JPRS-CAR-93-020
29 March 1993

FOREIGN
BROADCAST
INFORMATION
SERVICE

JPRS Report

DISTRIBUTION STATEMENT A
Approved for public release;
Distribution Unlimited

China

DTIC QUALITY INSPECTED 2

19980115 053

REPRODUCED BY
U.S. DEPARTMENT OF COMMERCE
NATIONAL TECHNICAL INFORMATION SERVICE
SPRINGFIELD, VA. 22161

China

JPRS-CAR-93-020 29 March 1993

CONTENTS

INTERNATIONAL

NORTHEAST ASIA

Japan Uses Environment To Expand Political Influence *[GUOJI ZHANWANG 23 Nov]* 1

ECONOMIC

NATIONAL AFFAIRS, POLICY

Forecast of 1993 National Economy *[GAIGE 20 Jan]* 3
Liu Guoguang on Economic Growth in 1990s *[GAIGE 20 Nov]* 7
Shanghai Holds Forum on Socialist Market Economy *[SHEHUI KEXUE 12 Dec]* 12
Liu Suinian on Future Direction of Ministry *[Hong Kong CHING CHI TAO PAO 8 Feb]* 15
Fang Sheng Views Socialist Market Economy *[JINGJI RIBAO 5 Jan]* 16

PROVINCIAL

Jiangsu Establishes Nation's First Tax Court *[XINHUA]* 18
Foreigners Invest $400 Million in Tianjin Jan-Feb *[Tianjin Radio]* 18

INDUSTRY

Bureau Issues 1992 Industrial Statistics *[RENMIN RIBAO 1 Mar]* 19
Output of Textiles in February *[CEI Database]* 21
Light Industrial Output Value by Area in February *[CEI Database]* 21

POPULATION

Enterprise Reforms Hinder Urban Family Planning *[RENKOU YU JINGJI 25 Dec]* 21

TRANSPORTATION

Chartered Plane Serves Shenyang-Seoul Air Route *[Shenyang Radio]* 23
Changchun-Heihe Air Route Opens 27 February *[JILIN RIBAO 1 Mar]* 23
Anhui To Open More Air Routes *[XINHUA]* 23

AGRICULTURE

Farm Strategies in Preparation for GATT, Competition *[NONGMIN RIBAO 12, 19 Jan]* 23
Sichuan Grain Reform Examined *[ZHONGGUO WUJIA 17 Dec]* 26

MILITARY, PUBLIC SECURITY

First Joint Tactical Training Center Described *[WEN HUI BAO 1 Feb]* 31
Hekou Public Security Office Cooperates With Vietnam *[YUNNAN GONGAN BAO 16 Feb]* 32
Hainan Public Security Chief on Improving Security *[RENMIN GONGAN BAO 7 Jan]* 32
Guangxi Scores Successes Against Gang Crime *[RENMIN GONGAN BAO 26 Jan]* 33
Xinjiang Public Security Simplifies Procedures *[RENMIN GONGAN BAO 18 Feb]* 33

TAIWAN

Politician Lien Chan Profiled *[HSIN HSIN WEN 16 Jan]* 34
Convicted Politicians Find Redress in Election *[TZULI WANPAO 26 Dec]* 35

HONG KONG, MACAO

Industry Urged To Develop Competitiveness, Investment 39
Focus on Science, Technology *[CHING-CHI TAO-PAO 8 Feb]* 39
Foreign Investment in Industry *[CHING-CHI TAO-PAO 8 Feb]* 41

NORTHEAST ASIA

Japan Uses Environment To Expand Political Influence

93CM0174A Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 22, 23 Nov 92 pp 27-28

[Article by Tu Qiyu (1458 0796 1342): "Environmental Foreign Policy—Japan's New Tactic To Realize Big Power Dream"]

[Text] For quite a long period of time, the Japanese Government has tried to use participation in international military operations as a basic means to expand its political influence. Not only ago, the Japanese Land Self Defense Force [SDF] by joining the "U.N. Peacekeeping Force" went into Cambodia. Earlier, the Japanese Naval SDF taking part in the joint mine-sweeping operation in the Persian Gulf was another manifestation of this objective. But using this method to seek to gain political influence is well known to the world community, and even if the military operations are for peacekeeping, Japan's objective is obvious if one cares to examine it. Given the historical fact of outward expansion of Japanese militarism, the world community and especially the Asian countries are not only deeply concerned but also react strongly to even the slightest hint of military strength being included in Japan's external relations. Therefore, the Japanese Government itself also recognizes that it faces considerable obstacles in using this old method to seek dominant political influence, a method which the world community finds it difficult to accept. Recently, Japan has adopted a new method to pursue its big power dream—an environmental foreign policy. It's consists mainly of managing environmental disputes among nations, drafting international laws to deal with environmental issues, seeking international cooperation to solve environmental questions, and finally shaping a global system of ecological safety.

As early as 1989, the Japan Foreign Ministry had proposed pursuing an "environmental foreign policy" by establishing a special working group on environmental issues.

In April 1992, at the "Conference of Global Environment and Humanity" held in Tokyo, Japan's former Prime Minister Takeshita first gave the signal that Japan will cooperate with other countries and play a leading role in drafting national laws to address environmental issues and in raising capital for such programs. He said: "only by taking a leading role in solving questions of global concerns can one appreciate the substance of Japan's active role in the world community."

The strategy of environmental foreign policy was put into practice at the U.N. Conference on Environment and Development [UNCED] held in Rio de Janeiro. As the country with the largest trade surplus, Japan announced at the UNCED that over the next five years, Japan would contribute a major sum of $7-10 billion to the Environmental Protection Fund, and also promised to cooperate with other nations to develop environmental protection technology. At the conference, Japanese delegation's spokesman Numata said: "As this is the time when all peoples are seeking a new world order, every government should pay even greater attention to global issues. In my view, Japan is capable of performing a beneficial role."

Echoing this call, the Japanese Liberal Democratic Party in May tabled the draft of a "Global Environment Basic Law" in an effort to provide legislative support. In the draft, it emphasized "the necessity of making a contribution to the world community." Japanese media also helped publicize this move, saying that up to this point, no other country in the world has taken a leadership position on the issue of ecological safety. The connotation of this statement is clear.

What is deserving of our attention is the fact that Japan's environmental foreign policy has already achieved considerable results, and that Japan's posture and actions have been favorably commented on by the media in a majority of countries. As the Reuter Wire Service put it, [Japan] was "the biggest winner in the UNCED." In analyzing how this situation came about, I have identified the following three reasons:

One of the reasons is the commonality of ecological benefits. Ecological issues are not like ideological issues; a question of war, for example, involves a certain geographic area where it occurs as well as definite participants. Because the global ecological system is an all-inclusive system, environmental questions are not confined to any geographic area and environmental impacts are not selectively applied on the victims, every part of the globe will directly or indirectly be affected and the ecological benefits are also common to all.

During the cold war era, nuclear war was the greatest threat to the safety of the whole world. Following the end of the cold war, ecological dangers have increasingly generated serious international concern, and the interrelationship between environmental protection and safety has become obvious. Worldwide, more and more political scientists and political leaders are beginning to give a new definition to the word "safety." They consider that factors affecting the survival of nations are not only military or economic but also environmental ecology. At the CSCE meeting in Paris in 1991, French President Mitterrand called for expanding the agenda of NATO to include aspects of environmental protection. He considered that when nuclear war is no longer the greatest threat to mankind, we should change our point of view toward environmental protection and plan for the environmental safety of populated areas in all parts of the world.

Because environmental protection has become a common concern of the whole world, Japan's advocacy of a global system of ecological safety and working for environmental protection behind a "golden shield"

backed by a large amount of capital and advanced environmental protection technology can easily be accepted by the world community. Thus without much fanfare, Japan's leadership position in global environmental affairs becomes established, and it is no longer difficult for Japan to achieve its objective of raising its political prestige.

A second reason is concealment of the objective. Because environmental protection advocacy has long been considered interference in economic development, the interrelationships between public health and welfare issues and political actions are not always transparent. Therefore, an environmental foreign policy which seeks indirectly to achieve one's political objectives through international environmental protection activities is a method which conceals the true objective and thus helps avoid resistance.

A typical example is the following: In May 1992, Japan sponsored and convened the "Committee on Environmental Projects" in the Middle East Peace Conference, and thus was able to achieve what has not been possible for many years, namely the objective of direct participation in the political affairs of the Middle East. For years, granted that Middle East oil has been Japan's lifeline, and every turn or move in the pattern of Middle East security has a direct effect on Japan's economic stability, yet Japan has not been able to have any influence at all in Middle East politics. Even in the recent Gulf War, Japan was only the little brother responsible for digging into its pocket to supply the cash. But now, by carrying out the environmental foreign policy, Japan has its hand on the questions of Middle East peace and political structure, and for the first time Japan is finally directly involved in Middle East politics. The 19 May Japanese daily YOMIURI wrote: The political significance of that conference will far exceed the parameters of the environmental issues.

A third reason is that a leader is certainly needed in the matter of global environmental protection. At present while a new world order is in the gestation stages, the goals of a new world order should include the maintenance not only of political and economic security but also of global ecological safety. A security system with the protection of the ecological environment as nucleus will form the substantive content of the world order from the end of the cold war to the 21st century. During the cold war era, the U.S. undertook to use its power to ensure the common security of western societies and became their leader; to be one of the leaders in a new world order, the U.S. should again contribute to the common security including ecological safety.

With the cold war ended, the world's focus has also shifted. As the leader of the Western camp, the U.S. finds that the decline of its leadership strength has been unavoidable. Faced with such circumstances, the U.S. has not been able to reorient itself in time to grasp the new leadership key to environmental protection; instead, the U.S. has been taken to task for failing to address any number of environmental protection issues, which further leads to lowering of its leadership position.

In reality, massive financial strength and advanced environmental protection technology are needed to establish a global ecological security system. Even if the U.S. has the desire to be a world leader in environmental protection enterprises, it does not have the necessary power. Economic recession has meant that the U.S. does not have the wherewithal to "contribute" toward work for ecological safety. It so happens that Japan not only has the financial strength but also the advanced environmental protection technology, and it is therefore natural that Japan rises to answer the call.

NATIONAL AFFAIRS, POLICY

Forecast of 1993 National Economy

93CE0277A Chongqing GAIGE [REFORM] in Chinese No 1, 20 Jan 93 pp 89-93

[Article by Xu Gongyuan (1776 1347 3293): "Forecast and Analysis of Development Trends in the 1993 Chinese National Economy"]

[Text] The year 1993 will be one in which the distinctly Chinese socialist market economy enters a phase of substantive development, in which the spirit of the 14th National Party Congress is thoroughly implemented, and in which the pace of reform liberalization and modernized construction is stepped up. The promulgation of "The Rules Concerning Transformation of Operational Mechanisms in Ownership by the Whole People Industrial Enterprises" will provide a legal framework for the alternation of government functions and the transformation of enterprise mechanisms. The ever-increasing scope of market self-regulation will give further play to the fundamental role of the market in deploying resources. At the same time, if China rejoins the General Agreement on Tariffs and Trade [GATT] in 1993, it will have a major effect on macroeconomic operational mechanisms in China, and in particular, on the system of foreign trade administration. Hence, we can predict that in 1993 China's economic system reforms and efforts at opening to the outside world will produce advances in both breadth and depth, and that the GNP growth rate will remain quite high.

I. A Variable Plan Forecast for China's 1993 Economic Growth

We created three plans revolving around demand guidance, with consideration given to supply restricting factors. We used these models to forecast trends in China's 1993 economic development. The first plan does not exacerbate the restraints of bottlenecked departments. The scope of investment would fall considerably under this plan, a moderate monetary policy would be carried out, economic growth would hit approximately 10.8 percent, and estimated retail commodity prices would rise somewhat higher than the six percent hike in 1992. The second plan would leave some leeway for changed circumstances. It would ease restrictions on bottlenecked departments to an appropriate degree, allow considerable room for change in mix adjustments, the GNP growth rate would be about 9.5 percent, and commodity price increases would remain around 1992 levels. The third plan accounts for the effects that the international economic environment might have on China in 1993, and in particular, Sino-U.S. trade relations. Thus, in the areas of import-export and foreign capital employment (reflected by investment), considerable leeway is left for adjustments. With the GNP growth rate set at eight percent, we might say that the third plan is an alternate plan. Consult the appendix for specific results of calculations.

A. Growth Rate: The national economy will continue to maintain high-speed growth. A GNP growth rate of 10.8 percent is quite well suited for adjusting mixes and relieving the pressure of currency inflation.

The operational mechanisms in China's national economy are moving away from being characterized by the traditional restraints of resource supply and bottlenecked departments, and instead are moving into a regulatory model transition with dual emphasis on demand guidance and inhibition of bottlenecks where market demand plays a major role in influencing China's economic growth. In 1993, China's economic growth rate will continue to be influenced primarily by investment demand, consumer demand, and export demand, and will be restrained by bottlenecked departments, particularly railway transport capacity. If investment demand growth in 1993 continues at current levels, GNP growth could reach approximately 13 percent. However, in 1994 and beyond, the national economy will be hard put to sustain such growth levels, forced adjustments will be likely, and mix structures could get worse. Considering the need for adjustments in production mix, and in particular, the fact that it will be difficult in the short term to alleviate the restraints of bottlenecked departments, 10.8 percent represents a very nice rate of economic growth. Appropriate play can be left in the planned growth rate, and setting it at around nine percent would be quite appropriate. The eight percent growth rate plan could markedly alleviate the supply and demand contradictions in such primary industries as transportation, energy, and raw materials.

Under the conditions of the first plan, if we look at the mix between the three tiers of production industries in the GNP, the proportion of GNP accounted for by primary industry would continue to fall, dropping from 25.3 percent in 1992 to 23.9 percent in 1993. Secondary industry, aided by rapid industrial and construction growth, would continue to account for a greater proportion of the GNP, rising from 48 percent in 1992 to 49.2 percent in 1993. Tertiary industry, which has suffered successive annual drops in GNP representation, would stage its first comeback in 1993, rising from 26.7 percent of the GNP in 1992 to 26.9 percent in 1993. Yet, this ratio remains somewhat low. Not only does it differ greatly from the average world level, but compared to the domestic ratio in tht 1980s, it has fallen off considerably (in 1989 tertiary industry accounted for 28.1 percent of the GNP). This illustrates the fact that tertiary industry development remains incapable of meeting the needs of the national economy.

B. Industrial and Agricultural Production: Industrial production will continue to maintain fairly rapid growth, and investment demand will continue to lead heavy industry to unprecedented growth levels. Agricultural production will remain fairly stable, while grain production may ascend to a new plateau.

Based on current growth trends, the growth rate in gross industrial production value will reach 19.7 percent using

the new accounting method, while light and heavy industry growth will reach 19.1 percent and 20.3 percent respectively. The society-wide demand for fixed asset investment will be approximately 940 billion yuan in 1993, approximately 480 billion yuan in new credit will be required, and we will need over 90 billion yuan in new currency issues. Considering the fact that we cannot allow bottleneck restraints to grow worse, a quite reasonable and sustainable growth rate for transportation, shipping, raw materials, and energy resources in 1993 would be around 16.6 percent. Under the first plan, light and heavy industry could basically enjoy coordinated growth, and the scope of investment and credit demand would be about 40 billion yuan and 30 billion yuan less respectively than under the plan forecast. The second plan would result in a fairly suitable level of material supply and demand and capital balance. Yet, given the wide variance between estimates and results in 1992, this could easily affect the potential capacities of production facilities.

Agricultural production exhibited a nice growth trend in 1992, with annual grain production possibly hitting 440 million tons, and gross agricultural production value estimated to exceed the previous year by 4.9 percent. Although the agricultural harvest was a good one, we must note certain worrisome points in the area of agricultural production. First, although China greatly boosted the purchase price of certain grain crops, yet the comparative prices of grain crops and economic crops remain unsatisfactory, and farmers are not altogether enthusiastic about planting grains. Second, the overall level of labor productivity in China's agricultural villages continues to lag, and it is difficult to widely institute technological upgrades to farming processes. We should note that the composite average price levels of China's agricultural by-products remains quite close to international levels. Wheat prices are on par with international market prices, while rice, corn, and soybean prices lag only 34.1 percent, 18.4 percent, and 3.4 percent respectively behind international market prices. In the coming years and throughout the 1990s there will be very little leeway in which we can depend on higher purchase prices to promote agricultural production. Thus, in vigorously promoting China's agriculture, we should look to superior quality, high production, and technological upgrades. If natural disasters remain moderate to weak in 1993, the total value of our agricultural production could increase about five percent, and grain production could set another record.

C. Fixed Asset Investment: The scope of investment will continue to grow, and the investment mix will not be completely sensible. Since early 1992, society-wide investment in fixed assets, particularly land, has exhibited an unprecedented growth rate, with an estimate of about 720 billion yuan invested in 1992 in fixed assets. Quantitatively speaking, the scope of investment remains sensible since the rapid growth in 1992 carries with it the prospect of being repeated. Yet, looking at it from the angle of investment mix, land and processing industry growth rates greatly surpassed average investment growth rates, while the total amount of investment proportionally accounted for by raw materials, energy, transportation, and shipping industries, and other such fundamental production departments, fell off somewhat. This could very likely lead to aggravated bottleneck department restraints.

If macroscopic adjustment and control over fixed asset investment is weakened in 1993, the vigorous annual growth rate in fixed asset investment exhibited last year will be repeated, with the total investment amount approaching 940 billion yuan at a 30 percent growth rate. Looking at fund possibilities and the need for sensible GNP growth, total investment kept within 900 billion yuan would be appropriate, as with the 24.2 percent growth forecast under the first plan. If appropriate leeway is left in the areas of fund supply and material balance, the total annual scope of fixed asset investment could be kept down around 860 billion yuan, and the growth rate down at 19.6 percent, as indicated by the second plan.

D. Financial Credit: Financial balance will improve, while the scope of credit extended will excessively balloon.

The annual composite industrial economic profits in 1992 for intra-budgetary industrial enterprises in China may show growth at around eight percent beyond the previous year. Enterprise profits have improved, and overall tax revenues will enjoy concomitant growth. The 1992 financial revenues are estimated to have grown by 15.1 percent, and deficits were able to be held within the budgeted amounts, lower than the those during the same period the previous year. With transformed enterprise operational mechanisms in 1993, enterprise market awareness will be noticeably stronger, expenditures to subidize enterprise losses will continue to fall, and enterprise profits will continue to grow. Based on the considerations of the moderate plan of economic growth, it is estimated that financial revenues in 1993 could reach 481.9 billion yuan at a growth rate of 16 percent, and financial expenditures would be 496.9 billion yuan with a growth rate of 14.6 percent, giving an annual financial deficit of 15 billion lyuan which is somewhat lower than last year's deficit levels.

In 1992, China's total scale of loans is estimated to have grown about 394 billion yuan, greatly exceeding the planned amount of 283 billion yuan formulated at the beginning of the year. One portion of the total loan amount is represented by normal demand related to economic growth greatly surpassing planned growth, while another portion is represented by policy-type loans. That is, when various entities have insufficient funds with which to pursue high-speed growth, they solicit loans from the banks.

In 1992, economic growth coupled with rising commodity prices led to an objective demand for 350 billion yuan in loans, while the credit scale of 394 billion yuan

was clearly on the high side. If we are to sustain fairly high-speed economic growth in 1993, a corresponding increase in credit is essential. Considering that last year's credit scale was already a bit high, a moderate to tight overall currency policy this year would be appropriate. We should place the appropriate restrictions on the growth of credit and currency issues. Otherwise, excessive currecy issusance will inevitably increase the hidden danger of currency inflation. We must take note of the unprecedented yearly growth of consumption among societal groups. Over the first half of last year, state administrative and management expenditures grew by 18.1 percent, greatly exceeding the average growth rate for state expenditures. The growth in consumer goods sales to social groups grew about five percent faster than the average rate of growth society-wide. Once government transforms its functions, it is estimated that the growth rate of social group consumption will tail off. According to initial estimates under the first plan, loans of all types in 1993 will grow to around 450 billion yuan, a 25.5 percent growth in loans beyond that of last year. Fixed asset loans will continue to see unprecedented growth at a rate of 35.6 percent, and will proportionally account for 21.3 percent of all bank loans, up from 16.9 percent in 1991.

E. Markets and Commodity Prices: National consumption fever has not peaked, and commodity prices are in increasing danger of rising.

Since 1992, China's markets have maintained steady growth. It is estimated that annual retail sales nationwide will surpass one trillion yuan for the first time, hitting 1.0875 trillion yuan at a growth rate of 15.5 percent. Because national consumption fever has not peaked, makets will remain steady in 1993. Based on the initial estimates of the first plan, annual retail sales nation-wide will hit 1.2572 trillion yuan in 1993 at a growth rate of 15.6 percent.

Because of high-speed growth in fixed asset investment, and because of a consecutive monthly growth trend since 1992 with regard to the price index of production materials and mechanical and electrical products related to building, the material product price index for the first half of 1993 has already grown 6.4 percent, and the price index will continue to rise in the second half of the year. Rising production material prices will quickly lead to higher costs for daily life materials. If investment growth continues at an unprecedented rate in 1993, growth in the retail commodity price index could hit double digits. In 1993, there will be major reforms undertaken in the basic industry pricing system. Because the implications of basic industry are spread so wide, the hidden danger of commodity price rises is increased. Based on initial estimates, the nation-wide composite retail commodity price index in 1993 will rise 7.6 percent beyond that of 1992.

F. Foreign Trade: Import growth will continue to exceed that of exports, and although we will continue to maintain a favorable balance in foreign trade, the favorable balance will progressively flatten out.

With foreign trade operational autonomy powers continuing to be extended to the lower levels, state-run enterprises will possess import and export foreign trade powers consistent with the rules concerning enterprise transformation of operational mechanisms. This will lead to close relations between domestic enterprises and the international economy. With unprecedented growth in domestic investment and vigorous growth in industrial production, the domestic enterprise demand for raw materials and advanced technology and equipment on the international market grows markedly. In preparation for our return to the GATT, we lowered the import tariffs on certain products in early 1992, as well as eliminating the regulatory tarriffs on imports and relaxing the administration of import licensing for certain key items of equipment to an appropriate degree. The effect of this has been that our imports have continued to grow at a rapid rate since the beginning of the year. After more than a decade of reform liberalization, the international competitiveness of the products from the coastal regions has greatly increased. In particular, the special economic zones have played a nice role in acting as windows to foreign trade while radiating the benefits inward. Total annual imports could hit 77.3 billion yuan at a growth rate of 21.2 percent. Exports, which have been affected by three capital enterprises and border trade, have also maintained fairly high-speed growth, and it is estimated that the annual amount could reach 83.8 billion yuan at a growth rate of 16.5 percent. The annual favorable balance of trade will be 6.5 billion dollars which is lower than the level of the previous year.

