the province have emphasized three actions. First is a system for standardizing trial work. They drew up 34 detailed regulations on implementation over a period of time that provided specific requirements at all stages in the running of cases as a means of overcoming inconsistencies in law enforcement and ensuring enforcement of substantive law and procedural law. Second is improved law enforcement and supervision of investigations. They worked diligently on the processing of appeal, counter appeal, and reappeal cases, conducting regular supervision of them. During the past five years, they have adjudicated 51,847 cases of the foregoing three kinds, 14 percent more than during the previous five years. In 9,785 of these cases, or 18.8 percent of the total number of cases adjudicated, the judgment was changed. As a result of major checks on law enforcement during the past five years, a total of 28 particulars were changed in trial work, and judgments changed according to law in 132 cases. Third was widening of avenues for supervision by society as a whole. Provincial law courts specially drafted "Regulations Pertaining to the Conduct of Open Trials and the Procedural System," which placed trial work under supervision of the broad masses of the people.

(3) They persisted in establishing as a goal a "three mosts" image, namely most reasonable, most impartial, and most honest in vigorous building of a court corps. Courts at all levels throughout the province launched campaigns to "make the masses satisfied with the law courts," and "criticism of law courts by the masses" as part of satisfying the "three mosts." They encouraged the masses to "find fault" with trial work as an effective means for advancing greater building of "three mosts" courts. During the past five years, provincial court cadres and police refused gifts and bribes more than 27,000 times. The renminbi value of the money and goods they refused came to more than 3.6 million yuan. They refused more than 90,000 dinner invitations and pleas for intercession, and they received 18,113 letters of commendation of various kinds from litigants. One hundred ninety-one of the province's 201 courts have been named civilized units by local CPC committees and governments. This is 95 percent of all courts. After three consecutive years of being termed an "advanced system for the building of civilized units" by the provincial CPC committee and provincial government, in 1992 the courts were honored with the title of "model soldiers in the advanced system for building civilized units."

(4) Adherence to better management as the key to improving the overall quality of court work. To meet the need to develop reform, opening to the outside world, and economic construction, to solve or ease the problem of a tremendous increase year by year in the number of cases that the courts face when a serious shortage of trial personnel exists, the need for strict enforcement when enforcement is difficult, a cadre caliber that is not up to the strenuous trial tasks, and the need to develop the trial profession when material conditions are rather poor, courts at all levels throughout the province actively sought support and assistance from all quarters of society while simultaneously tapping internal potential to make the management of trial work, cadre work, administrative work, and financial facilities work more scientific, more standardized, and more systematic. As a result, all tasks are performed with high efficiency to meet time and quality requirements, thereby realizing a management that has quality, efficiency, and strength. Courts throughout the province accepted a larger number of cases, concluded a larger number of cases, and reduced the number of unconcluded cases for four years in a row from 1989 through 1992.

(5) Persistence in closely relying on CPC committee leadership and consciously accepting supervision from the NPC. Courts at all levels throughout the province made conscious reliance on CPC committee leadership and acceptance of NPC supervision an important political principle throughout. They made sure each year to file regularly a complete report with the CPC committee, organically linking the implementation of higher court requirements with CPC committee instructions. At the same time, they continued diligently to report to the NPC and accept full supervision from it. They made special work reports to the NPC Standing Committee, and accepted supervision in the enforcement of individual laws and regulations. They handled in a timely fashion congress motions, criticisms, and recommendations, and cases that the NPC turned over to them for handling, and they accepted regular supervision on them. They filed reports with NPC leaders and delegates responsible for court inspection work, and they accepted face-to-face supervision from them. In accordance with regulations, they submitted appointments and dismissals of court personnel to the NPC and accepted its supervision over personnel matters. They ensured completion of trial tasks, advancing the courts own building.

3. Recommendations on Future Court Work Throughout the Province

Realization of the main tasks in reform and economic construction that the 14th party congress proposed for the 1990s, and the overall plan for moving a step upward in development of the province's economy that the sixth (enlarged) plenary session of the provincial CPC Committee set poses new and high requirements from trial work. With the founding of a socialist market economy system, in particular, profound changes are bound to come about in the structure of the economy, the way the economy operates, and in many fields of the superstructure. These will require that the social relationships that the people's courts readjust according to law will become broader and broader, and new situation and new problems will appear in large numbers that make trial tasks ever more demanding and daunting. Courts throughout the province are shouldering a heavy historical mission.

