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# ***JPRS Report***

# **China**

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## UNITED STATES

### Article Criticizes START II Treaty

93CM0208A Shanghai GUOJI ZHANWANG [WORLD OUTLOOK] in Chinese No 218, 23 Jan 93 pp 5-6

[Article by Li Yanguang (2621 1750 0342): "Comments on Signing of START II by the United States and Russia"]

[Text] In Moscow on 3 January 1993, Russian President Yeltsin and U.S. President Bush signed the second stage of the Treaty on Reduction of Offensive Strategic Arms (START II).

The treaty stipulates that by the year 2003 the total number of nuclear warheads on the two countries' offensive strategic arms (intercontinental ballistic missiles [ICBM's], submarine-based ballistic missiles, and airborne ballistic missiles) will be reduced from a current total of 20,000 held by both sides to 6,500.

The treaty is to be implemented in two stages. In the first stage, namely within seven years after the treaty goes into effect, the two sides will reduce their offensive strategic arms as follows: the total number of warheads on offensive strategic arms will not exceed 3,800 to 4,200; the number of warheads on independently targeted multiple-warhead ICBM's will not exceed 1,200; the number of warheads on heavy ICBM's will not exceed 650; and the number of warheads on submarine-launched ballistic missiles will not exceed 2,160.

In the second stage, namely, before 1 January 2003, other measures will be taken to reach the limited level of offensive strategic arms defined by the two sides.

Looked at in itself, the signing of this treaty was a good thing. However, the signing of START II, like the ending of the arms race, has not solved the problem. The United States' strategic forces are set up based on submarines and bombers, and the former Soviet Union's nuclear weapons are mainly concentrated in launch silos in Siberia and the Ukraine. The signing of these two parts of the treaty still leaves the United States and Russia with 30,000 nuclear warheads, greatly exceeding the needs of a purely deterrent force and sufficient to destroy the globe many times over. Therefore, we should look carefully at the future, a future that does not allow optimism.

First, with regard to the process of implementing the treaty itself, there are many problems that are difficult to solve. START II was signed on the basis of START I. At the present time, START I has been approved by the legislative assemblies of only three countries—the United States, Russia, and Kazakhstan. Belarus says it will approve START I as soon as possible but that it still needs time.

The Ukraine side once promised the United States that it would approve START I in 1992, but, looking at the

present situation, START I will not be passed by the Ukrainian Parliament before February or March this year.

The United States and Russia have both stated that if Ukraine and Belarus do not carry out START I, they also will not implement it.

START II will likewise encounter this kind of problem. Although Yeltsin has said that the Russian Parliament will quickly approve this treaty, analysts think that, with the Russian Parliament dominated by conservative hardliners, such members will surely level a lot of criticism against this treaty. After the United States and Russia signed this treaty, Russia's PRAVDA said that it was a treaty that was not ripe and that it would cause Russia to lose the most powerful weapon inherited from the former Soviet Union, i.e., the multiple-warhead nuclear missile.

Second, the START II signed by the United States and Russia is not ripe because the two sides worked on it in a hurry. In the past two months the United States and Russia stepped up the tempo of their talks on START II, Bush and Yeltsin consulted by telephone many times, and the two countries' foreign ministers and arms experts frequently held talks. Stemming from each one's interests and needs, the two sides reached agreement at the beginning of 1993.

Viewed from the U.S. side, Bush very much hoped that during his term of office he would make a contribution to the reduction of strategic nuclear arms. Bush thought that, even though he and Gorbachev signed START I in Moscow on 31 July 1991, he should also finish START II and thereby retire on a note of having made good achievements. In addition, Bush's foreign affairs team had abundant experience in arms control talks, and would have to await the coming of the next president, Clinton, whose team would be composed of strangers who could stall for time or even abort the treaty. Finally, the United States was very worried about Russia's internal situation; it was very difficult for the United States to predict what man would hold power in Moscow 10 years from now or what policy Russia would pursue. Fearing that a long delay would mean many hitches, the United States hurriedly set to work on the treaty.

For Russia, START II obviously means the loss of many strategic superiorities. This treaty mandates the complete destruction of land-based intercontinental multiple-warhead missiles, which comprise two-thirds of Russia's nuclear arsenal. Among them is the SS-18 missile, which is Russia's, and even the contemporary world's, most powerful missile. Strictly speaking, this treaty is in a certain sense an unequal treaty. It strips Moscow of the capability to launch a first nuclear strike.