The 1993 world economy will stage a major recovery led by the resurgence of the U.S. and German economies. Some of the economies of the nations and regions of the former Soviet Union and Eastern Europe will also make a certain turn for the better, while the capacities of the international market as a whole will further increase. After China regains GATT signatory status, the overall level of tariffs is bound to further decrease. Also, with the appropriate relaxations in foreign trade import license administration, imports will continue on their high-speed growth trend. Estimated annual imports will be 94 billion dollars with a growth rate of 21.5 percent, while total annual exports will be 98.1 billion dollars at a growth rate of 17 percent. With import growth continuing to exceed export growth, our favorable balance of foreign trade will be whittled down to 4.1 billion dolllars.

II. Several Vital Issues Requiring Attention in China's 1993 National Economic Activity

A. During the course of operational mechanism transformation, we must earnestly attend to strengthening the government's macroscopic adjustment and control abilities. During this current transition period of China's

move toward new market economy operating mechanisms, strengthened government adjustment and control capacity is essential. In those areas where the adjustment and control capacities of economic levers and legal methods are not fully effective, a certain number of administrative inspection and approval and administrative adjustment and control measures will be indispensable. Once the state has simplified ivestment approval processes and made appropriate releases of investment approval jurisdiction to the lower levels, we must conscientiously pass along these powers directly to the enterprises, rather than having one government department horizontally shifting the powers to another government department or vertically passing them to a lower governmental department. The demand for release of jurisdiction over inspection and approval should also be separatedly handled in accordance with industrial policy. First, investment approval jurisdiction over the three types of industry can be released greatly. Quite a bit of authority over investment approval in such fundamental industries as energy resources, raw materials, transportaion, and shipping can also be release. But inspection and approval jurisdiction over the processing industry not only should not be released, but instead should be controlled with greater vigor.

B. Greatly develop and cultivate all of the wholesale and retail markets with the aim of establishing a socialist market economy system. The demands our national economic development continue to differ widely. The current glut in certain areas of consumer good production in fact gives a false impression. To a great extent, this glut is caused by imperfect market development. As we push hard to develop our commodity economy, we should actively cultivate the various markets for key elements of production, and in particular, we should establish various wholesale and retail markets for production materials, and where conditions permit, we should give full play to the regulatory role of production material and agricultural by-product futures markets on product supply and demand. Market system perfection must be achieved under the backdrop of a great, unified national market. Regional or covert trade barriers do not help in giving full play to the role of the law of value. All of the various man-made blockades and checkpoints that serve to hinder the flow of commodities must be removed.

C. We must implement policies that favor the transportation and shipping industries, and we must reduce the bottleneck restraints that the transportation and shipping industries, and in particular, the railways, have on national economic growth. Since 1992, railway shipping has only satisfied about 70 percent of the demand, and on certain key segments of the line the demand satisfaction rate has been 50 percent or less. It will be difficult, in the short term, to solve the shortage of railway shipping supply. In order that the various potential shipping capacities be given full play, I propose that we: a) Raise the costs of railway shipping, achieving a sensible distribution between railway, highway, aquatic, and aviation shipping. We should implement planned prices for various segments of shipping lines. That is, shipping costs for short trips should be much higher than for long trips. This would cause some short distance shippers to rely mainly on highway transport. b) We should give policy preferences to railway construction, encouraging the state, collectives, domestic capital, and foreign capital to all climb aboard on this investment. Post-price adjustment revenues should be put into a state railway development fund and earmarked exclusively for railway construction. c) We should create a comprehensive plan for the layout of the productive forces. In particular, with raw materials, which are shipping-intensive, the processing and production regions should be as close as possible to main shipping routes. And, we should emphasize on-site processing and transformation.

D. Greatly develop the tertiary industry, thereby lessening the near-term employment crises and contradictions now facing our nation. In 1993, China will have to accommodate approximately nine million new additions to the work force. While launching enterprise transformation of operational mechanisms, a certain segment of the population will be trimmed from the ranks of first line production, and these people too will require placement in appropriate positions. As our society develops the tertiary industry, we should actively push for reforms in the social security system so that enterprises do not have to worry about disturbances on their flanks as they exercise their powers of labor employment. Enterprises should actively coordinate social security system reforms, and should provide adequate funding to insurance and wage reserve funds consistent with state guidelines.

E. Standardize capital market management, and tightly control the total scale of credit. In recent years, our capital markets have grown rapidly. Various methods of directly consolidating capital, including stocks, bonds, and other valuable securities, have grown daily. They have continually expanded in scope, and their trading volume has rapidly soared. They have played an enormous role in China's capital consolidation and economic vitalization efforts. Because the capital markets, and in particular, the securities and stock markets, are right now developing and are imperfect, we must strengthen our management over them. Government and capital organizations at every level must all operate under uniform state regulations. With the currently less than inspiring state of adjustment and control over such economic levers as the interest rate, the preparatory fund, and the discounting business, the central bank should resolutely adjust and control the scope of loans, firmly controlling the currency engagement till. After adjusting the current scale of loans in accordance with changes in economic growth, it should stick to its plan and resolve not to exceed it. Local administration leaders should be responsible for deciding upon the scope of loans to be parceled out in their jurisdictions, and excessive loan scales should be investigated. In

1993, capital demand will continue to exceed supply in China. The supply and demand contradiction will be difficult to resolve. I propose that, at appropriate times, the central bank hike the interest rate on certain loans so as to inhibit vigorous demand.

Liu Guoguang on Economic Growth in 1990s

93CE0250A Chongqing GAIGE [REFORM] in Chinese No 6, 20 Nov 92 pp 4-10

[Text] One of the key points of Comrade Xioaping's speech during his tour of the South was to seize the opportunity and accelerate China's economic growth. People are now following the spirit of Comrade Xiaoping's speech in their research on the direction and planning of accelerating China's economic growth, and are preparing to carry it out in their work. I would like to discuss my own views on issues relating to accelerating China's economic growth.

(1) The Eighth Five-Year Plan and 10-Year Program passed by the fourth session of the seventh meeting of the Eighth National People's Congress in 1991 originally required that GNP increase by an average of 6 percent annually. How should we view this rate originally set out in this plan? Consideration and drafting of the Eighth Five-Year Plan and 10-Year Program mostly began in 1990. At the time, the 6 percent economic growth rate was set in light of the following several factors: First, when the plan was being drafted, the political and economic situation at home and abroad was rather grim. In 1988, economic restructuring was implemented to counter inflation, which caused China's economy to enter a downturn, and led to organizational malaise and a need to promote stable economic growth. In politics, we experienced the political disturbances of 1989 as spring turned to summer, which was followed by the dramatic changes in Eastern Europe and the disintegration of the Soviet Union, which also called for stability. As a result, while studying China's economic development in the 1990s, quite a few comrades have proposed a "moderate growth rate for the sake of stability" approach to development. Second, while the Eighth Five-Year Plan and the 10-Year Program were being drafted, consideration was given to the strategic goal of quadrupling GNP between 1980 and 2000, which required an average annual increase of 7.2 percent during those 20 years. But in the 1980s, the actual average annual growth rate reached 9 percent, and in that decade GNP increased by 136 percent. Therefore, going by the original requirement, in the next 10 years the average annual growth rate would only have to be 5.5 percent to achieve the strategic goal of quadrupling. The 6 percent rate chosen at that time was slightly higher than was needed to quadruple. The third consideration was that the continuation of the reforms and regulation of the industrial structure required a relatively relaxed economic environment, and the rate could not be set too high. At the time, some units and individuals made some calculations of the economic growth rate, and based on various conditions, concluded that there was the potential to strive for more than 6 percent. Some people proposed 7 percent, some proposed 8 percent, and some even as much as 9 percent. However, when considering plans, we need to allow some latitude and keep some reserves; we cannot stretch the economy too tight, so the annual growth rate was set at 6 percent, allowing for the actual performance to exceed that by one or two percentage points and reach a rate of 7 to 8 percent. Thus, the 6 percent growth rate is indeed on the low side.

(2) Based on analysis of the current domestic and international situation, China's economic growth rate in the 1990s should be higher than the 6 percent originally planned. Comrade Xiaoping wants us to seize the opportunity domestically and internationally to accelerate economic development. In other words, right now and in the 1990s as a whole, we have a rare opportunity. We cannot miss another opportunity. In the 1960s and 1970s, favorable conditions such as the reorganization of the international industrial structure emerged, but we missed the opportunity and squandered a few decades by "taking class struggle as the key link." In the 1980s, after the Third Plenary Session of the Party's 11th Central Committee, when attention was again shifted to economic construction, China's economic development greatly improved and took a big step forward.

How is it that we are faced with another opportunity now?

First, the pattern of international polarization is already ending, and all forms of power are redividing and realigning. The world is now developing in a multipolar, bloc-oriented direction, and the United States cannot dominate the world anymore, so the world order has not yet been established. Even though the international situation is still turbulent and international conflict is extremely intense, China has room to maneuver, and in the long term can seek an international situation that is favorable to reform, opening and developing, and can concentrate its energy on economic construction.

Next, new scientific and technological reform is continuing to develop, and the industrial structure is continuing to adjust within the international sphere. Advanced industrial nations are shifting their key industries to high-grade, precision and advanced industries, and are shifting some ordinary labor- intensive industries to economically less-developed countries. The key to world economic development is the shift to the Pacific Rim, particularly East Asia. This development trend will continue, probably into the next century. China, Japan and the "four little dragons" are all in this region. From the standpoint of the history of world economic development, a given area cannot always develop quickly, and it appears that this region's rapid development will only continue for another 30 to 50 years. Therefore, we must take firm hold of this opportunity and not let it pass by.

Further, the key to international competition at present is the competition and rivalry between consolidated

national powers based on economic, scientific and technological strength. If we do not seize the rare opportunity before us, and again do the same old "taking class struggle as the key link," so that the economy cannot improve, then the People's Republic of China and socialism will be untenable. In the past, we said that only with socialism can China be saved; now some people are saying that only China can save socialism. How can China save socialism? Only by improving the economy.

It must also be recognized that in the present competition between consolidated national powers, many countries of the world, particularly some of our neighboring countries and regions, are all accelerating growth. In the 1980s, the "four little dragons" had an average annual growth rate of 8 percent. Ours was 9 percent, slightly higher. Among the "four little dragons," Korea was slightly faster, at an average of 8.8 percent, and was faster than China in certain years. In the 1990s, their growth rate may decrease, but it will not drop below 7-8 percent. If we still grow according to the originally planned rate of 6 percent, the gap between us will increase, and the people will be dissatisfied. The development of neighboring countries and regions is threatening! Furthermore, in the 1990s Hong Kong and Macao will return to the motherland, and the mainland will strengthen economic and cultural exchanges with Taiwan, which will also return to the motherland in the future. This presents a problem of how to decrease the disparity in economic growth rates so that we can smoothly join together. Currently, some people in Taiwan are cocky, and are nothing more than rich bullies. Thus, if we can improve our economy, it will also benefit the great cause of unifying the motherland.

(3) In the 1990s, it is necessary and possible to accelerate China's economic growth and achieve a growth rate higher than originally planned.

First, the pace of China's economic reforms in the 1990s will be faster than in the 1980s. In the 1980s we put forward a "planned commodity economy" theory and promoted market-oriented reforms, and made great progress in changing enterprise mechanisms, fostering the market system and reforming macroeconomic management, thereby enabling China's economy to take one great step forward. In the 1990s, with the inspiration of Comrade Xiaoping's speech during his tour of the South, we have put forward a theory of the socialist market economy. Developing from a theory of a socialist commodity economy to a theory of a socialist market economy requires further liberating productive forces and letting loose the economic potential that was fettered by the old system. We must also recognize that in the 1980s the base figure was relatively low, and in the 1990s the base figure is higher, and each increase of one percentage point will be more difficult. But the increased pace of market- oriented reforms will definitely more comprehensively improve all of the results of the economic system, and it is possible that based on improvement in the efficiency of resource deployment, the medium- and long-term growth rate may be even greater than what the original plan projected.

Second, expand the effects of the open-door policy. In the 1990s, China's economy must open up at a faster rate, which will spur the entire economy to faster growth. When the formerly closed and half-closed economy was suddenly opened up, the vitality was immediately manifested. From 1981-1990, China's total import and export value, as a proportion of the GNP, grew from 15 percent to more than 30 percent. Of that amount, total export value increased to more than 15-16 percent, reaching 17 percent. This proportion will not decrease in the 1990s. Currently, the opening up is gradually extending from the coastal areas to the rivers, border regions, transportation lines and the interior. The rapid economic growth of the southeast coastal region, triggered by an outward-oriented growth strategy, has led to rapid economic growth in Guangdong, Shandong, Zhejiang, Jiangsu and other provinces. In the 1980s the country grew at an average annual rate of 9 percent, while these areas grew by more than 10 percent, with some provinces reaching 12 percent growth. This kind of rapid growth due to opening up can quickly spur economic development in the interior and border regions. Even though China's export rate is not low, it accounts for a very small proportion of the world's total exports; in the 1980s it increased from less than 1 percent to only 2 percent, while China's population accounted for one-fourth of the world's total, very unbalanced. From this one can see that China's export potential is very great. If it can increase another percentage point in the 1990s, from 2 percent to 3 percent, China's export momentum will increase further, and the average annual growth rate will increase from 11 percent in the 1980s to 12 percent in the 1990s. With this kind of export momentum, the force of the entire economy's growth will equal and even surpass the vitality of the 1980s.

Third, the effects of changing the industrial structure. International experience has shown that major changes to the industrial structure will spur economic growth and lead to an increase in economic standards. Using only tertiary industry as an example, the development of China's tertiary industry is currently sluggish; economic growth is primarily spurred by secondary industry, and this kind of industrial pattern makes it difficult for the national economy to sustain relatively rapid growth. In the 1980s, the growth of China's tertiary industry did speed up, reaching an average annual growth rate of 10.9 percent, a bit faster than GNP growth. But because the base figure was low, there was little proportional increase; in 1990 the total output value of tertiary industry accounted for only 27 percent of GNP, an increase of only 6 percent over the 21 percent figure at the beginning of the 1980s. This is not only far behind developed countries, but is also lower than some developing countries. In 1988, tertiary industry as a proportion of GNP in developed countries was, for example, 65 percent in the United States and 57 percent in Japan. In such middle-income countries as Argentina it was 40

percent, in Portugal 54 percent. In such lower-middle income countries as Mexico it was 56 percent, Brazil 49 percent. In such low-income countries as India it was 38 percent, in Pakistan 49 percent. In China it was only 26 percent. In the 1990s, China's economic development is at the stage of advancing from a low-income level to a middle-income level, and its economic reforms are also shifting to a socialist market economy. This will open up broad possibilities for development of tertiary industry. Because of tertiary industry's low investment and high output, it contributes significantly to spurring the growth of the entire economy. It is estimated that in the 1990s, the growth rate of China's tertiary industry can increase 12-15 percent, which means that tertiary industry as a proportion of the total GNP can increase from 27 percent to about 40 percent. Development of tertiary industry includes commerce and trade, tourism, finance, real estate, science and technology, transportation, everyday services and so forth. The original secondary industry, whether large or small, was comprehensive and included design, maintenance and company-run communities, and was actually very wasteful. Separating them and making them independently managed or community-run represents social progress, and is a necessary trend for social division of labor. Separating these industries from secondary industry is also a way to expand tertiary industry, and contributes to spurring even faster economic growth.

Fourth, replacing and updating equipment in traditional industries and developing new industries are important factors in spurring rapid economic growth in the 1990s. At present, a significant portion of the equipment in China's traditional industries is stuck at the 1950s and 1960s level. Less than 10 percent is at advanced international levels, only 19 to 20 percent is at advanced domestic levels, 48 percent is at average levels and more than 20 is at backward levels. Even if the 20 percent of equipment that is backward gets updated and renewed, it will mean exceeding the set demand in the 1980s for investing in capital replacement. This demand can spur growth in two ways: It can expand demand for investment, and because of the increased efficiency of new equipment, it can increase capital and output levels, increase supply and have the double benefit of spurring both demand and supply throughout the entire economy.

In terms of developing new industries, along with modernizing management of enterprise communications and business facilities, demand for computers will expand due to some households' leisure activities and the modernization of education and scientific research; telephone communications and car ownership will spread, and the real estate market will spur housing construction, and so on. All of these can lead to major developments in industry and ensure that the economy as a whole maintains a high rate of growth. In addition, the development potential of China's advanced science and technology industry is also very great, such that it can spur growth activity in the entire economy, needless to say.

Fifth, the accelerated development of the nonstate-owned economy and private capital is another source of rapid growth of the economy in the 1990s. The nonstate-owned economy is currently quite vigorous; enterprises in villages and towns, individual enterprises, private enterprises and "three-way investment" enterprises rely primarily on market system adjustment. In terms of resource allocation and management activity, they are very adaptable, and their labor efficiency and capital returns are quite high. While they have appropriately grown as a proportion of the total economy, the entire national economy has also gained growth momentum. Currently, the relative proportion of the state-owned economy is shrinking, from 75 percent of the total national industrial output value to 52 percent from 1981 to 1990, and it will fall to below 50 percent very soon. Some people estimate that in the year 2000 the state-owned economy will account for 30 percent, but its actual volume will continue to grow. The rapid development of the nonstate-owned economy will contribute to the speed at which the entire national economy develops. This trend will still hold in the 1990s. The rapid development of the nonstate-owned economy has also increased momentum in the growth of the entire economy, but the base of the nonstate-owned economy has also expanded, and as a result the growth of foreign-funded enterprises and private enterprises will not be as rapid as in the 1980s; but the momentum will still be significant. It should be recognized that the state-owned economy will hold sway not primarily because of its proportional volume, but because it can increase business efficiency and quality amid market competition. The competition and various forms of cooperation between the nonstate and state economy will help transform the state economic system and increase efficiency, and will contribute to the growth of the economy as a whole.

In addition, there are other factors that affect growth. The increased commercialization and market orientation of the entire economy will be reflected statistically in the increase in national income. A significant portion of urban residents' consumption used to be supplied free of charge or partly free of charge, and energy and raw materials were also very low in price; none of these low prices was reflected in output value. If market adjustment is put into effect, so that the market balances prices, of course they will be higher than before, and corresponding output value will also increase. Not only will the statistics change, but in reality it will spur the national economy because when prices are opened up, vitality is increased and the effect on economic growth increases.

Reform and opening up in the 1980s raised China's economy to a new level, laid a solid foundation for economic growth in the 1990s, and provided a healthy market backdrop. Overall, market supply was more plentiful than in the past, and in a different league than before reform and opening up. In the past 12 years, grain production went up three moderate-sized steps (one

moderate-sized step being 50 million tons) from 300 million tons in 1978 to 435 million tons in 1990. The scale of energy production expanded, increasing by two-thirds, from 630 million tons of standard-grade coal in 1978 to more than 1 billion tons in 1990. Many products are in the forefront worldwide. Particularly in these 10 years, in which reform and opening up have shown results, there have also been lessons of failure, but there have been somewhat more successful experiences. These are our starting points for accelerated growth. Comrade Xiaoping said that the basic path will not change for 100 years, which means carrying out "one center, two main points" in the long term without changing. This will bring about long-term political stability and will enable us to more quickly achieve our strategic goals for economic development 10 years down the road and beyond.

(4) Factors restricting accelerated growth in the 1990s.

Restrictions on energy: During the 1980s, China's energy consumption increased 63.8 percent (an average annual increase of 5.06 percent), slightly more than the increase in energy production (a 63.1 percent increase over 10 years; an average annual increase of 5.06 percent). In the 1990s, energy consumption may increase. This is due, first of all, to the fact that in the 1990s the growth of China's heavy industry and chemical industry must exceed that of light industry. In the 1980s, light industry grew more rapidly than heavy industry, which was a necessary adjustment to the structure in which heavy industry was emphasized. But in the 1980s, the infrastructure and basic industries were relatively backward, so in the 1990s, the development of infrastructure dependent on energy and raw materials for heavy industry, the chemical industry and transportation should be faster than the development of light industry, and heavy industry and the chemical industry are among the heaviest energy-consuming industries. Another reason is that the development of the tourist service industry, the increase in car ownership, the spread of electric appliances and so forth all require energy. According to statistics, a large restaurant uses far more electricity than a typical factory. On the other hand, it will be very difficult to increase the energy supply in the 1990s. 1. Offshore oil fields are close to depleted, crude oil production is moving westward and it is difficult to develop new oil fields because it requires large investments, high costs and transportation over long distances. 2. Coal production is currently taking place on small scale because and follow-up ability is weak because of inadequate geological surveys and insufficient investment in capital construction, as well as limited transportation. 3. Electrical generating equipment is aging, and needs immediate updating. As a result, in the 1990s energy supplies will become tight, which will to a significant degree restrict the growth of industry and the entire economy. These restrictions should be alleviated in the following ways: First, develop energy resources, expand production capacity and ensure that the rate of growth in energy production in the 1990s does not fall below that of the 1980s; at the same time, regulate the import and export of oil and coal, reduce net exports of energy, and in coastal area that are adequately equipped, increase the use of certain resources from abroad. Second, adjust the energy structure to reduce consumption of nonrenewable energy (primarily coal) as a proportion of total energy production, and increase the proportion of energy processing for transformation into electricity (in 1990s it was less than 20 percent). Third, reduce energy consumption—this is even more important. China's energy consumption is currently very wasteful, and the potential to reduce energy consumption is also great. China's energy consumption per unit of GNP is still far greater than that of industrially developed countries; their effective use of energy is generally more than 50 percent, and in China it is only 30 percent. If the rate of effective energy use is increased to 40 percent, it would be equivalent to conserving 250 million tons of standard-grade coal. If the management of energy consumption is improved and the structure is adjusted and technology is upgraded, the effective use of energy will clearly increase, and in the late 1990s the restrictive effect of tight energy supplies on the growth of the entire economy can be properly alleviated.