At the same time, it must be realized that the requirements of developing circumstances necessitates that in trial work and in their own building, numerous attendant problems continue to exist for courts throughout the province. In accordance with the spirit of the 14th party congress and the sixth (enlarged) plenary session of the provincial CPC, as well as the requirements faced in the developing situation, today and for some time to come, the main task of courts at all levels throughout the province is diligent implementation of the spirit of the 14th party congress. They must concentrate closely on the key matter of economic construction further improving in every way all trial work and building of the courts, actively providing legal support and legal services to improve the legal system climate for reform, opening to the outside world, and economic construction, for the maintenance of sustained social order, and to advance the rapid development of the national economy. To realize the foregoing tasks, it is recommended that emphasis be given to work in five regards as follows:

(1) Further emancipation of thinking and updating of ideas, increasing consciousness about how trial work serves reform, opening to the outside world, and economic construction. Courts at all levels throughout the province must unswervingly carry out the party's basic line of "one center and two base points," further adopt effective measures, and steadily improve all criminal, civil, economic, and administrative trial work, bringing to bear to the maximum extent the irreplaceable important role of trial work in serving reform, opening to the outside world, and economic construction.

(2) Active reliance on the law to readjust economic relationships to advance establishment of the socialist market economy system and the rapid development of economic construction, to bring to bear fully the regulatory role of legal methods in the founding and operation of the socialist market economy. Courts at all levels throughout the province must rely on timely and appropriate handling of all disputes affecting the production, business, commodity circulation, and distribution realms, protect equal competition according to law, promote enterprises' changing of their operating mechanisms, and promote the fostering of a commodity and elements of production market system.

(3) Resolute attacks on all criminal activities to create a fine social climate for the intensification of reform, opening to the outside world, and economic construction. Courts at all levels throughout the province must further strengthen the dictatorship function, inculcating thinking in terms of doing long-term battle. Continued reliance must be placed on the law in cracking down hard and rapidly on criminal offenders who cause serious damage to social order, resolutely containing the trend toward increase in cases involving violence and viciousness, and the growth and spread of odious social phenomena. The law must continue to be relied on in severe crackdowns against all serious economic offenders in the resolute elimination of the "borers" that damage reform, opening to the outside world, and economic construction. It is necessary to adhere to taking the theory of building a distinctively Chinese socialism and policies for intensifying reform and opening to the outside world as guides, strictly distinguish between what is and is not a crime in the economic realm, between what is an offense and a violation of the law, and what is an offense and a violation of party or government discipline.

(4) The legal corps must be further enhanced to create a trial corps that is politically solid, professionally skilled, and superb in work style.

(5) In keeping with requirements of tasks in the newly developing situation, new ways must be actively explored to reform the courts themselves. Courts at all levels throughout the province must further break free from the influence of the old economic system and traditional views in accordance with the plans of the CPC committee and the Supreme Court, dare to pioneer and innovate, and explore actively the development and perfection of a socialist trial system that is distinctively Chinese in character.

Delegates, in a new situation in which the whole party and people throughout the country are fully putting into effect the spirit of the 14th party congress, hastening the pace of reform, opening to the outside world, and modernization, and winning greater victories in distinctively Chinese socialist endeavors, courts at all levels throughout the province must actively strive to further emancipate thinking, rally spirit, unite in struggle, closely rely on leaders of CPC committees at all levels and the supervision of people's congresses, and fully improve trial work in every way to make full use of the functional role of trial organs to ensure and advance highly effectively the intensification of reform and opening to the outside world, and the smooth conduct of economic construction.

New Premier's Opposition Connections

93CM0195A Taipei TZULI WANPAO in Chinese 14 Feb 93 p 2

[Report by reporter Chen Ming-Cheng: "Lien Chan's Opposition Connections Are Both His Resources and Burdens"]

[Excerpt] [passage omitted] Although Lien Chan very seldom openly associates with persons at home and abroad who are connected with the opposition movement, he does have some opposition connections that he can use, connections that he has established through his family background and during his earlier years as a student.

Professor Peng Ming-min who enjoys high prestige at home and abroad, and belongs to a much older generation is a "prophet of self-determination for Taiwan." He was the one who provided Lien with personal guidance in the political science department of the National Taiwan University. Right now he openly supports Lien Chan in forming the cabinet. In addition, Dr. Lin Tsung-i, a well-known character in international psychiatric medicine, is one of the founders of the "movement for self-determination" abroad and also the chairman of the board of directors of the Concern Association for 28 February Incident at present. Dr. Lin Tsung-i who has maintained friendly relations with the Lien family for three generations also openly confirms his support and hopes for Lien Chan in forming the cabinet. These two examples precisely show the opposition connections of President Li Teng-hui and Governor Lien Chan.