Under these circumstances, there was a purpose behind Yeltsin's ready agreement to sign START II.

In December of last year, the conservative opposition faction forced him to jettison Gaidar, the head of government on whom he doted, dealing him a heavy blow and greatly weakening his authority. Yeltsin is trying to make use of the U.S.-Russian summit, as well as the signing of START II, to improve his domestic image and, to the greatest extent possible, seek political advantage.

In hurriedly working on the treaty, it was hard to avoid causing the treaty itself to contain many difficult questions. For example, after the U.S. B-52 is retired from military service, will its nuclear warheads be put on the B-1 bomber? Can Russia's SS-19 be converted from a multiple-warhead to a single-warhead missile? After the reduction in the number of Russia's SS-18's, will the launch silos be retained? These questions cast a shadow on the course of future nuclear disarmament.

### Commentator Criticizes National Pursuit of Business

93CM0182A Beijing ZHENLI DE ZHUIQIU  
[PURSUIT OF TRUTH] in Chinese No 1, 11 Jan 93  
pp 2-5

[Article by commentator: "Adding a Word About the Present Economic Propaganda"]

[Text] During the last few years, under Comrade Deng Xiaoping's directive for constructing a socialist theory with Chinese characteristics, China's national economy has developed rapidly. Investment in capital construction expanded, and state-owned large and medium-sized enterprises effected changes in their business mechanisms as they turned their activities toward the market and improved their profitability. Township enterprises, privately run enterprises, and foreign-funded enterprises all developed appreciably; accelerated progress was evident in absorbing foreign capital; and special economic zones and economic development zones grew at an almost daily rate. At the same time, the economic income of the masses increased correspondingly, and their living standards, especially with regard to housing, rose and improved. Commodity prices maintained relative stability, and although they rose fairly high in some large cities, there were no large-scale fluctuations. The whole nation is very happy with this kind of economic situation.

Comrade Deng Xiaoping's statements on his southern inspection tour and the holding of the 14th CPC National Congress have again injected new vitality into development of the national economy. New struggle targets inspire the large masses of cadres. Everyone is exhilarated, and the masses are now advancing with one heart toward new heights in economic development.

In the course of implementing the spirit of the 14th CPC National Congress, the CPC Central Committee adopted various effective measures to promote and maintain the favorable momentum of economic development. At the same time, it soberly analyzed the various problems that arose. In time, there occurred in certain places and sectors the phenomenon of overheating, such as excessive investing in capital construction, losing control over investments outside the plan, increasing the currency supply repeatedly, etc. This overheating was probably the cause of inflation, forcing economic development to face new difficulties. In this respect, macroeconomic measures are now being taken to solve the problem.

When we regard propaganda by various news media, we see that the spirit of the 14th CPC National Congress may have been generally sincere, accurate, realistic, and highly effective. However, we have also observed that the viewpoints expressed by some newspapers in their economic propaganda may not have been very enlightened. Mindful of the saying "let a hundred schools of thought contend" and "may each person air his own view," let me discuss my own view on the topic.

Recently much frantic activity has appeared like a huge tidal wave, with a "go into business" craze, a "stock speculation" craze, and a "real estate speculation" craze. Traditional experiences in our party's propaganda work would prescribe that we should cool down and soberly analyze what benefit or harm there is in these various crazes, and after arriving at a conclusion, do propaganda that will benefit the overall situation. However, some news media seem to have done without this kind of study; they rushed to publish what is "hot," publicized whatever the "hot item" contained, and publicized in the same manner as the "hot item" was presented. For this reason, some newspapers propagandized "the whole nation goes into business" as if it were a correct slogan. Some approved of cadres in party and government agencies taking up secondary jobs; some agreed to university students running vendors stalls, and assistant professors selling meat pies. Some publications disregarded actual effects and went to great pains to introduce experiences in stock speculation. Some comrades seem to believe that propagandizing such "hot items" is propagandizing reform and opening to the outside world, and that adding more "heat" to these "hot items" is exerting oneself for the development of the economy. However, things are not that simple. Anyone with a slight knowledge of general economics knows that the development of social productive forces comes about through deepening the social division of labor, transforming advanced science and technology into actual productive forces, and realizing modernized large-scale production in industry and agriculture. It cannot be achieved by merely engaging in trade. Neglecting production and excessively emphasizing commercial activity runs counter to the law that says that social division of labor promotes the development of productive forces, and to the scientific truth expressed by Marx: "The depth, breadth, and pattern of exchanges are all determined by the development and structure of production." "A process always begins anew with production. Exchange and consumption cannot be items controlling function." (*Selected Works of Marx and Engels*, Vol 2, p 102).