Restrictions on raw materials: In the experience of the 1980s, when the economic growth rate approached or exceeded 10 percent, raw materials supplies became tight, and it became necessary to increase imports to make up the difference. Through administrative structuring in the early 1990s, the shortage of raw materials was somewhat alleviated, and led to structurally-related surplus production and high inventory. But when the economic growth rate exceeds 10 percent, the situation of raw materials surplus will cease. In the first half of 1992, industrial output increased 18.2 percent and the GNP grew more than 10 percent, and at that time raw materials supplies began to tighten, inventory went down and prices went up. If this type of situation were to continue, the shortage of raw materials would make it hard to carry on, and would ultimately mean slowing down to a large extent and turning what could have been a stable situation into a turbulent one.

Restrictions on transportation: This is currently the biggest bottleneck problem for China's economy. In terms of rapid growth in the 1990s, energy resources and raw materials are relative restrictions, while transportation is an absolute restriction. In the first half of 1992, the economy picked up strongly and began to grow rather quickly again, and immediately ran into a stranglehold situation in rail transportation. Less than 70 percent of cargo was satisfactorily transported, a rate 10 percent lower than the previous year. When there is a shortage of energy resources and raw materials, they can be imported, but only transportation equipment can be imported, while the infrastructure cannot. In addition, there is currently a lack of transportation capacity primarily because the transportation infrastructure is severely lacking and the supply cycle is quite lengthy, and only a portion of the supply brought about by increased investment in the 1990s can be realized. For

some time, the growth of China's transportion capacity, particularly in railroad miles, has been slowing down. As a proprtion of total investment by units nationwide, transportation accounted for 15 percent during the First Five-Year Plan; during the Fourth Five-Year Plan, it reached its peak, at 17 percent; after that it continually decreased, to 12 percent during the Seventh Five-Year Plan and only about 10 percent in 1989-90. This will be reflected in the further slowing of growth in transportation capacity in the early 1990s, and in turn poses a great obstacle to accelerating economic growth in the 1990s. From now on, investment in this area must increase significantly. Investment in the transportation industry will not yield immediate results, so the contradictions of transportation shortages during the Eighth Five-Year Plan must be resolved, and some short-term measures must be adopted to increase the capacity of existing transportation facilities.

Restrictions on funding: In the 1980s, investment accounted for an average of 27 percent of the annual GNP, with a 32.8 percent average annual rate of accumulation of national income. Even though the rate of accumulation increased significantly over the average rate of 28 percent from 1952 to 1980, it was sustainable because national income increased, the standard of living changed quite a bit, and the level of savings increased. Currently, citizens' savings have reached 1 trillion yuan, increasing by 200 billion a year in recent years. This is an important source of accumulation. In the 1990s the gross domestic savings (as a proportion of the GNP) may remain at a relatively high rate of about 35 percent. In addition, in terms of foreign capital, our credit is very good; China's current debt rate is 97.4 percent, with only an 8.5 percent repayment rate—less than the internationally accepted maximum debt rate of 100 percent and repayment limit of 25 percent. With the addition of continuing financial reforms, increasing use of credit and so forth, China's funding supply in the 1990s will be maintained at slightly more than a 30 percent rate of accumulation, and slightly less than a 30 percent fixed capital investment rate—not too difficult in terms of macroeconomics. The problem is that the benefits of accumulation and investment cannot increase. The coefficient of accumulation benefits decreased in the 1980s. Every percentage point of accumulation spurred the growth of national income by .32 percent during the Sixth Five-Year Plan, then fell .22 percent during the Seventh Five-Year Plan. In terms of enterprises, funding efficiency fell from 23.7 percent during the Sixth Five-Year Plan to 18.3 percent during the Seventh Five-Year Plan, and to only 12 percent in 1990. Even if the 1980s rate of accumulation were to be maintained in the 1990s, the 1980s rate of growth cannot be maintained. In terms of the funding situation, the future of economic growth in the 1990s depends increasingly on the measures we adopt regarding increasing investment results and funding efficiency and how these measures are carried out.

Market restrictions: Because of the unprecedented prosperity and growth brought about by the reforms and opening up, along with the administrative restructuring of the late 1980s and early 1990s, China's economic structure is changing from a seller's market to a limited buyer's market, and aggregate economic growth is increasingly restricted by market demands. The main driving force behind economic growth in the 1990s is the expansion of investment demand. The investment market doesn't pose a huge problem—the main problem lies with the consumer goods market and the export market. In the 1980s, the inventory of China's production enterprises and businesses increased. Year-end commercial inventory, as a proportion of GNP, was 28.17 percent during the Sixth Five-Year Plan and 35.81 percent during the Seventh Five-Year Plan. On the other hand, the savings of urban and rural residents, as a proportion of the GNP, grew by 15.28 percent, from 15.75 percent during the Sixth Five-Year Plan to 31.03 percent during the Seventh Five-Year Plan. The situation in these two areas shows that supplies in the consumer products market and potential buying power are both expanding rapidly, but actual purchases and market demand are not growing at a correspondingly rapid rate. It appears that this trend will continue in the 1990s. Restructuring the production system, increasing product quality, clearing sales channels, facilitating consumer patterns, stimulating consumer demand, fostering reasonable consumer hot spots and so forth are basic methods of alleviating restrictions on market demand. One of the main problems here is that by continuing the reforms (such as commercializing housing and other reforms), eliminating obstacles in the consumption system and increasing purchasing power, the high-potential rural market must be developed. In recent years, the surplus of household appliances (such as color TVs and electric fans) and some food (such as sugar) has been primarily due to a lack of purchasing power among farmers. Currently, China's farmers, who account for more than 80 percent of China's population, account for only about 50 percent of the nation's total consumer purchasing power. This lack of purchasing power among farmers is closely related to the slow increase in their income. From 1988-90, the per capita income of urban residents increased 5.2 percent, while farmers' per capita net income increased only .2 percent; the basic way to increase farmers' purchasing power is to comprehensively develop agriculture—including farming, forestry, animal husbandry, byproducts and fisheries—as well as the rural economy, including primary, secondary and tertiary industry; transfer surplus labor to nonagricultural industries; and vigorously develop the rural market economy and the industrial-commercial service industry to raise farmers' incomes and open up the rural market.

As the Chinese economy's dependence on the outside increases, the spurring and restricting effect of the export market on economic growth will increase. In view of the many changes in the international situation, the development strategy of spurring greater foreign trade should be continued, and in terms of adopting flexible trade policies, while the U.S., European and Japanese markets are continuing to be strengthened and developed, effort

should be made to open up markets in Eastern Europe, the Commonwealth of Independent States, and Asian and African nations. In the 1990s, China will join GATT because its tariffs have decreased and imports and exports move more freely and will expand simultaneously. The problem is, if the enterprise system is not quickly transformed, and product quality and international competitiveness do not increase, not only will export demand be affected, but increased imports may increase pressure on domestic market supply. These two situations will clash with our enterprise production and domestic market. This should be dealt with seriously, and the problem should be corrected in earnest.

(5) Regarding China's economic growth in the 1990s: Currently, some units have done analysis and forecasting on China's economic growth in the 1990s. The Chinese Academy of Social Sciences also has two small groups doing separate studies. One small group put forward a 8-9 percent growth rate; the other small group put forward 9-10 percent. These average out to about 9 percent. They unanimously recommended that if the average rate is less than 8 percent, some economic growth potential may not be brought into play; if the average is 10 percent, it will lead to an overheated economy and serious inflation. The 9 percent rate seems most appropriate. But to be safe and allow some latitude, 8-9 percent is fine. Between years, there will inevitably be some turbulence, and it is inevitable that certain years will fall below 8 percent or exceed 10 percent, but the huge surges and dips should be avoided. Modern economics is extremely complex, with many uncertain factors, and not everything can be predicted with certainty. The effects of favorable and restrictive factors also depends on people's behavior. Consequently, the rates determined by these studies are useful only as a reference. The actual result will depend to a great degree on our own hard work.

In his speech during his tour of the South, Comrade Xiaoping said that "areas that have the necessary conditions should move as quickly as possible. As long as the emphasis is on results, quality and outward-looking economics, there's little to worry about." He also said, "China's economic development must always strive to go one step forward every few years. Of course, this doesn't mean inciting unrealistically high speeds, but rather it means solid, results-oriented, steadily coordinated growth." We must completely and correctly understand the spirit of Comrade Xiaoping's words. The accelerated economic growth he speaks of is not merely an increase in speed, but it also means results, quality, meeting the needs of the domestic and international markets, and steady coordination. Therefore, to achieve the goal of a healthy acceleration of economic growth, we must: First, pay attention to balancing the total volume to ensure that the economy can develop in a steadily coordinated fashion. Second, pay attention to organizational restructuring, to ensure that production can adapt to changes in the domestic and international markets. Third, pay attention to improving results, quality and the quality of the entire economy. The main obstacle to solving these three problems is still the system, and the key is still reform. Therefore, to accelerate economic growth, the pace of reform must first be accelerated, and economic growth should be pushed forward through reform and opening up. It is unacceptable to start competing with one another over projects, set up shop and increase speed at the first mention of increased growth. This tendency has already emerged. In the first half of 1992, fixed capital investment in publicly-owned units increased 32.9 percent over the same period the previous year, and due to expansion in investment, in the first half of 1992 the total output value of rural and other industries increased 17.2 percent, and the GNP increased 12 percent. In 1992, China's economy has experienced a period of booming prosperity. In the great tide of reform, China has displayed a strong growth trend that is built on the foundation of comparatively slower growth in the previous several years. On the surface, all of the current economic growth is normal. But we must not fail to pay attention to the following symptoms: 1. New projects that develop too quickly and expand in scale too quickly. 2. An investment structure that is repeatedly distorted and favors regular processing industries. 3. Important production materials becoming scarce and increasing in price, and growing gaps in rail transportation. 4. Bank loans that far exceed plans, etc. These situations continue to develop, and even though nothing especially unusual has emerged yet, delayed effects cannot be ignored. If this trend continues, the economy will become overheated again, and if it doesn't happen this year, it will happen next year, or the year after, and will bring about another round of turbulence. Therefore, when we speak now of accelerated growth, the emphasis should not be on expanding investment and increasing speed, but rather on strengthening macroeconomic controls and continuing the reforms. We must the use the opportunity of the 1990s to actively and steadily push forward the transformation of the economic system, and establish a new socialist market economic system. Only in this way can we bring about accelerated growth of China's socialist modernization.

Shanghai Holds Forum on Socialist Market Economy

93CM0140A Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 12, 12 Dec 92 pp 71-73

[Article by Shen Ruiliang (3088 3843 5328): "Establishing New Structure for Socialist Market Economy"]

[Text] Recently, the Shanghai Research Institute of Structural Reform conducted a forum on "Socialist Market Economy." Quite a few experts and scholars from the institute, Shanghai Pudong Development Office, the Research Institute of Shanghai Planning Commission, Shanghai Social Sciences Academy, Fudan

University, and Huadong Normal University participated in heated discussions on the significance of theories of socialist market economy, the economy's substance and characteristics, and the question of how market economic theories will guide the practice of future reforms.

The Significance of Developing Theories of Socialist Market Economy

Participants at the forum generally agreed that the establishment of theories of socialist market economy since Comrade Deng Xiaoping's tour of the south and his speeches mark a new phase of China's economic development and reform, and have historic significance. Some comrades pointed out that since reform and opening up, with constant expansion and intensification of market adjustment, the operational mechanism of past single centrally planned economy had lost its dominance, resulting in a dual operational mechanism of central planning and market adjustment. The establishment of socialist market economic theories indicated that the dual operational mechanism would give way to a single function of market economic operation, i.e. the market would become the basic arena where resources are allocated, because the market is the foundation in the relationship between central planning and the market, and the function of planning was expressed in the market; planning itself had to observe market rules and follow the law of value.

Others reviewed China's economic development since the founding of the PRC, and approved market oriented reforms. They divided China's economic development into four stages: The first period (from 1949 when new China was founded to 1956 when the three major transformations was generally accomplished) involved the development of new democratic economy. The second period (from 1956 to the year before the Third Plenary Session of the 11th CPC Central Committee) was dominated by central planning. The third period (from the Third Plenary Session of the 11th CPC Central Committee to the 14th CPC National Congress) started the practice of planned commodity economy; and the fourth period (from the 14th CPC National Congress to the end of this century) would set the framework of socialist market economy. The four different economic modes of the four periods reflected how people's awareness and knowledge of socialist market economy had been promoted and strengthened to the point of approximate reality. Socialist market economy is not the outcome of subjective volition, but the inevitable result of the country's economic development and intensifying reform. In the past 14 years of reform, although practically every step of reform was obstructed by the inertia and intolerance (referring to central planning rejecting market economy) of the traditional command economy and interfered with by leftist ideologies, the market still forged forward persistently. The 14 years of reform were oriented toward the market. Socialist market economy showed more vigor and vitality than the other three economic modes. It was predicted that with the development of socialist market economic system, our economy would see a great leap forward, and enter a new phase of development. Socialist market economy was an epoch-making milestone.

Other comrades stated that over the decades, there had been the rigid concept of taking market economy as capitalism, and command economy as socialism. The development of theories of socialist market economy revealed that not only could capitalism practice market economy but socialism could do the same. The revelation greatly liberated people's conception, cleared off the depressing shadow of "capitalism" vs "socialism" labeling, which had perplexed the people all the way along, and would effectively touch off the masses' initiatives and morale. It was perfectly justifiable to view socialist market economy as a sign of second liberation of thought since reform and opening up.

Substance and Characteristics of Socialist Market Economy

1.The relationship among "planned commodity economy," "commodity economy," and "market economy."

There was a general consensus among the participants on the relationship between "planned commodity economy" and "commodity economy." The participants believe that "planned commodity economy" is not equivalent to "commodity economy." "Planned commodity economy" advocated in the past was not "commodity economy" in its truest sense. It was deemed "semi-commodity economy" for the following reasons: (1) The focus of "planned commodity economy" was on planning. (2) Its label was not scientific. "Planned commodity economy" and "commodity economy" were not in the same category, and they were mutually exclusive, i.e. "planned commodity economy" repelled "commodity economy" and vise versa. They reflected characteristics of social and economic development at different stages.

When it came to the relationship between "commodity economy" and "market economy," however, the participants had entirely different ideas. One viewpoint stated that "commodity economy" was the same as "market economy." "Commodity economy" realized its economic relations through the market. It therefore was "market economy." The other viewpoint disagreed, asserting that the two modes of economy were different concepts. First, commodity economy had long existed in early times, but market economy occurred and developed much later, along with socialized mass production. Commodity economy, therefore, became market economy only at its full-blown stage. Second, commodity economy emphasized exchange, which involves multiple means. Exchange in market economy, on the other hand, was conducted solely in the market. Third, market economy set up regulations, i.e. exchange of commodities must follow certain rules, and use of currency as the value equivalence, not necessarily via regular goods

exchange of the same values (e.g. barter). Finally, commodity economy referred to the process of production and consumption, whereas market economy referred to the means by which production and consumption were materialized.

2. How to explain socialist market economy

The participants expressed the idea that there was some difference between socialist market economy and capitalist market economy. They, however, gave a variety of different explanations to the question.

Some comrades believe that socialist market economy has the following three major characteristics: (1) Adherence to commodity economy of public ownership as the main component, (2) labor as partial commodity, not excluding its segments becoming commodity, and (3) involvement of some planning in the process of production and consumption, planning referring to direct and mandatory plans, not regular indirect plans.

Other comrades believe that (1) state-owned enterprises were to be turned into ones of separate management without changing the ownership; their operational mode was to follow market regulations, (2) reward was to be based on contributions, and (3) our socialist market economy was to be considered beyond historical developmental stages, not deriving from the market economy of free enterprises and competition; nor was it a completely monopolistic market economy. It was the market economy with both monopoly and competition. Other comrades believe that the difference between socialist and capitalist market economy boiled down to simply one point: the former had its foundation in public ownership of means of production and the latter had its foundation in private ownership of means of production.

Socialist Market Economy and Structural Reform

The discussion on socialist market economy was not an end in itself. The key was how to act. The participants agreed that we should seize the opportunity of present time to intensify the reform and push China's economy onto a new stage of development.

1. Future reform was to be represented by dominance of the market, and the goal of reform was to establish new structures of socialist market economy. Although reform in the past 14 years was characterized by market orientation, the goals, however, were not clearly defined. The version of planned commodity economy and combination of planning and market had certain functions of challenging the traditional command economy, yet there were many operational difficulties in the real world. Furthermore, such theories lacked scientific definition. As a result, the past 13 years of reform showed a somewhat obscured goal.

2. The economic structure and mode must be changed completely. Following the theory of planned commodity economy, an economic structure of combination between planned economy and market adjustment had come into being. Such economic mode could hardly suit the requirements of a socialist market economy. In the future, our economic structure should be that of socialist market economy, making the market the arena of resources allocation with macro- regulation by the state. To adjust production and consumption on the basis of the law of values had the advantages of flexibility, sensitivity, competitiveness, and incentives, and may enhance economic development. There was, however, a negative side to it, such as focus on local interests while ignoring social interests. It was, therefore, necessary to strengthen and improve the state's macro-regulation of the economy. While the function of the market should be reinforced and expanded, the healthy development of the market had to be directed by effective planning advice and necessary administration.

3. Specific measures for reform include the following:

(1) Further adjustment of the structure of ownership is to be carried out, continuing the reduction of the proportion of public ownership and developing a variety of economic components to formulate a multiple and mixed ownership structure. At the same time, great efforts must be made to explore the effective operation of public ownership, making state-owned enterprises follow market regulations to increase efficiency.

(2) Enterprises' operational mechanisms has to be transformed.

(3) Prices are to be open completely, and formulated through competition in the market so that they may really function as the adjustment of the economy. The pricing procedure for all products except public utilities and some public services would be put in the hands of enterprises.

(4) The formulation of a market system has to be accelerated to make full use of market mechanisms. Commodity markets, especially the markets of means of production are to be perfected and completely open, without resources rationing. The labor market is to be regulated by market mechanisms. A comprehensive financial market is to be established, including stock and securities markets. Foreign currency exchange markets would be expanded and renminbi would be convertible. There are also needs to develop markets for real estate, technology, information, assets ownership, etc., so as to have a unified, regulated, open and competitive market, which could fully display its function.

(5) The reform of government structures and the transformation of government functions has to be speeded up. The current government functionaries can hardly meet the requirements of the socialist market economy. Reform, therefore, must be accelerated with firm determination to take surgical actions, cutting government agencies, transforming functions, and practicing "small government but full services" to strengthen macro and indirect regulation and control.

(6) The scope of opening up must be expanded. The present opening up of three lines (along rivers, sea coasts,

and national boarders) would be extended to a national scale. The opening up should be dimensional yet full-blown.

(7) The reform of the social welfare system has to be actively carried on. The system should involve the reasonable share of responsibilities among the state, enterprises, and individuals to promote sensible and free labor mobility.

(8) The economic operational mechanisms should be connected with international standards to be integrated into the world system. For instance, experiments on the incorporated should follow certain rules of international practices.

Liu Suinian on Future Direction of Ministry

93CE0310A Hong Kong CHING CHI TAO PAO [ECONOMIC REPORTER] in Chinese No 5, 8 Feb 93 pp 7-8

[Article by He Yiwen (0149 0076 2429): "Liu Suinian Discusses Capital Goods Market Trends and the Future of Goods and Materials Ministry"]

[Text] Following the close of the 14th Party Congress, streamlining government organs has become one of the hot topics in Beijing, and in such discussions, opinions vary on the future of the Materials Ministry. After the Chinese New Year, I interviewed the Materials Minister Liu Suinian, and asked him to express his views on the future of the Materials Ministry, the establishment of materials markets, and this year's materials supply and demand trends.

Future Must Benefit Reform of Circulation System

"The Party Central Committee has decided on a policy involving separation of government and industrial enterprises, streamlined administration, and changing functions, and as for how to reform the Materials Ministry, it is streamlining, and it is said that there will also be a considerable number of mergings with other ministries. The State Council has not yet made final decisions, but is still soliciting opinions from all sides." My first question to Liu was the future of the Materials Ministry, he by no means made an effort to evade the issue.

He added that on the question of the future of the Materials Ministry, there were some within the materials system who hoped that temporarily there would be no change. It is important to consider that the existence of materials departments has these four functions: to benefit the formation of capital goods markets; to make it possible to even better ensure the material requirements of the country's major production areas, national defense projects, fighting natural disasters and providing disaster relief; to benefit the proper handling of macro-level regulation of materials and goods; to make it possible to a certain degree to condition the trend to integrate production, supply, and marketing, and benefit the development of socialization of major circulation. This view has a certain sense, but merging in particular means merging of circulation departments, which also has its advantages, and can disrupt the pattern of fragmentation of circulation, and unify and take advantage of network facilities, reducing circulation costs, and meets the requirements of constructing large markets, and properly handling large-scale circulation. In sum, both merging or remaining the same benefit reform of the circulation system, and benefit development of circulation industries, benefit the development of the national economy, and not weaken materials industry management, drain capital, disperse personnel, forge links and carry forward the cause into the future.

Market Role Exceeds Expectations

Continuing, Minister Liu introduced the current state of development of the capital goods market. He noted that last year, the Ministry of Materials in alliance with relevant departments and localities, one after another established the Shanghai Metals Exchange, the China Northern Lumber Market, the China Zhengzhou Construction Materials Wholesale Exchange Market, the China Qinhuangdao Coal Wholesale Market, etc., and a series of capital goods exchanges. The Guangzhou Rubber Exchange, the Shenyang Machinery and Electrical Equipment Market, the Tianjin Steel Products Market, the Wuhan and Shanghai Automobile Markets, are stepping up planning efforts. Every materials department, in accordance with local conditions, also will establish a series of regional exchange markets. These markets for the most part are doing brisk business, with the number of exchanges and the volume of business growing very rapidly, and becoming national or regional capital goods exchange centers. In particular, the Shanghai Metals Exchange, since its opening in May 1992, has had a very good development, and by the end of last year, the total volume of transactions reached more than 2.5 million tons, with a total value that exceeded 40 billion yuan. In terms of concentrating transactions, spreading risk, maintaining value, rational price formation and guidance, and the regulation of supply and demand, China is fostering a major breakthrough in the formation of capital goods markets, their rapid development, and significant impact have exceeded our expectations.