In addition, Hsu Shih-kai, former chairman of the Headquarters for Taiwan's Independence Movement who was on the black list for 33 years, was Lien Chan's schoolmate for seven years in high school and college. Although he has not openly supported Lien Chan in forming the cabinet, he regards Lien's behavior, scholarly attainments, and awareness of Taiwan that Lien demonstrated in earlier years as something positive. Some Taiwanese students who studied in the United States in the 1960s do not feel like strangers to Lien who also studied in America during the same period. They also cannot say that they have any bad impression of Lien Chan.

Besides the Lin Tsung-i family, many family members of the 28 February Incident victims have maintained friendly relations for generations with the Lien family that enjoys fame and prestige in Tainan. Hsieh Chi-lan, Chen Hsin's 97 years-old widow who is also sister of the deceased "Father of the Baseball League" legislator Hsieh Kuo-cheng, said once that Lien Chan's grandfather Lien Ya-tang and her father Hsieh Shih-chiu, a former bachelor of arts in the Qing Dynasty, were fellow poets of the Tainan Poet Society. Lien Chan's father Lien Chen-tung was Mr. Chen Hsin's schoolmate at the Keiyo University in Japan, and he was a matchmaker for Chen Hsin's daughter Chen Shuang-shih's marriage. Therefore, when a memorial service was held on 10 January this year for Chen Hsin's 100th birth anniversary, Lien Chan who was busy calling on elected legislators in various localities also managed to find time to attend this memorial service.

It is understood that former director of the provincial Ilan Hospital who was killed during the 28 February Incident also studied at the Keiyo University in Japan. At that time, Lien Chen-tung planned to write a letter to save his Keiyo University schoolmate Director Kuo's life, but it was already too late. Meantime, there was practically nothing that he could possibly do under such a chaotic situation.

Members of the Concern Association for 28 February Incident had separately called on Premier Hao Po-tsun and Taiwan Provincial Governor Lien Chan last year. The impression of the family members of 28 February Incident victims was that Lien Chan was a fourth grader at the Jih Hsin Elementary School in Taipei and personally witnessed the 28 February Incident. Compared with Hao Po-tsun who only came to Taiwan in 1949, Lien certainly can understand better what actually happened during the 28 February Incident, and sincerely remedy the historic misfortune of the incident. It is said that during a luncheon, Premier Hao Po-tsun even argued on the spot with family members of the 28 February Incident victims. He showed disbelief that tens of thousands of people had died during the incident, saying that at the most, 300 to 400 people were killed and injured. He also said: "How can graduates from the Whampoa Military Academy be so cruel?" Comparing the two, family members of the victims of the incident believe that the future premier demonstrates more sincerity, although Lien Chan himself has not energetically showed concern over them.

Nevertheless, Lien Chan's family fortune is something people criticize the most. Among his opponents and family members of the victims of the 28 February Incident, some people also raise queries on Lien Chen-tung's "half-mainlander" role in the 28 February Incident, and on his large pieces of land in Taipei, Miaoli, Keelung, Taichung and other localities after he became a high-ranking government official to take over state properties from Japan during the earlier years and following the 28 February Incident. These criticisms and queries are burdens that Lien Chan must face while inheriting his family fortune and connections.

Current Political Myths Exploded

93CM0195B Taipei TZULI WANPAO in Chinese 20 Feb 93 p 3

[Article by Lin I-hsiung, responsible person of Tzulin Cultural and Educational Foundation: "Clans, Stability and Saviours—Confusion in Taiwan's Political Situation at Present"]

[Excerpt] After the disappearance of strongman dictatorship in Taiwan, the possibility of forming a democratic government system emerged. Whether or not this possibility will become a concrete reality depends on the wisdom of the people in Taiwan. Today while we lament over our failure to establish a democratic government

system so many years after the disappearance of the strongman, there is a need for us to look back at the turmoil in the past several years, locate some of the concepts that we must clarify, and eliminate some of the psychological factors that impede our progress.

Government instability is not equivalent to political unrest.