Under the conditions of socialist market economy, vigorous development of tertiary industries, including trade, is undoubtedly extremely important. However, developing tertiary industries and having "the whole nation going into business" are two different things. The "stock speculation" and the "real estate speculation" crazes, which most conspicuously manifest the "going into business" craze, contain elements of speculation, a fact that everybody well understands. They should therefore be treated with even greater discretion, to prevent them from having negative effects.

As far as the enterprises are concerned, the crazy hankering after "going into business" has probably evolved conceptionally from a one-sided misunderstanding of the move to market economy, as if this meant moving into trading operations in the market. Market orientation of enterprises is completely in order, but some

leading figures in enterprises simply believe that going in for trading operations can revitalize their enterprises, i.e., earning big money will develop enterprises. They will then put aside all other important measures which could increase enterprise vitality and strengthen enterprise logistics, or they will put such measures only into a secondary position, an attitude that could have dire consequences. Our press should help the leadership in industrial enterprises to abandon such aberrations.

Some comrades understand the move to a market economy by business and institutional enterprises to mean that all units, including party and government organs, should be brought into the market economy. This is a question that deserves further serious study. In our opinion it is not advisable that all units, whatever their work, be included in the market economy. Party and government organs and their personnel must not violate the rules of the party, arbitrarily move into the market, or conduct trading operations, as such action might otherwise weaken performance in their main jobs, and could foster the unhealthy trend and evil practice of trading power for private benefits. This is very dangerous.

With respect to economic propaganda, apart from what has been mentioned above, there are also one-sided attitudes expressed on other questions. For instance, some do not differentiate between a socialist market economy and a capitalist market economy, believing that a socialist market economy is a market economy, and a market economy is socialism. Others believe that a socialist market economy stands in an adversarial opposition to the state's economic plan, and that practicing market economy requires abolishing state planning and establishing a completely liberalized economy. Still others do not differentiate between China's socialist system and the economic system in it, believing that China's reform entails reform of the socialist system itself. Then again, on the questions of growth rate, economic benefits, and quantitative and qualitative factors, economic benefits and quality are often ignored when pushing for growth rates and quantity. With regard to the industrial structure, agriculture and tertiary industries are often ignored when emphasizing industry (especially manufacturing). In the relationship among economy, science, and education, S&T progress and educational undertakings are neglected when emphasizing economic development. With regard to the question of concentration versus dispersal, the need for centralization and macroeconomic control is neglected when emphasizing the ceding of power and revitalization of the economy. With regard to achieving a proper balance, the overall balance is ignored in the rush for "going all out and going fast." Regarding constructing the two kinds of civilization, construction of the spiritual civilization is ignored when stressing construction of the material civilization. There are many more incidents of this nature. In the above statement, actually there are some various contradictions within the economic construction; they are opposite but in unison, they are

mutually dependent and indispensable, and yet they are also constantly developing and changing in an ongoing process. To ensure smooth progress, a minimum of errors, and a minimal price, it is necessary to accurately deal with and solve these contradictions in China's constructive undertaking based on a full recognition of the objective laws.

A socialist market economy has its own law. This is a new thing, and it requires earnest exploration—closely linked with realities—and a continuous review of past practices and experiences, so as to gradually recognize and master this law. It is hoped that our comrades of the press will undertake an extensive investigation and study of our present economic activities and produce propaganda that accords with the demands of the objective economic law. Whenever we gain an accurate understanding of this objective law and can consciously master and apply this law, the various one-sided views on market economy will possibly diminish, and will make it possible to promote economic development according to its objective law.