Liu revealed that this year, the Ministry of Materials will accelerate the development of a capital goods market system, and based on the principle of a unified program and decentralized management, and breaking vertical and horizontal relationships and regional obstructions, will continue to establish a set of nationwide, regional, and local capital goods wholesale markets and futures markets. At present, "Regulations Regarding Industrial Capital Goods Market Management" and "Provisional Methods for Managing Industrial Capital Goods Markets," are being drafted, and efforts are being made to get them out within the year.

Liu emphasized that at present it is necessary to properly solve the problems of who sets up a market and how to

select market locations. He said that now everyone is vying to establish markets, but a significant amount of work is also being organized by departments that manage circulation, and looking at successful experiences at present, joint organization by the Ministry of Materials, production departments and local government, has been beneficial to giving full play to the initiative of each party. The country should establish capital goods markets in economically developed areas, with large volume production requirements, good access to information, convenient communications, and sound financing. But no matter whether it is a national-level, regional, or local market, it is not possible to rely on government allocation, and it is also not possible to have a "life-long system."

This Year Keys to Materials Supply Are Imports and Transportation

"Last year the national economic growth rate was substantially increased, and when judging this year's economic situation, many economists believe that we will continue to maintain a high growth rate. This no doubt will increase to a considerable degree the difficulties for capital goods supply, how do you analyze this situation?" This was the final question I posed to Liu.

He replied: "I believe that this year there will be comparatively large increases in both major materials demand and output, and compared with last year there will be a major expansion in the number and scope of materials that are in short supply. Products with comparatively prominent supply and demand contradictions, primarily steel products, copper, aluminum, lumber, heavy oil, and high-grade cement. Looking at price trends, at present construction steel products, copper, aluminum, and cement prices are all quite high, and some are close to exceeding international market prices." Liu also revealed that this year, the government will appropriately regulate the scale of fixed asset investment and the scale of credit, and will gradually more closely link domestic and external markets, which will alleviate to a certain degree supply and demand contradictions. In the wake of price deregulation, some capital goods prices will rise, and some could manifest obvious fluctuations, but looking at the total picture, prices will not rise to who knows what levels. He believes that this year, the key to whether or not materials supply can be well handled, in addition to major efforts to increase production of some goods in short supply, will be the need to organize well and in a timely manner imports, arrange good transport, appropriately regulate supply and demand, and organize well materials circulation.

Chinese-Foreign Joint Venture Circulation Enterprises Already Brewing

Minister Liu noted that the opening of the materials system to the outside and the fact that other departments are lagging, has to do with both systemic and policy-related factors, and also is a work-related issue. We should note that at present in the world, there is a coming together of economies, the internationalization of circulation, and whoever does not reform does not understand the historical tide. For this reason, this year, on the one hand we must entrust even more large- and medium-sized materials enterprises with import/export rights, and on the other hand, we must expand the attraction of foreign investment, and put great effort into setting up a series of nontrade type Chinese-foreign joint ventures, and cooperative enterprises. He revealed that last year the State Council issued "Instructions on Using Foreign Investment To Setup Commercial Retail Enterprise Pilot Projects," and "Instructions on Using Foreign Capital in the Commercial Retail Area," the Materials Ministry, in the spirit of these two documents, also will actively strive to implement Chinese-foreign joint venture materials circulation enterprise pilot projects.

Fang Sheng Views Socialist Market Economy

93CE02890A Beijing JINGJI RIBAO in Chinese 5 Jan 93 p 7

[Text] The report of the 14th CPC National Congress stated that the target paradigm that China decides for economic reforms is a weighty issue that affects socialist modernization as a whole. The crux of the issue is the correct understanding and handling of the relationship between planning and the market. The traditional view holds that the market economy is exclusive to capitalism, and a planned economy is the essential characteristic of a socialist economy. On this point, the report goes on to explain that after the Third Plenary Session of the 11th CPC Central Committee and as reforms have continued, we have gradually broken free of this attitude and formed a new understanding. Briefly, this understanding has emerged through the following process: First, the 12th CPC Central Committee stated that the planned economy was dominant, and market adjustment was supplementary. Second, the Third Plenary Session of the 12th CPC Central Committee stated that China's socialist commodity economy was a planned commodity economy based on a system of public ownership. Third, the 13th CPC Central Committee stated that a socialist planned commodity economy was a system in which planning and the market were inherently united. Fourth, after the Fourth Plenary Session of the 13th CPC Central Committee, it was suggested that a planned economy suited to the development of a planned commodity economy be established, as well as an economic system and operational mechanisms that could be combined with a market economy. Fifth, Comrade Deng Xiaoping stated at the beginning of last year that a planned economy does not amount to socialism—capitalism also has planning; and a market economy does not amount to capitalism—socialism also has a market. Planning and the market are both economic means. Based on these points, the report of the 14th CPC Central Committee stated that we must establish and perfect the socialist market economic system.

This summary shows that our understanding of the relationship between planning and the market is gradually increasing. In terms of choosing the target paradigm for economic reform, it is necessary to use today's new formulation to replace the old formulation. So-called "replacement" means not using the old formulation anymore. Even though this formulation had an important function historically, it does not meet the needs of the new situation, as does using a "socialist market economy under state macroeconomic regulation" to replace "the planned economy as primary, market adjustment as supplementary" and using a "socialist market economic system" to replace "an economic system that unites a planned economy and market adjustment." In the same way, we can use the "socialist market economy" to replace the "socialist commodity economy" (or a "planned commodity economy based on a system of public ownership"). Some articles are now taking the angle of economic reform goals, and they are right, of course—there's no disputing it. But some articles do not do this, and they discuss this issue from the standpoint of the relationship between planning and the market, in the general sense. Some even use the following title: Why use a "socialist market economy" to replace the "socialist commodity economy?" This shows that on the issue of the relationship between the commodity economy and the market economy, different views still exist, and deserve to be discussed. I believe that we cannot make a sweeping statement about the "socialist market economy" replacing the "socialist commodity economy." Even if this issue is discussed from the standpoint of the goals of economic reform, we must still be careful not to place the market economy and commodity economy in opposition, and overlook the significance of developing the socialist commodity economy. This is because:

First, the commodity economy and market economy have differences as well as connections. The commodity economy is the opposite of the natural economy and the product economy. It addresses the social division of labor and exchange of equal values between independent commodity producers. The market economy is the opposite of the controlled economy, and addresses a type of resource allocation. Historically, the market has taken shape alongside the emergence of commodity production and commodity exchange. At that point, the market economy is only at the embryonic stage, and is not yet a market economy. The market economy is the product of the further development of the commodity economy. In other words, the commodity economy is not a market economy, but a market economy is necessarily a commodity economy. Apart from the development of the commodity economy, there cannot be a market economy; by the same reasoning, apart from the development of the socialist commodity economy, there can be no socialist market economy. Therefore, it is inappropriate to use a formulation with the unanalytical use of the "socialist market economy" to replace the "socialist commodity economy," which places the commodity economy and the market economy in opposition. Strictly speaking, China's current commodity economy, which is not highly developed, cannot completely meet the needs of establishing a socialist market economic system. As a result, the socialist commodity economy must be vigorously developed. Under these circumstances, using the concept of a "socialist market economy" to replace the concept of a "socialist commodity economy" will not help matters.

Second, the commodity economy is the opposite economic form of the product economy, which has the natural economy as a characteristic. The old economic system was actually established according to the needs of the product economy, and as economic construction progressed, it increasingly seriously impeded the development of social productive forces. This old economic system is now being reformed, but the ideological influence of the product economy has not been completely eliminated. In some areas it is still in evidence, and is detrimental to the smooth progress of economic reform. Therefore, we are now reiterating what was said after the Third Plenary Session of the 12th CPC Central Committee: the commodity economy is an unavoidable stage of socioeconomic development. China's socialist economy is a planned commodity economy based on a system of public ownership, and has real significance in terms of eliminating the influence of product economy ideology. We cannot intentionally or unintentionally denigrate the importance of developing the commodity economy because the "planned commodity economy" formulation cannot solve the resource allocation problem, which leads to wanting to use the "socialist market economy" to replace the "socialist commodity economy." Some comrades say that the call to use the market economy concept to replace the commodity economy concept means advocating further development of the commodity economy. The motivation behind advocating further development of the commodity economy is a good one. But why replace one concept with another? I believe that the "socialist commodity economy" and "socialist market economy" are not mutually exclusive, and have complementary benefits, and it would be much better to let them "coexist peacefully" and bring their own effects into play!

Third, socialist economic construction should take place according to economic laws, particularly laws of the commodity economy. The laws of the commodity economy include the law of value, the law of supply and demand, laws of competition and so forth. Of these, the law of value is the basic law of the commodity economy, and is known as the "great school." When developing the socialist market economy, and establishing the socialist commodity economic system, the laws of the commodity economy must be respected, especially the law of value. Otherwise, nothing will be accomplished. From this standpoint, it is equally unnecessary to use the "socialist market economy" concept to replace the "socialist commodity economy" concept. Some articles, while proposing that the "socialist market economy" replace the "socialist commodity economy," also put forward the

laws of the market economy, and not the laws of the commodity economy. What are the laws of the market economy? I believe that since the law of value, law of supply and demand, and laws of competition are laws of the commodity economy, they are also laws of the market economy—the two are in agreement. Apart from these, it can be debated whether the laws of the market economy include laws that are not the same as the laws of the commodity economy. But this much is certain: the law of value and other laws cannot be considered strictly laws of the market economy, and not laws of the commodity economy. If it is said that the commodity economy and market economy should not be placed in opposition, then in the same way, the laws of the commodity economy and the laws of the market economy should not be placed in opposition.

Fourth, some comrades advocate using a "socialist market economy" to replace the "socialist planned commodity economy" because the latter can easily lead to inconsistencies in understanding. For example, some comrades advocate the "planned" aspect, and believe that a planned economy is the essential characteristic of a socialist economy. Other comrades advocate the "commodity economy" aspect, and believe that a commodity economy is an essential characteristic of a socialist economy. Such differences in understanding exist, but they are mostly a thing of the past. Now, in Comrade Deng Xiaoping's speech during his tour of the South, and particularly after the 14th CPC Central Committee, it can be said that this controversy has been fundamentally solved, and there are now very few people who still consider a planned economy to be an essential characteristic of socialism. Under these circumstances, there are not enough reasons to continue advocating using a "socialist market economy" to replace the "planned commodity economy." The important thing is to endow the "planning" or "planned regulation" under a socialist market economy with new meaning. That is, this planned regulation is macroeconomic regulation, not microeconomic regulation. This macroeconomic regulation is based on market adjustment, not planned adjustment. This macroeconomic regulation primarily employs economic and legal means, not administrative directives.

As stated above, what appears to be an issue of replacing concepts is actually a major issue of principle relating to how to handle the socialist commodity economy. Even the concept of the "socialist commodity economy" has been supplanted, and is no longer being used, which easily leads to a misconception—that from now on all we need to do is develop the socialist market economy, and not the socialist commodity economy. In fact, both need to move forward, and cannot be separated. If the socialist commodity economy is not developed, then the socialist market economy will be like water without a source, a tree without roots. Conversely, without carrying out a socialist market economy, it would be difficult to develop the socialist commodity economy.

In the past, the one-sidedness of ideological understanding did major damage to our economic work. Now, amid the continuation of economic reforms with a socialist market economy as the goal, we must still pay attention to this issue, and prevent a recurrence of the old illness.

PROVINCIAL

Jiangsu Establishes Nation's First Tax Court

OW1803120893 Beijing XINHUA in English 1122 GMT 18 Mar 93

[Text] Nanjing, March 18 (XINHUA)—A tax court under the higher people's court in east China's Jiangsu Province was set up today in the capital of Nanjing.

The tax court is regarded as the country's first specialized court to deal with tax-related affairs, according to Wong Ronghua, director of the Jiangsu Provincial Administration of Taxation.

Last year, thanks to efforts made by various taxation authorities and courts in dealing with violations of tax laws, Jiangsu Province raked in about 17.28 billion yuan (3.03 billion U.S. dollars) in tax revenues.

In addition to the provincial tax court, three county-level tax courts have been set up in the province.

Foreigners Invest $400 Million in Tianjin Jan-Feb

SK1403054293 Tianjin People's Radio in Mandarin 1000 GMT 13 Mar 93

[Summary] In the first two months of 1993, Tianjin Municipality approved establishing 500 enterprises involving foreign investment, 5.5 times over the same period of 1992. Agreements involving $760 million were signed in this period, 3.6 times over the same period of 1992. Of this, foreigners invested $400 million, an increase of 3.5 times over the same period of last year.

INDUSTRY

Bureau Issues 1992 Industrial Statistics

HK1203150593 Beijing RENMIN RIBAO in Chinese 1 Mar 93 p 2

[Report: "Chart of Statistics Provided by State Statistical Bureau Showing Increased Industrial Output Value of Various Regions in 1992 and Comprehensive Indexes of Industrial Economic Efficiency of Various Regions in 1992"]

[Text]

Increased Industrial Output Value of Various Regions in 1992

	January through December (100 million yuan)		Percentage increase over last year
	Total	Current month	
National Total	7,549.50	719.05	20.0
Beijing	247.15	22.46	12.3
Tianjin	164.67	16.34	19.2
Hebei	341.37	35.43	29.2
Shanxi	194.54	22.21	10.9
Inner Mongolia	105.70	13.86	6.1
Liaoning	524.94	53.06	12.6
Jilin	195.40	17.52	15.2
Heilongjiang	354.43	31.36	3.1
Shanghai	567.75	45.38	15.3
Jiangsu	760.72	79.17	42.6
Zhejiang	385.29	37.89	28.6
Anhui	170.13	14.36	20.5
Fujian	147.28	15.16	24.0
Jiangxi	118.98	10.21	15.0
Shandong	622.50	58.39	26.4
Henan	312.61	31.45	23.6
Hubei	316.18	31.30	22.3
Hunan	226.19	21.75	11.7
Guangdong	660.48	66.49	30.6
Guangxi	120.90	10.80	15.9
Hainan	11.78	1.25	14.4
Sichuan	360.03	34.88	16.1
Guizhou	91.06	8.32	15.7
Yunnan	176.81	11.67	12.9
Tibet			
Shaanxi	145.69	7.11	12.1
Gansu	104.89	9.77	5.7
Qinghai	18.32	1.71	4.7
Ningxia	22.43	2.26	10.3
Xinjiang	81.29	7.48	14.7

Comprehensive Indexes of Industrial Economic Efficiency of Various Regions in 1992

	Comprehensive index (percent)	Increase/decrease compared with last year same period (+, -)	Sales rate of products (percent)
National Total	89.45	5.60	95.47
Beijing	118.97	-1.95	96.01
Tianjin	87.39	2.35	95.72
Hebei	86.06	14.10	98.57
Shanxi	78.47	3.12	94.40
Inner Mongolia	66.81	the same	95.45
Liaoning	82.61	8.05	95.91
Jilin	71.42	8.19	95.23
Heilongjiang	72.95	-12.85	96.27
Shanghai	115.18	2.02	98.42
Jiangsu	93.29	13.67	93.43
Zhejiang	103.26	7.89	95.50
Anhui	83.47	9.34	94.72
Fujian	103.82	6.90	94.02
Jiangxi	76.73	6.36	94.09
Shandong	89.72	6.57	93.30
Henan	82.56	7.19	96.06
Hubei	92.94	8.67	96.19
Hunan	86.11	5.68	97.46
Guangdong	101.04	5.05	95.16
Guangxi	92.76	-0.30	94.57
Hainan	70.33	3.48	92.72
Sichuan	77.31	8.09	96.07
Guizhou	95.22	9.05	97.61
Yunnan	140.52	-0.80	97.50
Tibet			
Shaanxi	70.26	3.00	94.46
Gansu	84.10	2.76	95.96
Qinghai	57.36	-2.22	96.83
Ningxia	66.00	4.31	95.44
Xinjiang	75.24	-2.72	92.04

Comprehensive Indexes of Industrial Economic Efficiency of Various Regions in 1992

	Rate of profits and taxes on capital (percent)	Profit rate on costs (percent)	Labor productivity (yuan/person)
National Total	10.11	4.62	9,479
Beijing	14.90	9.51	14,830
Tianjin	9.21	3.35	10,004
Hebei	8.82	4.67	8,711
Shanxi	7.46	5.78	6,814
Inner Mongolia	5.83	1.74	6,386
Liaoning	8.84	3.86	8,627
Jilin	6.67	3.33	7,342
Heilongjiang	6.12	2.41	8,767
Shanghai	13.88	7.55	15,545
Jiangsu	10.75	3.99	9,807
Zhejiang	13.95	5.81	9,662
Anhui	10.48	2.67	6,899
Fujian	13.45	6.19	9,391
Jiangxi	8.46	3.03	6,526
Shandong	9.23	4.19	10,805
Henan	9.21	3.24	8,293
Hubei	11.54	5.63	8,797
Hunan	11.17	3.24	7,767
Guangdong	10.25	5.03	14,590
Guangxi	11.85	4.82	8,828
Hainan	5.84	3.46	9,367
Sichuan	8.54	3.54	6,804
Guizhou	13.45	3.69	9,745
Yunnan	24.37	5.95	15,155
Tibet			
Shaanxi	6.80	3.37	6,856
Gansu	9.40	4.64	8,287
Qinghai	4.23	-0.25	7,814
Ningxia	5.61	1.51	7,059
Xinjiang	5.33	1.88	10,865

Comprehensive Indexes of Industrial Economic Efficiency of Various Regions in 1992

	Turnover frequency of circulating funds (number of times)	Rate of net (percent)
National Total	1.66	27.03
Beijing	1.68	28.40
Tianjin	1.79	26.48
Hebei	1.65	28.07
Shanxi	1.34	30.41
Inner Mongolia	1.33	30.00
Liaoning	1.50	28.48
Jilin	1.23	28.12
Heilongjiang	1.17	35.02
Shanghai	1.80	25.56
Jiangsu	2.11	22.30
Zhejiang	2.02	23.92
Anhui	1.85	24.88
Fujian	2.07	27.23
Jiangxi	1.62	25.91
Shandong	1.75	27.00
Henan	1.54	29.55
Hubei	1.59	28.12
Hunan	1.55	28.98
Guangdong	1.87	25.01
Guangxi	1.70	26.84
Hainan	0.96	28.98
Sichuan	1.46	27.21
Guizhou	1.30	36.22
Yunnan	1.88	39.86
Tibet		
Shaanxi	1.13	29.72
Gansu	1.44	28.81
Qinghai	0.92	28.24
Ningxia	1.27	28.71
Xinjiang	1.48	30.83

Output of Textiles in February

HK2403105393 Beijing CEI Database in English 24 Mar 93

[Text] Beijing (CEIS)—Following is a list of the output of textiles in February 1993, released by the State Statistical Bureau:

Item	Unit	2/93	2/92
Yarn	10,000t	45.32	32.58
Yarn	10,000pc	252	181
Cloth	100m.m	13.34	10.58
of: pure cotton	100m.m	7.62	6.02
chemical fiber	100m.m	4.28	1.10
Silk	10,000t	0.62	0.40
Silk fabric	100m.m	1.97	1.46
Woolen fabric	10,000m	1987	1823
Knitting wool	10,000t	2.38	1.87
Gunnysack	10,000pc	-	-
Garment	100m.pc	2.11	1.71

Notes: t—ton, pc—piece, m.m—million meter, m.pc—million piece

Light Industrial Output Value by Area in February

HK2403105593 Beijing CEI Database in English 24 Mar 93

[Text] Beijing (CEIS)—Following is a list of the light industrial output value by area in China in February 1993, released by the State Statistical Bureau:

			(Unit: 100 million yuan)
Area	2/93	2/92	Change over 2/92 (pc)
Total	1140.46	881.79	29.3
Beijing	26.35	24.26	8.6
Tianjin	24.10	21.25	13.4
Hebei	34.07	30.80	10.6
Shanxi	9.31	8.56	8.8
Inner Mongolia	7.27	7.49	-2.9
Liaoning	33.19	29.55	12.3
Jilin	16.30	14.83	9.9
Heilongjiang	20.84	20.22	3.1
Shanghai	82.86	69.55	19.1
Jiangsu	177.88	112.95	57.5
Zhejiang	102.73	70.61	45.5
Anhui	33.49	24.62	36.0
Fujian	34.62	26.22	32.0
Jiangxi	18.37	14.46	27.0
Shandong	98.45	78.39	25.6
Henan	42.20	32.43	30.1
Hubei	38.67	32.53	18.9
Hunan	24.96	21.89	14.0
Guangdong	169.25	116.10	45.8
Guangxi	28.46	24.94	14.1
Hainan	5.32	3.73	42.6
Sichuan	47.57	38.84	22.5
Guizhou	8.00	6.19	29.2
Yunnan	21.12	18.22	15.9
Tibet			
Shaanxi	14.35	13.38	7.2
Gansu	6.60	5.57	18.5
Qinghai	1.00	0.89	12.4
Ningxia	1.40	1.43	-2.1
Xinjiang	11.73	11.79	-0.5

POPULATION

Enterprise Reforms Hinder Urban Family Planning

93CE0262A Beijing RENKOU YU JINGJI [POPULATION AND ECONOMICS] in Chinese No 75, 25 Dec 92 pp 20-22

[Article by the General Office of the Tianjin Municipal Family Planning Commission: "The Situation of Family Planning in the Course of Continued Enterprise Reform and Ideas on How To Deal With It"]

[Excerpts] [passage omitted] To do a good job in this investigation, we paid a visit to the Municipal Commission for Restructuring the Economic System for a general understanding of the experiments on reforming large- and medium-sized state enterprises in the city and other major reform plans. Next, we selected 11 enterprises, out of a total of 117 reform experimental units in the city, for an in-depth study. [passage omitted]

Problems in Family Planning Caused by Continued Enterprise Reform

Because reform measures are still being introduced gradually by the 117 experimental units, and because it takes time for family planning to produce results, we have only been able to discover symptoms and trends of some problems, which include mainly:

1. Some enterprise leaders have slackened their efforts in family planning work. At present, the city's enterprises

have shown no significant improvement in their production situation. One-third of the enterprises are losing money, and one-third are potential losers. Even the ones selected for experimental reforms are under considerable economic pressure. As a result, the leaders of some enterprises have slackened their efforts in family planning work. The Tianjin City Department Store is a large commercial enterprise with more than 2,300 workers and staff members, and 73.9 percent are of child-bearing age. Recently when the store underwent organizational readjustment, no arrangements were made for the family planning work department and personnel. Only after questions were raised by cadres, was family planning work reinstated. The Second Light Industry Bureau, a large bureau under the Municipal Economic Commission with jurisdiction over a rather large number of collective enterprises whose economic performance is generally poor, has always been quite serious about family planning, and special arrangements were made for family planning work each year. This year, however, the leaders who spoke at the bureau's administrative conference forgot to even mention family planning work. The Magnetic Materials General Plant has since the reform delegated more powers to the lower levels within the plant, and the cadres responsible for family planning work were given full authority to do the job. However, because the cadres are holding too many jobs at the same time, the delegation of more power to them has actually slackened family planning work. At present, owing to the different degrees of understanding among the leaders of the various units, some have fallen behind in answering the central government's call for them to pay as much attention to family planning work as they do economic work. If things continue this way, family planning work in enterprises will face crises.