Generally speaking, when a ruling class with absolute power loses the leadership of a strongman, there will always be a power struggle and turmoil within the class unless another strongman rapidly emerges. Meanwhile, the government, a tool in administering the state, will become unstable. Government officials will be changed continuously because of the power struggle. Government policies will wobble, because on the one hand, the government needs to pay attention to the people's welfare and subdue the feelings of its opponents, while on the other hand, it must protect its own interests. This type of turmoil will end only when a new strongman appears or the ruling body becomes a democratic political group. If a new strongman fails to emerge or the ruling body is unwilling to become a democratic political group, it will eventually lose its dominant position, because it is unable to form a highly efficient government.

Under this kind of condition, government instability is precisely the prelude to entering a democratic society. If we believe that democratic politics is something worthy of our pursuit, and that only a democratic system can bring us genuine political stability, we should guard against the emergence of a new strongman under this kind of condition, instead of hurriedly seeking measures to stabilize the government which is not expected to be stable in the first place and intentionally or unintentionally creating a hotbed for bringing up a new strongman.

"To seek progress in the course of maintaining stability" is only a word game that is useless for genuine stability. In fact, there are many factors that affect political stability. Important ones are people's political quality and ability to supervise politicians, and the degree of maturity and reliability of the nongovernment political and social organizations. In recent years, the people's qualities and abilities have been greatly raised due to the disappearance of the strongman and the opening-up of the society. Opposition political organizations have obviously become more mature and reliable. During the election campaign for legislators last year, many people rejected financial temptations; and the Democratic Progressive Party was able to attain remarkable achievements even if conditions were not so fair to it. This kind of progress is precisely something on which Taiwan can rely in maintaining political stability. The turmoil and unrest inside the ruling class will naturally affect the society in Taiwan more or less. However, if we regard such turmoil and unrest as social disasters, and refuse to build the genuine foundation for stability and progress, we will only help the ruling group enhance its strength and postpone the advent of real stability.

Many historic facts substantiate that people must fight for their own rights and solve their own problems. They cannot expect charity from the ruler. Nor can they expect their savior to rescue them.

These historic facts have been blatantly ignored in Taiwan in recent years. When the strongman of the Chiang family passed away, Mr. Li Teng-hui took over the leadership of the ruling group. Since he was born in Taiwan, many people have a wishful thinking of expecting him to get rid of all shadows of the ruling Chiang family. Even those who are always opposed to the ruling Chiang family have openly expressed their sentiment in pinning ardent hopes on Mr. Li—a person who got his position and power after serving the Chiang family half of his life, won recognition and promotion from the family, and inherited the major position—to change the essence and structure of the ruling Chiang family and destroy the much respected status and abolish the substantial benefits of the ruling group. Perhaps it is only an illusion that may be caused by the erroneous clan sentiment on the one hand and by their own laziness on the other. Those people are unwilling to or dare not accept the responsibility to reform society. They expect a mighty savior to build a paradise for them.

Under the prerequisite of not harming their own interests, all politicians will do something favorable for the people to protect their own status and prestige, or have their names recorded in the annals of history. They may in one way or another show much feeling for their own land and compatriots. Perhaps, Mr. Li is no exception. Only this kind of sentiment and feeling will not necessarily help him score impressive achievements. For many years, what Mr. Li did has not significantly impressed the people. The reform measures adopted in recent years are only adjustments that the ruling group has no choice but to make under the pressure of the trend of the times and of the society so that it can go on enjoying its status. Mr. Li has made no contribution at all to anything basic in promoting constitutional reform and political openness. However, there are still many people who have illusions about him.

These illusions can no longer be explained as simple clan sentiments. They reflect a passive temperament among those who have been oppressed for a long time. People with this kind of temperament do not believe that social reform is the achievement made by numerous tiny individuals by pooling all their efforts. Nor do they believe that they themselves can make any contribution to social reform. They refuse to dedicate themselves to this cause, while leisurely waiting for certain leaders to tackle difficult problems in society. This kind of mentality has permitted the ruling group and media to succeed in portraying Mr. Li as a brilliant leader, and thus hamper genuine reform.

Right now, the various existing clans in Taiwan must co-exist on an equal basis. This is something indisputable. No one is foolish enough to run counter to this principle. However, whenever there is a political

struggle, some people often show clan sentiments, mistakenly believing that politicians of a clan will certainly take care of the interests of those in the same clan. Therefore, there emerges the idea that Taiwanese should support a Taiwanese president. Meanwhile the replacement of a mainlander premier evokes a sense of crisis among members of the mainlander clan, setting off activities in protest of the replacement.