2. Family planning has relatively weakened in organization and manpower. As shown by conditions in the 11 enterprises surveyed, though family planning organzations and personnel have not disappeared completely, the organizations have been weakened with reduced personnel and lower cadre quality, a problem which cannot be ignored.

The organization and manpower problem is manifest mainly in the reduced number of family planning personnel, the turning of full-time cadres into part-time cadres holding several jobs at the same time, and the relative increase in work load. For example, at the No 3 Construction Company and the Bicycle Tire Plant, formerly full-time family planning cadres now also handle letters and receive visitors at the company and the plant. At the Yate Food Plant, family planning cadres have held other jobs to begin with, and now they are also doing educational, health, and trade union work. At the Magnetic Materials General Plant, family planning work is performed by the health center. Since the reduction in personnel, the health center's staff has been reduced from four to 1.5 persons (one person works only half days), and these 1.5 persons are responsible for outpatient care, general health, blood donations, drug procurement, store-keeping, and other work for the plant's more than 1,300 employees. The only family planning work they can do is to make statistical reports, and there is no way they can carry out propaganda and education among employees and make personal calls and observations.

After the rehiring and reorganization of cadres, on the one hand competent and proficient comrades have been pulled out from family planning work for other jobs, and on the other hand most of the family planning positions are filled by older and less competent women. For example, at the Huabei Oxygen Plant, where cadres have been reorganized, the average age of family planning cadres is 53, but the average age of cadres on other jobs is only 38.

3. A new situation has appeared in the supervision of people of child-bearing age in enterprises. Since 1989, more than 150,000 workers in Tianjin Municipality have been placed on indefinite leave status. As reform proceeds with growing momentum, many other forms of personnel reduction measures are being introduced, such as waiting for jobs in the plant, reporting for duty when there is work and staying at home when there is no work, and so forth. With the breaking of the "three irons and one pot" and the changing of the business management mechanism, the organizational affiliations of workers and staff members has changed from stationary to dynamic. The situation of "people absent from their registered place of residence" has become more serious in urban areas in the past few years. As a result, it is very difficult for enterprises or neighborhoods to keep track of childbirths and pregnancies among people of child-bearing age. The laid-off workers and staff members are of inferior quality as a whole, and many originally were the focal and difficult point in family planning work. The people and distribution in the tertiary industry are almost always separate from the general plant, and the general plant has no direct control over them, resulting in childbirths getting totally or partly out of control. Moreover, the flow of a large number of itinerant and temporary workers into the commercial and construction fields has further complicated the tasks of birth control. For example, since the Department Store began to operate jointly with the factories and rent out counters, the number of temporary employees has increased to more than 1,000. These people have only an economic relationship with the store, and there is no family planning for them.

4. Administrative control has become too weak. Owing to changes in the targets of control, some family planning methods that have been in use for many years are becoming increasingly unsuitable for the new situation. A few years ago, the municipal government laid down clear-cut rules about the organization, personnel, and source of funds for family planning in enterprises. But with the implementation of the "Enterprise Law," enterprises now have the power to make their own decisions on matters of family planning organization and personnel. Administrative control has weakened as a result, and the family planning system, assessment criteria, and so forth formulated for enterprises in the past are no longer applicable. All this calls for new studies on family planning work in enterprises. [passage omitted]

TRANSPORTATION

Chartered Plane Serves Shenyang-Seoul Air Route

SK2403085693 Shenyang Liaoning People's Radio Network in Mandarin 2300 GMT 23 Mar 93

[Text] The Shenyang-Seoul air route, using a civil chartered airplane, formally opened on 23 March. Passengers traveling between Shenyang and Seoul will not have to change their planes in Hong Kong, Tianjin, or Shanghai.

So far, the Shenyang-Hong Kong and Shenyang-Irkutsk air routes, pioneered by the Shenyang International Airlines, have been changed into state formal air routes.

A nonstop chartered plane makes the round-trip flight between Shenyang and Seoul every Tuesday.

Changchun-Heihe Air Route Opens 27 February

SK2403084993 Changchun JILIN RIBAO in Chinese 1 Mar 93 p 1

[Text] At 0720 on 27 February, a Yun-7 passenger airplane took off at Dafangshen Airport of Jilin Province's Changchun and flew to Heihe of Heilongjiang Province as the Changchun-Heihe air route formally opened. This air route was the 21st air route pioneered by the Jilin Branch of the China North Airlines. Two round-trip flights will serve this route every Wednesday and every Saturday. Heihe City is one of China's cities that conducts border trade with the Russian Federation. The opening of this air route will provide improved transportation opportunities for both cities as well as make it convenient for Jilin to develop economic and cultural contacts with Heilongjiang and the Russian Federation.

Anhui To Open More Air Routes

OW1803130893 Beijing XINHUA in English 1240 GMT 18 Mar 93

[Text] Hefei, March 18 (XINHUA)—A number of new air routes will be opened late this month by central China's Anhui Province.

This capital of the province will be connected to 18 other Anhui cities and Mount Huangshan, a well-known tourism resort, and with 10 major cities in China by air.

Meanwhile, the Anhui Civil Aviation Administration has set up 17 booking agencies throughout the province.

This February the province's airline carried a record 32,240 passengers, 2.6 times the figure for the same period in 1992.

Luogang airport in Hefei has been named by the Civil Aviation Administration of China as one of the nation's 10 cleanest airports.

AGRICULTURE

Farm Strategies in Preparation for GATT, Competition

93CE0312A Beijing NONGMIN RIBAO in Chinese 12, 19 Jan 93 p 3

[Article in two installments by Wu Tianxi (0702 1131 6932): "Farm Products To Enter the World Market"]

[12 Jan 93 p 3]

[Text] Negotiations to restore China's status as a signatory to the General Agreement on Tariffs and Trade [GATT] are now intensifying. An effort is also under way to break the impasse in the Uruguay round of trade talks. These two events aimed at promoting trade liberalization will propel Chinese agriculture toward global competition. Moreover, by opening up the market and promoting free competition, price decontrol, and subsidy reductions, they will have a sugnificant impact on the nation's agricultural production and trade.

Agricultural byproducts and their processed products have traditionally been China's staple exports. In 1990, agricultural exports amounted to $21.95 billion, 42.2 percent of the nation's total exports in value for that year. Add the exports of township and town enterprises, and agricultural exports would have accounted for well over half of all Chinese exports. Furthermore, China imports grain, timber, paper pulp, sugar, rubber, and a variety of goods for use in agriculture. In fact, China ranks among the top three importers of chemical fertilizers, grain, and timber in the world. Agricultural trade not only plays an important role in economic development in China but also has a significant place in the world. According to statistics compiled by the Food and Agriculture Organization [FAO] of the United Nations, China ranked eighth in the world in 1990 in terms of the value of agricultural exports and eighth in imports. With its 1.1 billion people, China is a huge potential market. Hence the close interest of the international community in the state of China's agricultural trade.

1. Adapt to the opening of the market. Adjust China's rural economy in accordance with the needs of the international market and promote the continuous development of agricultural trade.

Opening up the market is a prerequisite for achieving trade liberalization. It requires that all signatories lower tariffs and gradually dismantle nontariff barriers to eliminate trade barriers and open up new markets. This should help boost Chinese agricultural exports. At the same time, opening up the market also requires us to allow the agricultural products and processed goods of other nations to enter China. We need to examine the issue at length, design a comprehensive strategy for agricultural production and trade for the future in accordance with the principle of optimal allocation of resources, and adjust China's rural economic structure correspondingly.

Agricultural trade features these six major groups of commodities: grains and oil-bearing crops; fiber crops and their primary processed goods; traditional products (silk and tea);

high-value products (aquatic products, animal husbandry, vegetables, and fruits); timber and related processed products; and materials for agricultural use (eg., chemical fertilizers, pesticides, and plastic film). Among these six groups, fiber crops and their primary processed goods, traditional products, and high-value products are the leading exports, while timber and processed products and goods for agricultural use are the major imports. As for grains and oil-bearing crops, China is both an exporter and an importer. This structure broadly reflects the distribution of resources in China. Fiber crops (mainly cotton) and their primary processed products account for 40 percent of all agricultural exports in value, which is too risky. Faced with growing competition, our traditional products are also losing their edge.

Accordingly we should accurately identify the effective demand and consumption trends in the world and make appropriate strategic adjustments to agricultural production and the structure of agricultural trade. The basic thinking is as follows: 1) Energetically develop high-value agriculture by, for instance, developing aquatic resources along the coast and the river and expanding aquatic exports, fully using the resources of agricultural and pastoral areas to build up the export of animal husbandry products, and take advantage of the demand in neighboring nations for vegetables and fruits to develop vegetable gardening. The idea is to generate the most profits with the least resources and gradually diversify agricultural exports. 2) Fully use China's edge in agricultural resources and improve the production, processing, and marketing of traditional products. Work hard to tap the potential of the international market. Expand the output of other products (such as ramie) most suited for China so as to boost the exports of traditional products. 3) Preserve the dominance of fiber products as exports and strive to improve cotton quality. Enhance the processing capability of China's cotton spinning industry and increase the exports of processed products. The aim is to maintain the value of fiber product exports even in times of declining prices. 4) Achieve basic self-sufficiency in grain and oil production and ensure grain security for the nation with appropriate variety substitution. In the future China should remain both an exporter and an importer of grains and oil-bearing crops, with a rough balance between the value of exports and that of imports in a normal year. Take advantage of the current low prices of grain in the world and import a little more grain as appropriate to close the gap in the supply of grain and cooking oil at home that may result from the adjustment of the agricultural structure. 5) Timber and paper pulp imports must continue to close the gap in domestic supply and meet a construction demand that will grow by the day. This will also help ensure the development of the domestic timber industry. 6) There should be suitable controls on farm imports. On the one hand, adjust the mix of imports in favor of products that are highly effective but which China does not make enough of. On the other hand, strengthen China's agricultural chemical industry and push the use of organic fertilizers in conjunction with chemical fertilizers in the interest of protecting the agricultural environment.

2. Develop high-yield, high-quality, and high-efficiency agriculture to ensure that China's agricultural trade survives "fair competition" on the international market.

Fair competition is an inevitable product of trade liberalization. To gain a foothold on the fiercely competitive international market, we must make our prices more reasonable than others' and the quality of our commodities better than others'. In addition, we must have a sufficient adjusting capacity to shield us from losses when there is an imbalance between supply and demand on the international market. In China, people who run enterprises and peasants in particular usually are not competition-minded and do not know how to compete, a major weakness in our effort to launch agricultural trade. To make China more competitive, we cannot depend on the hard work of people on the trade front alone, but must also rely on the participation and cooperation of producers and processing enterprises. Every link must make an effort, starting from production through processing, testing, grading, packaging, and storage all the way to transportation and marketing and sales.

First, we must tackle the quality of our products aggressively. As the level of consumption goes up and in the wake of scientific and technical progress, consumers expect more from a product and quality inspection also becomes more and more stringent. By tightening their quarantine standards, a number of developed nations have in effect reinforced their nontariff barriers. A minor lapse in quality is all it takes for our products to be denied entry to a market. For this reason, only high-quality exports can be competitive. Recently the international community has put forward the concept of "food safety," thus linking the quality of food with environmental protection. Also, the prices of "green food" and those of ordinary food on the market have widened. After years of hard work, the FAO and World Health Organization [WHO] have jointly completed a "food code" which lists in detail the qualitative requirements of all sorts of food items. We can use such information as a guide. However, qualitative requirements are no static indicator but are constantly changing. It is therefore imperative that we not slacken our effort in the least as we tackle the whole process from production to circulation, starting with breeding.

Next we must take cost reduction seriously. An important reason China's agricultural products have made their way into the international market is our low-cost labor and comparatively low direct production expenses. Even when procurement prices were slashed, peasants still managed to make a little profit. Today we are gradually losing our low-cost edge. According to a number of recent sample surveys, production expenses typically account for 40 to 50 percent of incomes, as high as 70 percent in some cases. Peasants who grow high-value agricultural products are still making a small profit, but those who turn out agricultural products that impact the national economy and people's livelihood such as grain and oil-bearing crops are hardly making any money. If we follow the calculation method commonly used in the world, overall production costs

(including the costs of land and labor, fixed assets depreciation, direct production expenses, and taxes) have already reached a fairly high level. Negotiations between the United States and Europe over agricultural products have broken down essentially because of the protectionist measures taken by Europe, whose per unit agricultural cost is significantly higher than that of the United States. If Europe abolishes its protectionist measures, the interests of vast numbers of producers and consumers would be affected. Production costs are a highly sensitive issue. If we are to take part in competition on the world marketplace, we must solve this issue in earnest on the policy and management levels as well as in terms of science and technology.

Furthermore, we should gradually set up an agricultural reserve system to regulate the domestic market. Such a reserve system will relieve us of any worry even in times of intense international competition. It will also enable us to be more of a reserve on the world market. Priority should be given to the establishment of a reserve system for grains, cotton, and oil-bearing crops, which are intimately related to the nation's economy and people's livelihood. A reserve fund system should be set up to go hand in hand with the reserve system to ensure that the reserve can perform multiple functions: ensuring supply, stabilizing prices, aiding the victims of natural disasters, and ensuring incomes for producers.

[19 Jan 93 p 3]

[Text] 3. Decontrol prices. Actively sort out price relations so that the prices of China's agricultural products gradually follow the price mechanism of the international market.

Prices on the international market are essentially set by the market. Prices are determined by costs and fluctuate up or down in accordance with changes in market supply-demand relations. The prices of most agricultural products on the world market today have fallen from the level in the early 1970s and price scissors between industrial and agricultural products continue to widen. According to a study conducted by the FAO in late 1980s, the average production cost of wheat was $200 per ton. More recently, however, the price of wheat f.o.b. on the world market ranged between $150 and $170 per ton. To find a market for their products, leading food-exporting nations have resorted to subsidizing their farm exports extensively. According to statistics for 1989, farm subsidies by Europe, the United States, and Japan combined amounted to the total value of farm exports for that year. As a result, prices have become distorted and the governments of the exporting nations were saddled with such huge subsidy expenditures that the government budget has been pushed into the red in some cases. If the Uruguay round of trade talks comes to a successful conclusion, the normal price mechanism will reassert itself and grain prices may go up. During the negotiations, therefore, food-importing nations (e.g., Japan, Korea, and a number of developing nations) demand that grain-importing nations be given preferential treatment in the form of favorable prices in accordance with the principle of "world grain security." Any change in grain prices has a rippling effect on the prices of other farm products. As far as China's agricultural trade is concerned, this is a two-edged weapon. Trade liberalization also requires that prices within a trading nation approach and match international market prices over time. Nowadays grain costs more within some grain-exporting nations than on the world market but sells for less within China than outside, based on the current exchange rate. As domestic grain prices rise to match the international level, the burden on consumers will become heavier. For this reason we must monitor the price movements of farm products on the world market very closely as our interests as an exporting and importing nation are at stake, adjust base prices for farm products, establish reasonable price ratios between industrial and agricultural products as well as within such major farm products as grain, cotton, and oil-bearing crops based on the actual costs in China. We should sort out price relations and realize macroeconomic regulation and control by using our reserves, among other things, in a bid to ensure the price stability of agricultural products at home and make such prices favorable to China as a farm exporter.

4. Amid mounting clamor for farm subsidy cuts, we should adopt the principle of "differentiated treatment" and continue to support China's agricultural development with financial aid.

Targeting the rising tide of protectionism in agriculture, the U.S. proposed in 1987 that "all farm subsidies unfavorable to free trade be gradually reduced until they are totally eliminated within a decade." While the suggestion has been endorsed by the leading trading nations, they have different answers to the following questions: What do farm subsidies include? Which products' subsidies should be targeted? How are they to be "gradually eliminated?" The U.S. delegate argues that subsidies for the bulk of farm products circulating on the world market should be included. There are export subsidies, market price subsidies, import subsidies, direct consumption subsidies, subsidies for taking land out of cultivation, and subsidies for impoverished and backward areas. Although they vary in nature, they can all be worked out in terms of agricultural subsidy equivalents or ASE's. The nations would then be required to reduce their subsidies in terms of ASE's. The delegate from the European Community [EC], on the other hand, supports the AMS method under which the various subsidies would be calculated by their technical standards with two major groups of subsidies slated for reduction or elimination: direct export subsidies and market price subsidies. Delegates from developing nations, for their part, push for the adoption of the "differentiated treatment" principle. They contend that as the principal agricultural trading nations, developed nations should gradually abolish their farm subsidies but that developing nations, new to agriculture, should be allowed to protect their production and not be required to get rid of their farm subsidies for the time being.

In the wake of the widening debate on farm subsidies, some nations are now calling for the reform of agricultural policies by lowering domestic farm prices, limiting

the output of certain farm products, and gradually reducing and abolishing farm subsidies, thus narrowing the gap between the United States and Europe. Countries are urged to improve product quality and introduce scale management to increase their ability to compete fairly. There are other proposals to develop rural industry and launch agricultural tourism as means of increasing peasants' incomes and remedy the losses resulting from price cuts. Apparently these measures would help reduce tension. But whether the countries reduce subsidies or reform their policies, the peasants' vital interests are at stake, which explains the resurgence of protectionism in Europe and the United States in recent years. Should the rising tide of protectionism lead to a trade war in farm products, it will have highly adverse effects on agricultural trade and put developing nations in a very unfavorable position.

Compared to those in Europe, the United States, and Japan, China's farm subsidies are quite modest. In view of the fact that there is no profit to be made from growing grain and oil-bearing crops in China, that state aid will remain necessary both for agricultural basic construction and in impoverished areas in the future, and that the state has limited financial resources and cannot afford the kind of across-the-board subsidies like those in Europe and the United States, subsidies should be made open in the future in accordance with the principle of "differentiated treatment." For instance, import subsidies may be introduced to encourage agricultural production and meet domestic needs first. An effort must be made to lower production costs, increase the peasants' real incomes, and make Chinese farm exports more competitive. Already many developing nations have adopted policies to aid agricultural development. There is much we can learn from their experiences in this area.

5. Grasp the favorable opportunity to make full use of our strengths by energetically developing agricultural labor trade.

We have one major advantage in international trade, namely that our labor costs are lower and that our workers are industrious, can take hardships, and have special expertise in some areas. Hence we must create the conditions and grasp the favorable opportunity to develop agricultural labor trade.

International labor trade has been developing rapidly in recent years, its value having already exceeded that of total farm exports. While developed nations mainly export technical services, developing nations export physical labor. Taking advantage of the need for labor in neighboring countries, some localities in China have recently sent a host of farm workers overseas to grow vegetables, cultivate edible mushrooms, raise livestock, and run aquatic operations. In the process, they have earned foreign exchange for the state, increased personal incomes, and helped solve the problem of surplus labor in the locality. Furthermore, a few locales have gone international with a limited amount of capital by bidding for contracts to reclaim and cultivate wasteland or run enterprises. Their overseas experiences in combining labor with capital should be reviewed carefully, duplicated, and supported.

Sufficient time is necessary to carry out the strategic measures mentioned above. It is no mean feat to mobilize almost 200 million peasant households scattered across the countryside and steer them toward the global market. Even if the Uruguay round of negotiations continues to drag on and finally reaches a compromise accord under which trade liberalization would be phased in in stages, we still would not have too much time for adjustment. Therefore we must decide on a policy soon with a sense of urgency and get into action. Organizationally too we should make appropriate arrangements to allocate funds, technology, and other inputs and actively support agricultural production and trade. Over time we should build up a solid infrastructure, enterprises that integrate agriculture with industry and commerce, a network that provides quick access to information, and coordinating organizations based on a trade or profession. With unremitting effort we would lead the nation's rural industrial army to partake in the fierce competition on the world market, thus enabling our agricultural production and trade to reach a new high.

Sichuan Grain Reform Examined

93CE0265A Beijing ZHONGGUO WUJIA [PRICES IN CHINA] in Chinese No 12, 17 Dec 92 pp 33-37

[Article by Sun Yan (1327 3601), Cui Junsheng (1508 0193 3932), and Xia Ye (1115 8763) from the Comprehensive Planning Division under the Ministry of Treasury: "Grain Reform in Guanghan and Mianyang of Sichuan Province, and Reflections on Grain Reform Across China"]

[Excerpts] Since last year, Guanghan and Mianyang Cities, Sichuan Province, boldly carried out reform of the grain and oil purchase and selling systems and price reform by "achieving the goal in a single bound and comprehensive deregulation." After publication of remarks made by Deng Xiaoping during his inspection tour to southern China and in the new situation of accelerating reform and opening to the outside world, conscientious summation and study of the experiences and lessons acquired in these advanced areas of reform constitutes a reference of significant importance for further emancipating the mind and actively exploring ways for nationwide reform of the grain and oil purchase and selling systems and price reform. [passage omitted]

The Operation and Evaluation of Grain Reform in Guanghan and Mianyang

Since implementation of the reform of grain and oil purchase and selling systems and prices, people unanimously agree that the direction of grain reform is correct, and its results good. After grain reform, markets are stable, economic activities are normal, various interest relationships have been basically put to good order, and

the market mechanism is gradually playing its role and advancing toward the anticipated objectives of reform.

(1) The management autonomy of farmers has been expanded and they have become commodity producers in a real sense

For a long time, China implemented a centralized and unified system for the purchase and selling of grain and oil. Grain purchase prices were low, and farmers could not directly enter the market to trade their produce, and economic benefits were never reasonably compensated. Grain reform in Guanghan and Mianyang has thoroughly broken through the system of state monopoly for purchase and marketing of grain, which had been insisted on since the 1950s, and changed the situation in which grain prices deviated from values. Consequently, grain has become a genuine commodity, and the exchange of equal values between the state and farmers has been realized. We believe that as for farmers, the primary significance of reform is that in the wake of price deregulation their income increases will no longer be a matter of superficial readjustment of distributions, but will be reflected by the transformation of mechanisms. Farmers have been entirely pushed to market, and after the implementation of land contracting and of the acquisition of production autonomy, they have obtained autonomy on product marketing and pricing through grain reform. As a result, farmers have in a real sense become market-directed commodity producers and managers, and the production and circulation mechanisms of agricultural products have been improved in depth. Undoubtedly, this will be more conducive to grain production and even the long-term and stable development of the entire rural economy. Therefore, the masses of farmers were satisfied and called grain reform this time "the third land reform."

(2) In grain enterprises there has been an increased sense of urgency, which obliged grain enterprises to speed up management mechanism transformation

Over a long period of time, China's grain management had basically been under the monopoly of state-owned grain departments, which then developed the psychology of "an emperor's daughter does not worry about whom she is going to marry." Consequently, their business management was backward, service poor, and "bureaucratic merchants" airs notorious. After grain reform, state-owned grain departments are the ones being pounded first and foremost. The situation in which only one department was doing the business had been broken. Instead, what has come into being is a new situation in which there is intense competition among many circulation channels, diversified economy, and various modes of management. This has forced grain departments to transform their management mechanisms and enter the market as soon as possible. At the beginning, state-owned grain departments could not adapt themselves very quickly to the changed market environment, and there occurred a rapid reduction in their sales volume. Some grass-roots grain stores were only able to issue 70 percent of their salaries. These enterprises have changed from sitting idle and enjoying the fruits of others' work to having to find their own way out, thus being faced with the severe test of "a change from waiting to be fed to running around in search of food." In the face of this kind of passive situation, grain departments met difficulties head-on. By adopting a series of measures such as readjusting internal personnel structures, streamlining personnel, reforming internal distribution systems, carrying on in-depth processing of grain and oil products and developing a diversified economy, grain departments mobilized the enthusiasm for management on the part of the enterprises and staff, enhanced economic efficiency, and changed their management style. Though there exist all types of difficulties at present, state-owned grain departments occupy a dominant position regardless of the purchase and marketing channels, equipment and devices, the quality of personnel, and financial strength. Their role as the main channel cannot be substituted. After a period of time in operation, state-owned grain enterprises have gradually realized the transformation of enterprise management mechanisms, strengthened their sense of competition, and embarked on a road where they make their own decisions on management, assume responsibility for their own profits and losses, take charge of their self-development, and self-restraint.

(3) Having rationally readjusted the relationship between urban and rural interests to correctly guide grain consumption

The system of state monopoly for purchase and marketing (including the system of fixed quotas for contract purchasing since the mid-1980s) meant that the state bought grain from farmers at a relatively low price and sold it to urban dwellers at an even lower price, and the price differences incurred were jointly borne by the state and farmers. As a matter of fact, farmers were partially subsidizing the urban population in price differences, this was unreasonable. On the other hand, urban dwellers had for a long time enjoyed grain and oil at low prices, and taken this as the superiority of socialism. This has become not only a burden hard to bear for the state, but also an obstacle to the development of a socialist market economy. After grain reform, as a result of using market mechanisms, rational sales have been achieved, the relationship between urban and rural interests has been readjusted, residents' consumption correctly guided, and the phenomenon of wasting grain restrained.

(4) The tendency to increase financial subsidies has been restrained, which benefits reduced financial burdens

Grain reform in Guanghan and Mianyang was conducted at their own expense without increasing financial burdens. After grain reform, agricultural tax, levies in kind from water conservancy fees, and revenues from parity and negotiated price differences for the "three-links" materials were treated as sources of fund to subsidize staffs for grain prices. Revenues have basically counterbalanced expenditures. Guanghan also used the rest of its funds to set up a risk regulatory fund, which when necessary can be invested in the market to safeguard the interests of consumers and prevent the occurrence of "low-priced grain hurt farmers." We believe

that though at present the original financial subsidies have not been cut down to zero at once, from a long-term point of view, only through grain reform can the burden of subsidizing be cast off in the end.

The practice of "achieving the goal in a single bound and comprehensive deregulation" in Guanghan and Mianyang Cities is primarily using the role of market mechanisms, transforming from taking planned management as the main in the past to market regulation as the main at present. This has been a big move. In the course of transformation, there exists unavoidably some room for further improvement. Here, we put forward some policy issues which should be solved as key issues for the next step's comprehensively spreading grain reform.

First, correctly guide farmers in their creation of a rational planting structure to guarantee sources of grain. Although Guanghan and Mianyang have deregulated grain purchasing, compared with the planting of other cash crops, the relative benefit for growing grain is still low. In addition, due to several consecutive years of bumper grain harvests, selling grain became difficult and grain prices in the market dropped. After grain reform, the actual income of farmers fell short of what had been originally predicted. Grain reform has not yet been tested by poor harvest either. Therefore, to attract farmers to grown grain, it is not enough to solely depend on the economic leverage of prices and the spontaneous effect of market mechanisms. The issue of how the government can use effective means of regulation and control to guarantee the interests of farmers and control ample sources of grain deserves conscientious study.

Second, the management mechanism of grain enterprises should be transformed as soon as possible. Owing to the fact that at present the modes of business and management of grain departments and other aspects are products of the planned economy, after grain reform, grain enterprises were pushed to the market almost overnight. Amidst the changes from having for a long time practiced a system of state monopoly for purchase and marketing and depending on financial subsidies, to truly entering the market, and participating in competition, grain enterprises find it difficult to adapt themselves to the newly changed situation, regardless of their thinking concepts or means of management. Judging from the practice of Guanghan and Mianyang, grain enterprises require that the government keep some preferential policies to help them tide over the difficult times and gradually go onto the normal track.

Third, the issue of the sources of funds to subsidize staffs. Experience of the pilot program areas shows that the sources of subsidizing funds are still not reliable. In grain marketing areas the amount of agricultural tax and levies in kind from water conservancy fees are not great, and revenues from parity and negotiated price differences resulting from the "three-links" materials were very little. Subsidizing funds cannot be achieved through these types of channels. In Guanghan and Mianyang, which belong to grain production areas, when we take as sources of subsidizing funds the revenues from parity and negotiated price differences for "three-links" materials, agricultural tax, and levies in kind from water conservancy fees, the guarantee is basically available under the present circumstances. However, if we are faced in the future with the cancellation of "three-links" materials, and agricultural tax and levies in kind from water conservancy fees cannot be changed into funds in time, furthermore, grain prices are changing constantly, then the sources of subsidizing funds will not have any guarantee, and money will have to be taken from finance to carry on the reform. We believe that if grain reform is to be conducted within a broader scope, thoroughly seeking a balance of subsidizing funds will present certain difficulties. There may be a need for finance to appropriate some funds for the reform. As for this issue, we should have a long-term point of view. We should not solely take into our consideration the immediate interests. Rather we should be aware that if there is no reform, finance will become more and more passive.

Fourth, the issue of the relationship between interests and distribution. Reform is the new readjustment of the relationship between interests and distribution. It needs to be correctly and appropriately handled. Over the issue of the relationship between central finance and local finance, it is the duty of the central government to support local reforms and grant appropriate preferential policies. Nevertheless, excessive burdens must not be added to the central finance. Apart from these, the relationships between the state and enterprises, between the state and consumers, and between production and marketing areas demand handling with great care in reform.

Fifth, the issue of registering losses. Grain reform conducted in Guanghan and Mianyang did not solve the problem of registering losses of grain enterprises. The same problem also exists in the grain reform of some provinces, cities, and regions. By the end of 1991, registration of losses incurred in the grain enterprises across the country reached more than 40 billion yuan. Moreover, the speed of increase was quite swift. Even in areas where grain has been deregulated, registration of losses will continue to increase if relevant policies are not in the right places. For instance, Guanghan and Mianyang did not get enough expenses in helping the central government and Sichuan Province store grain, and helping the province circulate grain, registration of losses was created. Localities emphasize that registration of losses incurred in grain were caused by the central government's policies. However, at present the central finance does not have the financial resources needed. Difficulties are great in solely depending on the central finance to tackle the huge amount of losses registered. Therefore, we need to consider in its entirety, handle with great care, and solve the relationship between central finance and local finance, and work out a practical way.

Enlightenment From and Reflections on National Grain Reform

(1) The necessity of grain reform

Although procurement prices of grain have been raised many times since 1979, they are restrained by the law of progressive decrease of resources. Furthermore, in recent years the prices of farming means of production have

gone up by a big margin, grain production costs kept increasing continuously, market prices of grain retrogressed, the actual procurement prices of grain decreased, and grain growers did not have any or little increase in their incomes. By 1 May 1991, when grain procurement prices were raised, state selling prices had not been readjusted accordingly. This has led to a great deal of increase in grain subsidies. The state had to subsidize 0.60 yuan for every kilogram of grain sold at parity. Although last year and this year have twice witnessed increases by a big margin in selling prices for grain at parity (twice at an accumulated increase of 140 percent) and purchase and selling prices are at parity, owing to the need to offset management expenses, the state still has to subsidize about 0.30 yuan for every kilogram of grain sold at parity. Moreover, because the quantity of grain procured at parity cannot meet the need for sales, a gap is created in the quantity of grain procured and sold at parity. Every year the state has to arrange a great amount of funds to be used for "the negotiated prices being turned into parity," thus leading to constant increase in the amount of grain subsidies. For the three consecutive years of 1989, 1990, and 1991 grain subsidies broke through 40 billion yuan.

The current grain procurement and marketing system and prices cause detrimental impact on many links such as production, circulation, distribution, and consumption. With the continuation of reform and the development of a market economy, the malpractice of the grain circulation system such as over-centralization and extremely irrational prices have increasingly become apparent. Their concentrated expressions are: First, procurement prices are low, which does not reflect the real values of grain, and farmers' interests cannot be guaranteed. This has restrained farmers' enthusiasm for growing grain and affected the stable development of grain production. Second, as grain departments had over a long period of time depended on financial subsidies, backward management practices were encouraged, and there was a lack of consciousness for commodity management and market competition. This is detrimental to the transformation of management mechanisms. Third, the reversal of procurement and marketing prices exacerbated financial difficulties, and in turn affected the state's investment in grain production. Fourth, the excessively low selling prices distorted the behavior of grain consumption, and led to a great deal of grain waste.

Thus it can be seen that the reform of grain procurement and marketing system and prices is imperative.

(2) The objectives and orientation of grain reform

The issue of grain reform is an old topic. It is also a field about which people have been full of worries for years, but have not dared to set foot there. For many years, people holding this point of view have confined themselves only to the study of the readjustment of grain prices. They would not dare completely deregulate grain procurement and marketing prices, assuming that release of price controls would easily cause price increases in other relevant commodities and result in the fluctuation of the entire price levels.

We believe that at present conditions are ripe for further reforming the grain procurement and marketing system, and deregulating grain prices. First, deregulating grain prices will certainly affect the lives of the masses. But the impact will not be excessively big. In recent years, many localities have used the release of price controls on the grain consumed by some trades and food to provide valuable experiences to deregulate grain prices. Second, because in agriculture the year's harvest is generally two normal, one bumper, and one poor harvests. Viewed from historical circumstances, the output of a poor harvest in China is usually only about 15 billion kilograms less than normal years. Since 1985, China's grain production has always been stable, thus having been basically able to meet the needs, and with more reserves. Therefore, in case of poor harvest, grain supply did not show large fluctuations. Neither did it lead to turbulence in grain markets. Third, after grain prices were deregulated, so long as appropriate measures were taken, price increases by a big margin would not occur in relevant commodities.

The traditional practice of raising procurement and marketing prices for grain is a historical product of the planned economy and economy in shortage. Under the present economic conditions, if the past practice of centralizing commodities with planned management continues to be used, the in-depth issues in grain production and circulation will not be solved. Therefore, we believe that the objectives and orientation of reform are to meet the needs of a socialist market economy, take grain as a real commodity, more frequently use market mechanisms to carry on regulation, and realize a parity exchange among producers, business, and consumers; on the basis of putting to a good order the relationship between procurement and marketing, push grain to the market, and make it an economic entity that has management autonomy and assumes responsibility for its own profits and losses; and gradually solve the issue of the excessive burden of financial subsidies. To achieve the above-mentioned objectives, when conditions are ripe, deregulate grain prices, and the grain procurement and marketing system should be reformed. Practice in Guangdong and Sichuan shows that deregulation reform has been successful, it is better to reform than not to, and it is better to conduct reform earlier than later. Otherwise, contradictions will accumulate and reform will be harder to carry out in the future.

(3) The basic models of grain reform

1. Change the existing grain planning system. We should do away with the plans or tasks of state monopoly for grain through directly contracting with farmers by changing it into plans of guidance nature. Grain enterprises and farmers should sign mutual willingness procurement contracts at negotiated prices, or grain enterprises hang out their shingles and farmers sell willingly. At the same time, we should rescind directive plans and price subsidies under which supply of the means of production (that is "three-links") for farmers is linked with grain procurement

plans, and price differences will be counted in the procurement prices. The state will no longer regulate the standard of grain ration and the standard of grain for certain types of work in profession for urban residents. The state should call off its directive plans of unified supply governing grain enterprises. The residents will make their own decisions on where to purchase grain and the quantity. We should cancel the state's directive allocation plans. Allocation and transfer of grain among regions should be freely consulted by the parties involved to reach transaction by negotiating prices.

2. Reform the grain price management system. The state will no longer regulate the prices for procuring grain from farmers under the state's system of fixed quotas. Procurement should be deregulated. Farmers should sell their grain according to the prices set in their contracts signed with grain procurement units, or sell on their own at market prices. The state will no longer regulate the prices of rationed grain for urban residents. Various grain and oil coupons will no longer be circulated. Selling prices for grain will be deregulated. Under the guidance of state pricing policies grain dealers will set prices themselves; and the state's allocation and transfer prices for grain should be rescinded, and transactions will be reached through consultation by the procurer and seller.

3. Transform the management mechanisms of the state-owned grain enterprises. After grain price deregulation, the state finance's price subsidies for grain enterprises and for management expenses should be canceled for the grain departments to truly become business entities that have independent accounting and assume responsibility for their own profits and losses. Grain enterprises will separate their administration from business, and check up on their property and assets. Interests of funds occupied by specified reserves stipulated in the state's plans and reserve expenses will be appropriated separately by the state. In business accounting they will be separated from enterprise management. Grain enterprises must bring in price mechanisms, competition mechanisms, raise economic efficiency, and fully play the role as the main channel.

(4) Measures accompanying the reform

1. The relationships of interests among various aspects will be readjusted to protect the interests of farmers, consumers, and grain enterprises. To stabilize grain production and protect farmers' enthusiasm for production, necessary economic and legal means to guide farmers in maintaining rational grain growing acreage and scope of business. Meanwhile, a system of grain procurement protection prices should be instituted for farmers. When market prices are lower than the protection prices, the government will certainly purchase. To protect the interests of consumers, filing relationships concerning the supply of grain and oil for urban residents should be maintained. When necessary the state can set a maximum limit for grain selling prices. At the same time, as fluctuations in selling prices can exert great impact on the lives of the masses, the state must give appropriate subsidies to the staff and personnel concerned. To help grain enterprises sustain development and bring their main channels into play, some favorable policies which the state finance and tax departments grant grain departments should be rescinded by stages and in groups.

2. Readjust the means of macro-regulation and control in grain circulation and ensure that the state controls abundant sources of grain

First, great efforts should be made to cultivate multi-level grain and oil trading markets. On the basis of consolidating and developing primary stage grain and oil trading markets that have key points with broad coverage, in places where grain and oil are gathered and distributed or in large- and medium-sized cities we should set up regional markets or nation-oriented large grain and oil wholesale markets, and on the basis of improving long-term contracts create grain and oil futures markets to realize the free circulation of grain and oil commodities. The state-owned grain enterprises should take advantage of their superiority in funds, technology, storage capacity, and quality of personnel, play an important role in the grain wholesale links, and establish a grain circulation pattern in which the state-owned grain enterprises are in the main while multi-channels co-exist.

Next, to make up for poor harvests with bumper ones and take precautionary measures against special circumstances, the special grain reserve system must also be amplified. The current grain reserve system has certain defects, which are mainly manifested in: First, procurement prices are so high that there is only procurement without selling. This is detrimental to the grain handling capacity and regulating markets. Second, there is little thought on the structures of varieties. Third, as there is a serious concept that the more the grain reserves, the better, grain reserves are not kept at an appropriate level. These defects should be gradually changed.

In addition, to guard against drops in production due to disasters and "low-priced grain hurt farmers," and avoid the skyrocketing and dropping of market prices, grain risk regulatory funds also must be set up. This will be put under the management of special institutions established by financial departments, which will earmark funds for their specified purposes only, and achieve the purpose of balancing and restraining grain prices, and regulating and controlling markets.

To sum up, the grain reform pilot programs of "achieving the goal in a single bound and comprehensive deregulation" in Guanghan and Mianyang of Sichuan have been a successful exploration. They are in keeping with the needs of developing a socialist market economy and the orientation of reform. Although at present there still are some difficulties and problems, this still constitutes significant values of reference for the continuation of national grain reform. In accordance with the spirit of Comrade Deng Xiaoping's remarks made during his inspection tour in southern China, we should further emancipate our minds, grasp the favorable conditions, quicken the pace of grain reform, and create favorable conditions for the further continuation of rural reform and the transformation of economic operating mechanisms.

First Joint Tactical Training Center Described

93CM0176A Shanghai WEN HUI BAO in Chinese 1 Feb 93 p 6

[Article by Shen Ding (3088 1353): "China's Owensboro"]

[Text] Suddenly a group of bombers appears high in the air, and with a shuddering of their wings, they release a cluster of high explosive bombs. One attack aircraft after another dives toward the ground and launches air-to-ground missiles. From the woods, a group of cannon and howitzers roar in unison, shells whistling through the air toward an opposite slope. Next, a large number of tanks, looking as though they had been dropped out of the sky, cross the mountain range spitting fire... What was recently a mountain forest suddenly erupts into smoke all around that covers the sky and blots out the sun. Do not suppose that another war has broken out. This is a land and air exercise that the correspondent witnessed not long ago at China's first large joint tactical training center in eastern Anhui Province.

The greatest differences between this joint tactical training and the military exercises that we witnessed earlier were: The units taking part in this exercise did not simply stop at just one side demonstrating its power, but two armies were pitted against each other in the same way as on a battlefield. The units in the exercise had to grapple in a real life and death struggle with an "enemy army" that was well trained, resourceful, and powerful. Because of the different deployments of both sides on the battlefield, countless changes occur requiring that the units being put to the test judge the hour and size up the situation to make a quick and correct response, thereby raising the level of unit training.

Using a telescope, it is possible to see out ahead of us that the "red army," which is conducting the assault, cannot wipe out the enemy in one fell swoop with the fire power it has just delivered, but will meet fierce resistance. Once the bombardment is over, the soldiers of the "blue army," who are sheltered from the shelling, will rush into positions from bunkers along the mountain slope to counterattack the "red army." Mine-clearing soldiers from the "red army," advancing with bangalore torpedoes in hand, sustain numerous "casualties." Unable to gain the upper hand, the commanders who are fearful that the time for a general offensive will be delayed, knit their brows tightly. These are truly good attackers maneuvering from the farthest reaches of the sky, and these are truly good defenders concealing themselves in the farthest reaches of the earth.... How much like a real battlefield all this is! No wonder the joint tactical training center is also termed a quasi-battlefield. Nowadays, every country of the world has such a quasi-battlefield for the training of armed forces. Since the end of the Gulf War in early 1991, in particular, the name recognition of the United States' Owensboro Training Center has increased greatly because the American 24th mechanized division, which performed so outstandingly, underwent repeated training at Owensboro. To regard Owensboro as a decisive factor in victory or defeat is to overstate the case, but strict, scientific training that mimics combat is, without doubt, a necessary way to improve units' real combat capabilities. Six years ago, when China's first tactical training center was born, it attracted international attention. Subsequently, the training center's model sand table was sent to Beijing for exhibition where it aroused the intense interest of military attaches in the embassies of all countries in China. They felt that China's armed forces had adopted the training methods commonly used internationally to become modernized.

When he visited this training center with its complex terrain of mountain, plain, forests, and streams, the correspondent saw a battlefield so skillfully simulated as to be indistinguishable from the real thing. Pillboxes and blockhouses, trenches and ravines, and conical obstacles and concertina wire lay all around, and all of a sudden I saw a number of soldiers wearing camouflage uniforms laying in ambush in the forest nearby. Although only an exercise, the two armies faced each other from strongly fortified positions, both on extremely high alert, and both maintaining secrecy about their movement plans. A military officer in the training center's technical department told me that two of their technicians who did not take care when they went to the fortifications area at night to install exercise monitoring equipment were seized by the "red army" and held as prisoners from the "blue army." It was only after a lot of effort that the wrong was righted. Of course, a quasi-battlefield and a real battlefield are not the same after all, most specifically in places where fighting between the two armies might cause casualties. There, laser guns simulate real rifles and bullets, and smoke-emitting devices are used to show actual casualties. In addition, the training center has a modern monitoring system that can promptly and fairly evaluate and judge the way the "war" develops and the combat performance of both sides.