In fact, politicians mostly show concern about their own positions and benefits in general. When a certain clan is able to help a politician gain his political status and benefits, he will naturally take care of that particular clan. During the period when the Chiang family reigned, many Taiwanese became high-ranking officials. However, they paid no particular attention to the interests of the people in Taiwan, since they did not need the latter's support. Naturally, those who belong to the same clan invariably show feelings for each other. However, this kind of feeling has practically no effect on politicians as compared with the their status and benefits.

In general, most politicians will make use of this kind of erroneous clan sentiment to elevate their status and increase their benefits. Thus, the "Taiwanese" president who repeatedly made mistakes was time and again forgiven in Taiwan. He still enjoys high prestige. On the other hand, politicians who belong to a minority clan will also make use of the sense of crisis of their particular clan to consolidate the foundation in support of them.

Only by examining the current political situation without the aforementioned sentiment, will it be possible to prevent ourselves from becoming dazed and confused.

When Mr. Hao Po-tsun was premier, Taiwan's society and its political and economic situation were not necessarily worse than those when his predecessor Li Huan was in office, although his words and deeds often showed that his knowledge is somewhat limited. Today Lien Chan has replaced Hao Po-tsun. There is no reason to say that Lien will do a better job. In essence, what controls Taiwan's political situation is still the same huge ruling machine. The replacement of parts will not affect the overall situation. Efforts to topple Hao while supporting Lien will only create more confusion. What merits attention is the fact that amid the hullabaloo of toppling Hao, no one puts any blame on Mr. Li Teng-hui who originally nominated Hao Po-tsun. Under the clan sentiment, Mr. Li, instead, has become a victim who needs help. Amid the hullabaloo of supporting Lien, no one has ever thought that Mr. Li had already wrongly nominated someone in the past. On the contrary, many people believe that they must support Lien Chan, because he is nominated by Mr. Li.

After Mr. Lien Chan was nominated to form a cabinet, there was a saying that he should be supported to attain political stability. There was even another saying that the opposition party was asked to support Lien. In essence, even if the Legislative Yuan disapproves Lien's nomination, there are many others who are as qualified as Mr. Lien Chan. Making one or two more nominations would make the procedure in nominating the premier look like a more prudent one. Basically this procedure has nothing to do with political stability. To use political stability as a reason to ask the Legislative Yuan to confirm Lien Chan's nomination as the next premier is a misuse of the term "stability."

Confused by their erroneous feelings, many people including those in the opposition party desperately racked their brains to look for a reason to support Mr. Lien Chan's nomination. Some people use age instead of "change of generation," and do not use thoughts, ideals or wisdom, others overstate that this nomination symbolizes the end of the mainlanders' conservative force. However, they do not ask the following questions: Did the two generations of the Lien family—the father and the son—rely on this force to score today's achievements? During his protracted government service, did Lien Chan accomplish anything significant? What kind of situation can he possibly create in Taiwan's political arena?

Also confused by the same type of erroneous feelings, some people believe that the opposition party must "righteously" help the faction in power to support Mr. Lien Chan's nomination in suppressing the faction not in power. They have totally ignored the fact that the faction in power and the one not in power only represent the two sides of the ruling group. Their common goal is to protect the interests of the ruling group. They often fight against each other inside the group in scrambling for power and benefits. The faction in power publicly announces its stance and forcibly prevents the people in Taiwan from maintaining independence and keeping the initiative in their own hands, and the faction not in power purposely makes its own stand obscure to reap benefits from all sides. Both factions impede Taiwan's social and political progress. The faction in power does not deserve more respect than the one not in power, although they compete with each other. We can easily tell by what the two factions did in the past election campaigns. The faction not in power made use of the party machinery to consolidate its own basis and win the election, while the faction in power nominated financial magnates to buy votes, ruined the democratic system with money and corrupted the people. It is already clear who is winning the battle. The faction in power is certainly not worthy of anyone's "righteous" help.

Next, the proposal made by the faction not in power must be respected, although it is not worth our approval. To make this faction change or disappear, we can only use our words and deeds to persuade its supporters in a rational way, or expect its natural retirement from the political arena as a result of our progress in society. It is impossible to basically surmount the difficulties in Taiwan's society created by the faction not in power if we lose the stand of a political party, and seek to unite with a faction that is not worthy of our efforts to unite with in order to win a majority of votes in the Legislative Yuan. [passage omitted]

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