The training center is like a large scientific laboratory. This laboratory includes a director regulation system, a battlefield simulation system, a simulated enemy army system, a monitoring and evaluation system, and a training support system. The military officers in the training center are by no means just ordinary commanders, but a group of scientific and technical personnel versed in modern military science and technology as well as military affairs. They are responsible for assembling the enemy armies materials, for deeply studying combat methods, for improving tactical analysis, and for taking part in training reforms. They also have to make and re-install various kinds of electronic and laser devices regularly. If the exercise ground where gun smoke rolls is the examination hall, then the field army troops are the students being tested, and the military officers in the training center are the professors who are responsible for preparing the test, supervising the test, and reviewing and grading the test. Before the exercise, they draw up an exercise plan and hand out a

series of test papers to the red army. During the exercise, they have to assign difficult problems to the red army as the battlefield situation changes. In addition, they must do all possible on the basis of imaginary enemy army materials, to ensure that the opposing blue army in the exercise closely resembles a crafty and diabolic enemy army. They cannot allow the red army to succeed easily. They must play the dual roles of the "good guy and the bad guy."

At the command and control building, I observed the directing room in action. It was something like the directing room in a television station. The actual situation on the "battlefield" several kilometers away was shown live on a television screen by a three dimensional monitoring device after computer processing. The observers could also both look at a large projection television screen and at an electrically operated sand table while listening to an explanation to understand how the "battle" was proceeding. The red and the blue armies each had a command room at the control center where the commanders could directly perceive the adversary's situation and take countermeasures. However, since the exercise was still in progress, the number of troops that both sides committed, and the actual battle deployments were still "military secrets." Thus, the observers could only understand a part of the war situation, and feel some of the war atmosphere.

Hekou Public Security Office Cooperates With Vietnam

93P30033A Kunming YUNNAN GONGAN BAO in Chinese 16 Feb 93 p 1

[Summary] Recently, the Vietnam police assisted the Hekou County Public Security Office in apprehending a firearms smuggler. In addition, Hekou County aided Vietnam in capturing a criminal guilty of theft and murder.

Hekou is a national-level port in southern Yunnan located across the border from Lao Cai in Vietnam. In recent years, numerous businesses have been established there, and there is considerable cross-border traffic. Criminals also cross freely, committing crimes and escaping across the border, which makes it difficult to solve cases. To deal with this situation, the Hekou County Public Security Office and the Vietnam police have begun cooperating to counter narcotics trafficking and firearms smuggling and to capture fugitives. They have worked together to apprehend a group of important fugitives in Vietnam and recover a number of stolen goods. On 23 December 1992, the leader of an important firearms smuggling gang escaped to Vietnam from a prison hospital while awaiting trial. The Hekou Public Security Office immediately notified the Lao Cai police, who took measures that prevented the fugitive from escaping to Vietnam's interior and forced him into hiding in a nearby village. Hekou discovered a few leads regarding his whereabouts and passed them on to the Vietnam police, who captured him on 2 January and returned him to the Hekou authorities. Meanwhile, the Vietnam police asked Hekou's assistance in apprehending a murderer who had escaped to Chinese territory. Using information provided by the Vietnam police, the Hekou authorities captured the fugitive and returned him to Vietnam on 14 January.

Hainan Public Security Chief on Improving Security

93CM0177A Beijing RENMIN GONGAN BAO in Chinese 7 Jan 93 p 1

[Article by Gu Shihong: "The Situation of Public Security in Hainan Has Changed From Gloomy to Clearing Up"]

[Text] "If we compare the security situation of Hainan Province after its establishment at the end of 1990 to gloomy weather that makes people feel depressed, then after two years of comprehensive renovation, the public security environment is like transforming from gloomy to glorious weather in the southern part of the country." The Hainan Province Public Safety Chief, Hu Zhihua, made this remark during a special interview with a reporter a year ago.

In the briefing, Hu Zhihua said: In the last few years following the establishment of Hainan Province, the incidence of criminal cases has increased by about 50 percent a year. Gang-related crimes have caused serious damages; the number of robberies using weapons and murder has been increasing, ugly social phenomena, such as prostitution, continue despite repeated prohibitions. Local people and investors have a lot of objections to this matter. As a result, from the beginning of 1991, the Hainan Public Safety Department has cracked down on theft of cars, motorcycles and bicycles, illegal trading and manufacturing of guns and ammunition, and criminal activities involving the use of guns. From June to October 1992, the department had carried out a provincial-wide special operation to "solve cases, unearth criminal gangs, seize illegally possessed guns, chase after escaped criminals, and emphasize order."

According to statistics, from January to 1 December 1992, the province cracked 1,098 major cases, smashed 622 criminal gangs, arrested 2,588 gang members, and seized 949 illegally owned guns. The situation in more than 90 localities, which were pervaded by public security problems, was improved significantly.

Hu Zhihua said: The clear indicators showing that Hainan's public security has turned "from being gloomy to clearing up" are: 1) There has been a big drop in the number of criminal cases. From January to October 1992, the number of criminal cases dropped by 17.2 percent over the same period last year and that of major cases dropped by 21.8 percent. 2) Public security has been stabilized in the economic development zones, foreign-funded enterprises, and tourist spots, and production was in good order. 3) Domestic and foreign investors, tourists, and visitors were satisfied with

Hainan's public security. Especially since the second half of 1992, many international and national conferences were held in places such as Haikou and Sanya, and not a single criminal case took place during that period.

With an intimate knowledge of the situation, Hu Zhihua informed the reporter: In addition to launching special operations, the strengthening of comprehensive public security is a major factor for Hainan Province's public security taking a favorable turn. The Hainan Public Safety Department had adopted many effective measures to tighten control of permanent households, floating population, personnel of special trades, and strengthen the management of security services to foreign-funded enterprises. The province has set up public security teams, security patrolling teams, village security protection teams, and street security protection teams, and thus had more than 90,000 security personnel. The departments concerned have also set up a fund for those who have the courage to do what is right in regard to public security and promulgated the "Methods of Hainan Province To Encourage and Reward Those Who Have the Courage To Do What Is Right in Regard to Public Security." Moreover, they have persisted in making efforts to wipe out the ugly social phenomena, such as prostitution in Haikou, Sanya, and other cities. Hence, the image of the Hainan Special Economic Zone is getting increasingly clean and tidy.

When talking about this year's security situation, this department chief was fully confident. He said: In light of characteristics at present, there are still hidden dangers facing Hainan, such as gang-related crime, gun-related crime, and crime committed by runaway criminals, a new "net" of severe blows at criminals is being spread quietly. This year Hainan will spend 30 million yuan setting up a fully automatic television monitoring and control system and an automatic radio report-to-the-police system, and carry out a series of reforms in the public security management structure. According to his estimate, Hainan's social order will significantly improve in two to three years' time.

Guangxi Scores Successes Against Gang Crime

93CM0177B Beijing RENMIN GONGAO BAO in Chinese 26 Jan 93 p 1

[Article by Ma Zongfu: "Guangxi Severely Cracks Down on Gang-Committed Crimes"]

[Text] Public security organs in Guangxi have achieved marked results in severely cracking down on the activities of criminal gangs. In 1992, the autonomous region uncovered 7,930 criminal gangs of various types, ferreted out 29,339 gang members, cracked 14,159 gang-related criminal cases, and seized illicit money and spoils worth over 51.88 million yuan.

In recent years gang-related crime has become an outstanding problem of criminal crimes, gravely endangering public order. Since the beginning of 1992, in coordination with the special struggles, such as fighting theft, "wiping out ugly social phenomena," and cracking the "three trading," public security departments at all levels in Guangxi have organized forces and taken powerful measures to crack down on the activities carried out by criminal gangs. In early September, following clues and tips provided by the masses, the Qinzhou City Public Security Bureau unearthed a criminal gang engaged in motorcycle theft, seized 17 motorcycles, and arrested three persons involved in the case. In view of the situation in which criminals often robbed passers-by at the entrances of underground passages using lethal weapons, in early September, the Nanning Railway Public Security Section gathered forces and launched a special operation, smashed seven criminal gangs, arrested 61 gang members, and cracked 198 criminal cases. On 16 November 1992, the Guigang City Public Security Bureau uncovered a criminal gang specially engaged in prizing and stealing safes, arrested eight persons involved in the case, cracked nine safe-theft cases, and seized more than 25,000 yuan in illicit money.

Xinjiang Public Security Simplifies Procedures

93P30034A Beijing RENMIN GONGAN BAO in Chinese 18 Feb 93 p 2

[Summary] Xinjiang's public security apparatus is working at all levels to reform irrational practices and promote border-area economic development. Xinjiang has long been economically backward, with a partially sealed [ban fengbi 0584 1409 7028] security situation. Certain outmoded methods have impeded circulation of people, talent, and materials. Since last year, Xinjiang's public security apparatus has reformed or eliminated certain irrational management systems and measures. With regard to border crossing, it has simplified procedures, delegated investigation and approval authority to lower levels, increased the number of points issuing permits, and promoted Sino-foreign economics and trade. In border defense management, it has eliminated second-line public security border defense investigation stations in border areas, simplified entry visa procedures, and made it easier for surplus laborers from the interior to come to Xinjiang's border areas to make a living. In traffic management, Xinjiang public security has eliminated all traffic management and investigation stations, rectified rules that had inhibited the circulation of materials, and established part-time vehicle management personnel around the region. With regard to public security management, Xinjiang has adopted measures appropriate to the situation and has abolished arbitrary large-scale social investigations and the system of withholding assets of persons going abroad. Xinjiang has implemented a temporary residence permit system for the floating population, which allows them some leeway without permitting chaos. It has also strengthened regulations governing police cadres closing down businesses or freezing accounts during an investigation, thereby controlling the problem of police cadres meddling in economic affairs.

Politician Lien Chan Profiled

93CM0169A Taipei HSIN HSIN WEN [THE JOURNALIST] in Chinese No 305, 16 Jan 93 pp 24, 27-28

[Article by Sima Wen-wu (0674 7456 2429 2976): "An Appraisal of Lien Chan's (6647 2770) Political Style and Background"]

[Excerpt] [passage omitted] There are numerous candidates for the premiership, but Lien Chan and Lin Yang-kang [2651 3152 3263] are reportedly the front runners. Lin Yang-kang has rich experience and considerable social prestige; he is most able to stand up to the Legislative Yuan, quite acceptable in all quarters, and therefore a hard to beat candidate. But from the standpoints of generational change, international outlook, knowledge of current affairs and Executive Yuan's compatibility with the presidency, then the momentum of Lien Chan's candidacy is the strongest.

Not only does Lien Chan have a substantial family background, he also has the advantages of being Taiwan born, belonging to a family of multi-millionaires, and possessing very respectable academic and professional credentials. After he left Taiwan University where he was a professor in the political science faculty to become ambassador to El Salvador, his career skyrocketed. He successively served as director of the Kuomintang [KMT] Central Committee's Youth Affairs Department, KMT deputy secretary general, chairman of the Youth Commission, minister of transportation, vice premier, foreign minister and finally provincial governor of Taiwan. He has led a calm and tranquil life throughout his career; in his various official appointments, he discharged his duties like a ship cruising in a calm sea leaving no traces. Although he left behind no especially notable achievements, he was promoted every step of the way.

The last time Hao Po-tsun was asked to form a cabinet, Lien Chan was reportedly considered a possible candidate for premier; it is therefore not unexpected that he is under active consideration this time, even though the appraisal of his candidacy among politicians is not positive. There are even those who oppose him because they feel his abilities do not measure up to the responsibilities of the premier.

Those who doubt his abilities have their reasons going back to the period when he, as chairman of Taiwan University's political science department, seldom convened departmental meetings, maintained his distance from his colleagues, and did not go out of his way even in guiding his own students.

Although he was well versed in his field and lectured on it with great ease, his interest was not in the professorial life; rather, he used the academic period to cultivate and prepare his credentials awaiting suitable opportunities to come along. He has maintained good relations with the party and government. Having substantial family wealth, he was not like the other poor professors who devoted themselves to working hard in research labs, participating in symposia, publishing commentaries in the press, or enthusiastically guiding young graduate students in their quest for knowledge; no, indeed he was aiming for much more meaningful and interesting work.

An ambassadorial post may be the ultimate goal of professional diplomats, or a place of retreat from the contentious arena for out-of-office politicians or retired generals, but it is also a good opportunity for a young politician to prepare for his later life. The work in El Salvador was leisurely and gave him ample time to observe and study. Furthermore, diplomatic demarches and protocols were well-suited to his upper-class upbringing, temperament and personality.

He inherited much from his grandfather and father; while not particularly brilliant, he has dignified demeanor and bearing, and the self-confidence of one who comes from a well-established family but without any of the bad habits of a dandy. The elders in the political circles all looked favorably on mainstream youngsters such as he, and they systematically helped him get ahead. He participated in, for example, a nine-month national security seminar on Yang-ming-shan, which further strengthened his political ties.

From working in the KMT Youth Affairs Department to being the party's deputy secretary general, he had opportunities to get a flavor of dealing with KMT internal affairs. Although he did not delve deeply into party's affairs, it can be said that he was exposed to the party hierarchy, and therefore could have his ticket punched accordingly.

From the party to the political arena, he traveled by a safe, tranquil route: through the Youth Commission affiliation, he held an assembly seat in the Legislative Yuan where he could learn to be a politician. Thus, it was by careful cultivation and fostering that this young political figure had been able to grow and develop.

When he was the minister of transportation, he had to depend on his luck. Other ministers did not have their ancestors' blessings, and they encountered all kinds of transportation disasters on land, at sea and in the air and frequently had to visit hospitals and funeral parlors. But when Lien Chan was the transportation minister, accidents and disasters were notably few in number, as if the heaven had arranged it to spare him from having to deal with too many human tragedies.

Thus Lien Chan peacefully served out his ministerial tenure, and went on to be vice premier in the Executive Yuan. If one was lucky in life, one did not have to accomplish the extraordinary. Lien Chan could not be blocked from doing what he was asked to do, or from receiving what was his due. Other politicians tried their best to demonstrate their zeal and capability and to cultivate and seek favors from their contacts, but when they saw Lien Chan going steadily up the ladder and

making his way up with hardly any effort, they could not but be jealous of him indeed.

On the matter of Lien Chan's luck, the best was yet to come. When he was the foreign minister, circumstances were such that both the scope and opportunities for diplomacy were opening up. The doctrinaire constraints of "No Coexistence With the Mainland Bandits" and "the Soviets in China" were disappearing. Although Lien Chan did not accomplish a great deal on his own initiatives, the situation was such that people felt that the foreign ministry was actively engaged diplomatically, and that the ideological constraints were lifted. This was not the result of his effort per se, but he was lucky; how else could it be otherwise when things went so smoothly? When he reached a certain juncture, the sea would part and a path open for him. This "happy-go-lucky" phenomenon is seldom seen in politics, and while other politicians might complain of the obstacles encountered or of the unpredictable waves in the sea of politics, Lien Chan was able to ride one wave and the next on to ever higher ground.

Provincial assemblymen, when asked about their governor's accomplishments, would scratch their heads; they wanted very much to say a few good words about the governor, but discovered that this was no simple task. But on the other hand, try as they might to name a failing or two, nothing came immediately to mind either.

In truth, this is Lien Chan's secret weapon: while no one would claim he is very able, neither can any one say he doesn't know what he is doing. He does not understand practical details, and cannot even name the five grains, but his knowledge of international affairs is considerable, having the credentials of a political science professor. Thus while many criticize him for not being serious enough in his work, few would say he is narrow-minded or short-sighted.

Those who support Lien Chan say it is not necessarily a prerequisite that only an extremely able person can assume the premiership, for it all depends on the circumstances and the candidate. For example, when Yu Kuo-hua [0205 0948 5478] was premier just before martial law was declared, powerful forces outside the party were gaining strength, and street demonstrations went on ceaselessly; Yu Kuo-hua was unable to control the situation and that ironically gave democratic forces an opportunity to develop. If Hao Po-tsun were premier at that time, he would deal with the situation with determination and resoluteness, and who could say what twists and turns in Taiwan's politics might ensue as a result.

In other words, although Lien Chan is not the most capable person, he has considerable knowledge and a good mind, certainly is much better than such people as Ch'iu Ch'uang-huan [6726 0482 3562], and though he has maintained a relationship with the old guard, the relationship is not the closest; it is one which can be useful to him but will not become a burden for him. No real vital interests are involved in his relationship with the old guard, and there are no complex disputes.

Naturally, the most important relationship is the test of true compatibility between him and Li Teng-hui. In this respect, he has been severely criticized by some people. With him as premier, they say it would be no different from Li Teng-hui concurrently functioning as premier, and that Li Teng-hui can then run the Executive Yuan in what in effect would be a presidential system of government.

But supporters of Li Teng-hui counter by saying that the President's Office and the Executive Yuan should function as one coordinated body and that they should not try to check and control each other, which would only lead to the kind of political struggles exemplified by the outgoing premier. They assert that political development today should be in the direction of a presidential system of government.

Many people are concerned that Lien Chan will not be able to control the Legislative Yuan; they feel given an assertive National Assembly, any one in that position would become a weak premier, but they also feel that there are good points to having a weaker premier who would then be more respectful of the views of the assembly. The drawback, on the other hand, is that the premier might become a hostage of the National Assembly, resulting in the Legislative Yuan having its say in various ways. But if the party can coordinate closely with the politicians, then this drawback can be dealt with.

Some people cannot understand why Li Teng-hui would so "favor" Lien Chan, since the latter is a protege of the Chiang family and not a close confidant of Li Teng-hui. Most politicians would like to brag that they are not beholden to anyone, but very few can be like Lien Chan who truly stands on his own. It is the other people who come to him with offer of a ministerial portfolio, and ask him please to take it; as Lien Chan is an upright individual, he will not hurt other people. He remains deferential and gentle in all his dealings, so that even with him occupying the top positions, people need not be afraid of him. While it is true it is not easy for people to be close to him, his attitude is sincere. Unencumbered by any ideological baggage of his own, he can recognize and accept the viewpoints of others. [passage omitted]

Convicted Politicians Find Redress in Election

93CM0151B Taipei TZULI WANPAO in Chinese 26 Dec 92 p 2

[Article: "Former Political Criminals Outside the Party Use Their Election as Legislators To Gain Redress"]

[Excerpts] Next year, legislators in the Second Legislature, who represent the cream of public opinion in Taiwan, will reorganize the National Assembly's function in exercising supervision over the cabinet, and will take charge of legislation and revisions of the law. In a situation of a crumbling of authority in which virtually all out-of-power political leaders were elected, those persons who were jailed as political prisoners during the "period of martial law and the lifting of martial law,"

used the ballot box to obtain redress, the legislators in the Second Legislature producing an interesting but sad situation in which the "accused," "lawyers," and "judicial officials" sit down together to deal as equals.

According to statistics, 27 of the 50 members of the Democratic Progressive Party [DPP] bloc and nine members of the Kuomintang [KMT] and others as having been involved in political and criminal cases. Thus a total of 36 of the 161 legislators in the second session, or more than 20 percent, have been involved in legal cases. The DPP legislators in the second session were mostly involved in public law cases involving political dissent. KMT legislators in the second session were involved in ordinary criminal cases. [passage omitted]

Legislators, as the name suggests, are above the traditional norms and regulations; they draft laws and regulations that are more pertinent to the nation and society rather than simply concerning themselves with existing regulations. If they did otherwise, they would not be legislators but law enforcers by another name. Formerly, the ruling party was the only party and the only legal authority. The Legislative Yuan was just a "voting machine," and although there was no lack of legal talent among the legislators who were members of the ruling party, party discipline and party pressure kept them silent. The better legislators expressed views on the legal principles involved, but this amounted to nothing more than dogs barking at a locomotive. They could only sit passively as bad laws were promulgated and put into effect after three readings. The lesser legislators distorted legal principles in cover-ups, acted as hatchet men, cast legal principles aside in sole pursuit of the party's interests, and sought explanations for which there was no basis.

Legislators in the Second Legislature present a new picture following complete election reform. The legal talent in the opposition parties has turned out in full force in contrast to the ruling party in which legal talent is somewhat lacking. In a situation in which the arithmetic is against them without counting the number of people having special expertise, it is not difficult to predict that the power-holding party will be in an inferior position. At the same time, legislators in the Second Legislative Yuan who were formerly the "accused"—particularly legislators in the Second Assembly who are members of the DPP—have trod a road that might be called bloodstained. They advocated lifting martial law, complete National Assembly election reform, exposed the selling of degrees, opposed the national security law, held a public mourning service to mock the impotence of the Control Yuan, and issued a manifesto on Taiwan residents' own salvation. As they look back now from this time and this place, what caused them to rebel? Who was it that made them suffer in prison?

Although an amnesty was granted for the "Formosa Incident" some years ago after Li Teng-hui became president, political rehabilitation is of no help for the legal crime committed against them through imprisonment. The six people sentenced in the Formosa Incident, Shih Ming-te [2457 2494 1795], Lu Hsiu-lien [0712 4423 5571] Yao Chia-wen [1202 0857 2429], Chang Chun-hung [1728 0193 1347], Ch'iu Ch'iu-chen [6726 0987 6297], and Tai Chen-yao [2071 2182 5069] have now been elevated to the Legislative Yuan at the choice of the electorate and through the use of the ballot. They have been personally cleansed by the democratic process, which is a historical first. Ch'en Shui-pien's [7115 3055 2078], Hsieh Ch'ang-yan's [6200 7022 1673], and Chang Chun-hsiung's [1728 0193 7160] defense lawyers election to additional terms of office is also ironclad evidence that the Formosa Island Affairs has been redressed. DPP people frequently say that jail was unable to break their will. Lu Hsiu-i [4151 0208 0001], Ch'en Wan-chen [7115 1238 4176], Huang Chao-hui [7806 2507 6540], Hung Ch'i-ch'ang [3163 1142 2490], Hsien Ch'ang-yan, Ch'en Shui-pien, and Hsieh Ts'ung-min [6200 5115 2404] also entered the Legislative Yuan in the blizzard of ballots. Ch'en Kuang-fu, who went to prison in the Kaohsiung City Municipal Government Building Tan Su [7134 5685] fraud case, who excoriated the impotence of the Control Yuan, and protested the burning of Lei Chen's memoirs was also elected by a large vote. Without doubt, this was the most powerful repudiation of the ruling party's past use of the law to solve political controversy, or even using the law to clamp down on the freedom of speech.

Former DPP members Chu Kao-cheng [2612 7559 2973], and Lin Cheng-chieh [26512973 2638] likewise used ballots to return to the Legislative Yuan. Yeh Hsien-hsiu [5509 2009 0208] also underwent a change, and Weng Ta-ming [56040 1129 6900] entered the Legislative Yuan after judgement was pronounced against him in the Hualung case, never mind the methods he used to get votes. Societies lack of confidence in the law is clear from these events.

Lawyers are judges in opposition, judicial officials are responsible for making right and wrong decisions. Among the legislators in the Second Session of the Legislative Yuan 12 have a background as lawyers or judges, an insufficient number. No legal talent can be found among the certain votes that master mind Huang-fu-hsing controls. The ruling party, it seems, will have to examine the subtleties in this. Among the 12 legislators, nine are in the DPP. If talent in the judicial and executive branches is added in, the ruling party will find it difficult to ensure that it is not in an inferior position in arguing legal cases.

Among the 36 accused legislators, some faced death, and some relied on being elected in an effort to gain absolution, but the accused, the lawyers, and the judges will obviously not be very courteous toward the judiciary. When they were sentenced, they cursed in a low voice, or they exhibited an attitude of defiance. As legislators occupying seats of honor in examining legal cases and expressing the suffering of the people is like something that is part comedy and part dream. The judiciary will bear the brunt of this intermingled repertoire.

Names of Second Legislative Yuan Legislators Who Have Served as Lawyers and Judges

Lawyers	Judges
Ch'en Shui-pien, Hsieh Ch'ang-yan, Li Chin-yung [2621 6651 0516], Chang Chun-hsiung, Li Ch'ing-hsiung [2621 1987 7160], Yao Chia-wen, Hou Hai-hsiung [0186 3189 7160], Yeh Yao-p'eng [5509 5069 7720], and Su Huan-chih [5685 3562 2535], all of whom belong to the DPP. Huang Chu-wen [7806 0031 2429], Kao Yu-jen [7559 5148 0088], and Hsieh Ch'i-ta [6200 0796 1129], all of whom are members of the Kuomintang.	Li Ch'ing-hsiung (DPP), Huang Chu-wen, Hsieh Ch'i-ta, and Ch'en Chien-min [7115 1696 3046] (who are members of the Kuomintang).

DPP Legislators in the Second Legislative Yuan Involved in Political or Criminal Cases

Name	Electoral District	Detained or Not	Nature of Case
Shih Ming-te	Tainan City	Yes	Sentenced to life imprisonment in the Formosa Incident. Spent more than 25 years in prison.
Chang Chun-hung	Southern District, Taipei City	Yes	Sentenced to 12 years in the Formosa Incident.
Yao Chia-wen	Changhua County	Yes	Sentenced to 12 years in the Formosa Incident.
Lu Hsiu-lien	Taoyuan County	Yes	Sentenced to 12 years in the Formosa Incident.
Ch'iu Ch'iu-chen	Taoyuan County	Yes	1. Sentenced to five years in the Formosa Incident and served four years. 2. Sentenced to three months under the Chiyu [7162 3266] law.
Tai Chen-yao	At large	Yes	Imprisoned for four years in the Formosa Incident.
Chen Shui-pien	Northern district, Taipei City	Yes	Sentenced to eight months in prison in the P'englai Island slander case.
Hsieh Ch'ang-yen	Northern district, Taipei City	Yes	Sentenced to two years in the 12 June case; sentenced reduced to one year with four years probation.
Lin Shuo-shui [2651 3424 3055]	Northern district, Taipei City	Yes	Sentenced to five months with three years probation in the 20 May case.
Shen Fu-hsiung [3088 1381 7160]	Southern district, Taipei City	Yes	Put on probation after five months detention in a prohibited drugs case.
Yen Chin-fu [7346 6930 4395]	Southern district, Taipei City	Yes	Jailed two years in the Taiwan Normal University case.
Huang Chao-hui	Southern district, Kaohsiung	Yes	Jailed for one year, six months in the Chungshan Building case and the Chi-yu law case.
Ch'en Kuang-fu	Southern district, Kaohsiung	Yes	Sentenced to 10 months in prison in the public mourning of the Control Yuan case.
Lu Hsiu-yi	Taipei County	Yes	Three years penal education for the former T'ien Kuang-chih [3944 0342 2655] case.
Ch'en Wan-chen	Taipei County	Yes	1. Fined in the case involving entry into Taiwan on a black name list. 2. Detained but released in the T'aichien case. 3. Twelve years in a confession extorted through torture in prosecution of the Taichien and Taichung cases.
Chou Po-lun [0719 0130 6158]	Taipei County	Yes	1. Sentenced to eight years by Superior Court in Junghsing Case; detailed 100 days. 2. Prosecuted for brazen insults in the Weiching development case.
Hong Ch'i-ch'ang	Taichung	No	Sentenced to two years and put on probation for four years in the 20 May and 12 June cases.
P'eng Pai-hsien [1756 4102 7359]	Nantou County	No	National Defense Commission ballot tearing case under investigation.
Ts'ai Shi-yuan [5591 1709 3220]	Chiai County	No	Sentenced to two months probation in the Chungshan Building 19 February incident.
Wei Yao-ch'ien [7614 5069 0051]	Tainan County	No	Prosecution of case involving kicking of Ti Tsung-Ch'uan's [5049 1350 3123] table.
Ch'iu Lien-yao [6726 6647 6540]	Pingtung County	No	Released following agreement in Formosa Incident.

DPP Legislators in the Second Legislative Yuan Involved in Political or Criminal Cases (Continued)

Name	Electoral District	Detained or Not	Nature of Case
Hsieh Ts'ung-min	At large	Yes	Sentenced to 10 years in prison in P'eng Ming-min case.
Lin Kuang-hua [2651 0342 5478]	Hsinchu County	No	Sentenced to 30 days labor and put on probation for two years for causing damage.
Liao Yung-lai [1675 3057 0171]	Taichung County	No	Sentenced to two months in lieu of which a fine was paid for impairing the conduct of official business.
Ts'ai T'ung-jung [5591 0681 2837]	Chiai City	Yes	Sentenced to six months in lieu of which a fine was paid in connection with a citizen voting demonstration case.
Chu Hsing-yu [2612 2508 5038]	Northern district, Kaohsiung City	No	Sentenced to three months for obstructing the conduct of official business. Sentenced to 50 days labor in Chi-yu [7162 3266] case.
Yu Cheng-hsien [0151 2398 2009]	Kaohsiung County	No	Sentenced to two months 15 days with probation for two years in general mobilization case.
Total of 27 people			

KMT and Other Party Legislators in the Second Legislative Yuan Involved in Political or Criminal Cases

Name	Electoral District	Party	Detained or Not	Nature of Case
Shen Chih-hui [3088 2535 1979]	Taichung	KMT	No	Dismissal of case involving slander of Legislative Yuan "Six Man Group."
Shi T'ai-sheng [2457 0669 3932]	Tainan	KMT	Yes	1. Kan-hsun [1940 6064] disposition. 2. Sentenced to six months in lieu of which a fine was paid for interference in a freedom case.
Yang Chi-hsiung [2755 0679 7160]	At large	KMT	No	Sentenced to 30 days labor in liue of which a fine was paid in a regional planning case.
Lin Ming-yi [2651 2494 5030]	Yunlin County	KMT	No	Fifty days labor in lieu of which a fine was paid for terrorism and impeding military service.
Kuo Yen-ts'ai [6753 1693 2088]	Pingtung County	KMT	No	Prosecuted for damaging reputation.
Chu Kao-cheng [2612 7559 2973]	Yunlin County	Social Democratic Party	No	Sentenced to one year six months and put on probation for four years in the 29 March Tahushan Village case.
Lin Cheng-chieh	Southern district, Taipei	None	Yes	1. Sentenced to prison in Hu I-shou [5170 4135 1108] slander case. 2. Sentenced to probation in Tuch'eng Double 10 incident.
Weng Ta-lu	Southern district, Taipei	None	Yes	Sentenced to three years six months in Hualung case, and released on bail following detention.
Yeh Hsien-hsiu	Taipei County	None	Yes	Sentenced to seven years imprisonment in murder case; released upon completion of sentence.
Total of nine persons				

Industry Urged To Develop Competitiveness, Investment

Focus on Science, Technology

93CE0301A Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 5, 8 Feb 93 pp 13-14

[Article by Hsin Fu (6580 1133): "In Economic Rivalry, Science and Technology First"]

[Text] With the beginning of the new year, the world's renowned economic organizations and economic gurus are at pains to state their views, evaluate the successes and failures of the past year, and forecast economic growth for the coming year.

No doubt, the evaluations and forecasts of the economic experts have their individual points of departure and their individual points of return, but if we leave aside methodology, we can find certain points of similarity in them that also provide insights into Hong Kong's ability to compete.

Scientific and Technical Competition Among Developed Countries

Past comparisons of world economic growth and competitiveness have been based largely on developed industrial nations. As a matter of fact, the economic condition of nations such as the United States, Japan, and Germany has a decisive bearing on the speed of growth of the entire world economy. Competition among them also points the way directly to the basic orientation of future world economic development.

Analysis of the most recent study of the Organization for Economic Cooperation and Development (OECD) shows that the economic structure of the seven major industrial nations is changing toward high science and technology manufacturing industries. However, while moving in the direction of an economic system dominated by science and technology and service industries, the pace in Europe and the United States lags behind that of Japan. Data also suggest that Japan is closest to being the nation that has the ideal organization for high growth of industry; its medium growth industrial sector has seen virtually no expansion, and its low growth industrial sector has not shrunk. Why is this? The OECD conclusion is that it is because in the development of high science and technology, Japan is more aggressive than its competitors.

The American's own assessment confirms the OECD view. The United States National Science Council's February 1992 report to former President Bush pointed out that America's total expenditures for scientific research in 1990 showed the first trend toward decline since the 1970s. The report of the United States Science Fund in August of the same year said that America's outlays for research and development as a percentage of per capita GDP consumption were 3 percent lower in 1984 than the average for Japan, Germany, France, the UK, Italy, and Sweden, and outlays for nonmilitary research and development were 25 percent lower than the average for these six countries. The report concluded that should this continue, the United States would lose its traditional dominance in science and technology. European, particularly German and French, experts believe that unless Europe gives priority to the development of science and technology, the EC can only become isolated making it difficult for it to compete with Japan and the United States.

Very clearly, the consensus of developed nations is that the economic contest in the world today is a contest to seize the high ground in science and technology. The ones who hold scientific and technical dominance will be the ones to hold the initiative and the one's who will be able to rule the world economic roost. It is for this reason that the developed nations this year (actually possibly earlier) assumed a stance of scientific and technical rivalry. We earlier noted that America's newly elected President Clinton said at an economic conference in Little Rock that the United States would adopt a Japanese style national policy to recover America's strong position in science and technology. His political program would encourage research having industrial applications, and assistance would be given to high science and technology companies for this purpose. Clinton promised that the present $33 billion annual investment in industrial science and technology would be raised by at least $7 billion. An additional increase of $197 billion in expenditures for federal projects over the next four years would go mostly to the development of high technology industries. In conjunction with the development of science and technology and the growth of industry, Clinton also plans a $60 billion increase over the next four years for use in improving education and retraining staff members and workers. In short, Clinton feels that America's industrial structure has reached a period of decay. He will change the former policy that permitted the economy itself to regulate the industrial structure, increasing the former annual amount spent on research and development from 1.3 to 2 percent of GNP, or even higher.

Of course, neither Japan nor Europe is taking this lying down. The Japanese government has already decided to increase its planned research and development budget for the period 1993-1997, its outlay for research to reach 7.6 trillion yen by 1997. This will be two times the current year figure. Moreover, Japan's civilian firms believe that the research and development capabilities of free enterprises five years hence will exceed those of Europe and the United States. In the EC, which currently has 630,000 people involved in research and which spends 2 percent of GDP on research and development, the Eureka Plan is the focus of world attention. The number of nations participating in this plan has increased to 21, and more than 3,300 institutions are involved. Investment exceeds 67.2 billion francs.

No wonder the OECD noted in its report that if the industrial nations improve their science and technology foundation, they will be able to break free of economic crisis. Looking ahead in the 1990's, possibly a restructuring similar to that in the manufacturing sector will occur in the service sector. If it does, the pattern of world economic growth will have another dimension, and the form of operation of the world economic structure will also have a new definition.

Hong Kong's Need To Develop Science and Technology

The development of science and technology among developed nations such as the United States, Japan, Germany, and France is leading the new world trend. Their industrial policies and science and technology policies function as a fly-wheel in their economies. So, is there room for other countries in the science and technology field of the world economy? The present situation is that the economies of developed nations such as Japan and the United States are not doing very well. The so-called reliance on government to help the development of high science and technology to gain "dynamic relative dominance" has yet to produce results. Given these circumstances, should Hong Kong follow the developed nations in going after a place in world high science and technology, and does it have to invest huge sums in scientific research and development?

The Hong Kong industrial and commercial world, and the Hong Kong government, which are in different positions and environments, have held different feelings and views on this matter for many years.

The Hong Kong government's view is that Hong Kong has historically pursued a "policy of active noninterference." It has relied on trade to grow and thrive. Its "interest in trade" is as great as Europe's and North America's interest in the industrial revolution. (See Article 6, Hong Kong Governor's Administrative Report). Consequently, the development of science and technology in Hong Kong halts at the discussion stage, and there is no way to take substantive action. A little deeper thought reveals that Hong Kong is nothing more than a money tree that is about to change hands, so who can be genuinely concerned about her future and want to invest enormous sums to foster the growth of science and technology? This is born out by the facts. Even though Hong Kong's final governor, Mr. Chris Patten, repeatedly promised in his administrative report that he intends to look out for Hong Kong's future and that he intends to invest in the future, in his academic and scientific and technical research and development plan he was willing to provide financial assistance only for research in institutions of higher education. How much financial assistance? It may increase from HK$122 million this year to HK$144 million next year (1993), and it may increase to HK$180 million between 1994 and 1995. (See Article 24 of the Hong Kong Governor's Administrative Report). In 1991, Hong Kong had a GDP of HK$633 billion and government expenditures of HK$112.9 billion. This means that Hong Kong's outlays for scientific research, even when figured from the 1991 economic criteria, can only be figured as per thousandths of GDP and government expenditures in 1994.

Does Hong Kong not need scientific research and development? The view of the industrial and commercial community is just the reverse. In November 1992, the Hong Kong government commissioned Sigaoyu Consulting Company to conduct a feasibility study on "Hong Kong's Construction of a Science Park." That company conducted a survey of 560 science and technology-based companies in 17 different countries, including 190 Hong Kong companies. Of the companies surveyed, 107 Hong Kong companies—more than half—were interested in the building of a science park. The unanimous view of these companies was that despite its high speed economic growth and proud achievements during the past several decades, no one could guarantee a continuation of this growth. Hong Kong is very greatly limited in land, manpower, and capital. If Hong Kong does not want to lag behind other countries and territories, and if Hong Kong wants to maintain its own ability to compete, it will have to accelerate improvement of its manufacturing industries, i.e., accelerate a change toward production having higher added value potential. Only in this way can Hong Kong bring about a structural change to compete in the world at a higher level. Naturally, attainment of this objective will require increased investment in scientific and technical research and development.

The industrial and commercial community, as well as professionals, realize even more that Hong Kong is far less attractive than its main competitors in its emphasis on investment in technology. Take Singapore, for example, where for the past several years outlays for scientific research and for testing and design work have amounted to 1 percent of GNP. In the scientific research and development field, the privately owned economy makes 60 percent of the total investment and employs 40 percent of the people. Largely as a result of its development of science and technology and the structural changes this has brought about, Singapore has been able to maintain an approximately 8 to 9 percent growth rate for many years. This includes a 9.5 percent or more growth in industrial production, principally industrially production in the high technology sector. Numerous prominent people in Hong Kong realize that Singapore is no paradise, but we cannot deny her achievements in industry, particularly in scientific and technical industries.

Hong Kong should also not forget the Six-Year Economic Construction Plan of Taiwan, which is part of the "greater China economic sphere." This is a vigorous plan for accelerating change in the added value and the production process in Taiwan's industry, and for improving its products. This plan focuses on 10 of the

world's foremost strategic industries including communications, information, electronic consumer goods, precision instruments and automated machinery, spaceflight, new materials, special kinds of chemical industries, and technical equipment for pollution control. It intends to use $30 billion for this purpose, the emphasis going to scientific research and development, education, and training. In fact, existing data show an acceleration of Taiwan's plan.

Hong Kong Can Put Science and Technology First

Faced with changes in the world economic pattern, and faced with challenges from competitors, can Hong Kong give first place to science and technology to take a new course?

The writer's answer is affirmative.

We cannot ignore the fact that Hong Kong has already made a start in the development of science and technology, including the construction of the industrial science and technology center, which is now underway, and promotion of a plan for the application of research and development. It was mentioned above that the plan for construction of a Hong Kong science park stirred people's interest; however, the fact is we can do more and do it more rapidly.

First, government support and financial assistance is indispensable. This is not only the usual practice in most countries of the world, but it is even more necessary in Hong Kong. The people of Hong Kong have looked forward to the "Rose Garden" plan that the Hong Kong government drafted several years ago, and are more enthusiastic about it than they are about the new airport on which a hundred billion is to be spent. So, why can't the government allocate one one-hundredth or more of that amount on a science and technology program that has a bearing on Hong Kong's real strength? In addition, cannot the "noninterference" policy be a little more active. If Singapore, Taiwan, and South Korea can encourage high science and technology industries, why not Hong Kong?

Second, Hong Kong's survival depends on its commercial and industrial entrepreneurs, and the success or failure of industrial and commercial firms depends on Hong Kong. From the overall and long-term standpoint, Hong Kong's scientific and technical endeavors will depend on Hong Kong's enterprises, and will also benefit Hong Kong's enterprises.

Finally, Hong Kong's ability to compete has always drawn support from the China mainland. Scientific and technical cooperation between China and Hong Kong is also sure to bring benefit to us.

Foreign Investment in Industry

93CE0301B Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 5, 8 Feb 93 p 38

[Article: "Some Facts About the Investment of Foreign Capital in Hong Kong Industry"]

[Text] Industrialists have recently published the results of a survey about investment in Hong Kong industry by foreign-owned corporations. These survey results show that as of the end of 1991, foreign investment in Hong Kong industry totaled HK$34.399 billion, up 11 percent from 1990 and very much different than the 4 percent rise in 1990.

Continued Increase in Investment During 1991

As of the end of 1991, 536 foreign-owned corporations continued to invest in Hong Kong industry, the investment being in 610 projects. This overseas capital came mostly from 174 firms in Japan, 127 in the United States, 55 in the UK, and 46 in China. Investment from these four countries accounted for 66 percent of total investment.

Foreign-owned corporations have a long history of investment in Hong Kong manufacturing industries, but it was not until the 1970s that this investment occupied a fairly important position. Of the 610 investment projects at the end of 1991, 70 had been made before 1970. Between 1970 and 1979, new investment projects averaged 16 per year. Between 1980 and 1984, they averaged 25 per year; between 1986 and 1989, they averaged 45 per year, and during 1990 and 1990, they totaled 19 and 15 respectively. Of the 536 foreign-owned corporations, 299 are privately owned. Of the foreign-owned corporations that have invested in Hong Kong industry, 211 are joint ventures with a local corporation and 26 are joint ventures abroad.

Mostly Electronics, Textiles and Clothing Manufacture, and Electrical Appliances

In terms of size, foreign-owned companies investing in Hong Kong manufacturing industries have usually been fairly large. Of the 536 foreign-owned corporations, 456 employ between 20 and 99 people, and 36 of the foreign-owned corporations employ 500 or more people.

More than half of the foreign-owned corporation investment is in the following three industries: In the electronics industry, 109 firms; in the textile and clothing manufacturing industry, 104 firms, and in the electrical appliances industry, 57 firms.

Regarding the value of overseas investment, investment of foreign capital to increase the value of fixed assets was HK$2.704 billion in 1991, 64 percent—that is most of it—being investment in machinery and equipment. Japanese investment to increase the value of fixed assets was greatest, accounting for 44 percent of the total of such investment. Investment to increase the value of fixed

assets was greatest in the electronics industry where it amounted to 33 percent of all such investment.

As of the end of 1991, the original cost of fixed assets of 536 overseas corporations was HK$21.083 billion, 56 percent of which was for machinery and equipment.

Japanese and American Capital Rank First and Second

As of the end of 1991, foreign capital invested in Hong Kong totaled HK$34.399 billion, 39 percent of it operating capital and 61 percent of it the original cost of fixed assets. Japan was the largest investor accounting for 32 percent of total investment. The United States was second with 28 percent. China and Australia accounted for 11 percent and 6 percent respectively.

During 1991, product sales of the 536 factories had a value of HK$85.108 billion, 64 percent of it from exports, and 36 percent from local sales. Export sales of foreign-owned factories accounted for one-fourth the total export value of Hong Kong products. Approximately two-thirds of the value of product sales came from electronic products (41 percent), textiles and ready-made clothing (11 percent), electrical appliances (10 percent), and chemical industry products (5 percent). The United States was the largest foreign sales market accounting for 17 percent of export value. Next were Singapore at 7 percent, Japan at 7 percent, and West Germany and Singapore at 6 percent each.

Overseas Industrial Investment by Sources of Investment as of the End of 1991 (HK$100 million)

Source of Investment	Factories	Fixed Assets Added Value	Fixed Assets Face Value	Fixed Assets Original Cost	Operating Capital	Total Investment
Japan	174	11.89	39.16	68.94	40.88	109.82
United States	127	4.35	27.48	49.58	46.80	96.38
China	46	2.44	16.60	27.36	10.11	37.47
Australia	18	0.53	5.51	7.27	13.77	21.04
UK	55	2.60	10.97	16.05	2.86	18.91
Netherlands	11	1.61	5.67	11.31	2.60	13.91
West Germany	28	0.45	2.58	4.34	4.27	8.61
Liberia	8	0.23	1.22	3.13	3.31	6.44
Philippines	3	1.75	3.29	4.20	1.24	5.44
Singapore	19	-0.14	1.64	3.34	1.58	4.91
Other	121	1.33	8.91	15.31	5.75	21.06
Total	610	27.04	123.03	210.83	133.17	343.99

BULK RATE
U.S. POSTAGE
PAID
PERMIT NO. 35
MERRIFIELD, VA

NTIS 2
ATTN PROCESS 103

5285 PORT ROYAL RD
SPRINGFIELD VA 22161

This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal names and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [ ] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Central Eurasia, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTs may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTs and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTs and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTs or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735,or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTs and JPRS publications are not available. Both the DAILY REPORTs and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.