In the history of human knowledge, the process of overcoming one-sidedness and attaining a comprehensive view approaching relative truth has been a process of considerable difficulty. The process was not only restricted by a process of revealing contradictions inherent in objective matter, but it also faced the problem of this or that world view and methodology. In overcoming one-sidedness, it is therefore crucial to uphold the ideological line of Marxism. With a mind that seeks truth from facts and does not try to please the public with sensational artifice, it is possible—not for the books or for self advancement, but for the advancement of reality—to gain knowledge and propagandize according to the bare facts. There also has to be a determination to "seek the truth," to courageously explore and seek objective law, and to pursue the truth. It will then be possible to use the standpoint and methods of Marxism in observing and reporting on things. Only comprehensive propaganda is the propaganda of the truth, and only propaganda of the truth can advance society. The most important thing now is to conscientiously study of the report given by Comrade Jiang Zemin at the 14th CPC National Congress, truly understand its spirit and essence, and to start out from the realities (including how cadres and masses really think) in our concrete analysis of things. We must state what must be stated, approve what must be approved, criticize what must be criticized, and adopt a more scientific way to do a good job of economic propaganda.

**Hu Qiaomu on Implications of Polish Crisis**  
*93CM0203A Hong Kong KAIFANG [OPEN  
MAGAZINE] in Chinese No 53, 18 Feb 93 p 69*

[Article by Hu Qiaomu: "Hu Qiaomu on the Polish Incident, An Internal CPC Document"]

[Text] Editor's Note: This document which has not been disclosed until now shows that the CPC's ideology boss Hu Qiaomu, who died recently, was very sensitive to the issue of peaceful evolution. The Polish incident mentioned here refers to the general strike staged by Solidarity in 1980. [end editor's note]

**Comrade Yaobang:**

The Polish incident has great implications for us. I suggest that the Secretariat, perhaps together with the State Council, gather a meeting to conduct special discussion. This incident is certainly helpful to our further understanding the social contradictions in the Soviet Union and the countries of the East Europe as well as the foreign relations of those countries. But I believe our discussion should focus on the domestic side. In a communist-ruled country (let's use the term for the time being), the internal social contradictions can become fierce and explosive. (I do not believe they are in the category of class struggle; they are social, political contradictions of a different nature. The Polish incident, the Hungarian incident, our 10-year domestic turmoil, and the current conflicts between nationalities are all demonstrations of such contradictions in different forms. The socialist system has been unable to resolve the estrangement or antagonism between the government and people—including economic disputes. In addition to problems of price, wages, supply, housing and employment, there are also problems of dumping the burden resulting from the huge losses produced by policy, planning and operation mistakes onto the back of the people. Such an approach makes the above-mentioned problems even more serious. We have the same problems. We also have political disputes. A few dissidents, when joined by dissatisfied masses of workers, can become such a strong force. On this point, we should learn an important lesson. Therefore, we cannot just stop at driving the so-called autonomous organizations underground. It should become an urgent task to introduce political democratization in a planned, managed way, and to educate, co-opt and divide the members of those organizations in various ways, while adopting necessary suppression measures as complementary means. Such problems as foreign ideological, economic, and cultural influences (which are also big problems to us), the possibility that there can be separate official unions and independent unions, which is not impossible if we do not solve the problem quickly (other mass organizations can also develop in a similar way), and the possibility that religion can become a serious political problem. We had too simple a view on the issue of religion in the past. This was caused by the misunderstanding on the part of the Han people most of whom tended to be not very religious. Therefore it is absolutely necessary to conduct careful study on what policies to adopt towards Islam, Lamaism, and Christianity. It may be necessary to make certain reasonable concessions in certain areas, and will be especially necessary to develop a large team of true religious leaders and followers who support the party. All are urgent matters of concern at the present time. As I

don't have any direct personal interests involved, I can make rather objective analysis. I hope that the Central International Liaison Department, Central Investigation Department, Foreign Policy Institute, Social Science Institute, Planning Commission and the relevant economic departments, trade unions, Communist Youth League, Central Propaganda Department, RENMIN RIBAO, XINHUA, Education Ministry, Culture Ministry, Publishing House, Public Security Ministry, Justice Ministry, Central Disciplinary Commission, and United Front Department can all conduct studies from their own particular perspectives and write suggestions of one to two or up to three to four pages beforehand. That is, suggestions on how we should handle our work in one or several areas at the present time in view of the lessons of the Polish incident. Everyone should read the suggestions before the discussion. In this way, it is only necessary to provide supplementary views without having to explain everything. Perhaps many people will attend the meeting, but the meeting can still be kept from becoming a long one. The Secretariat and the State Council do not necessarily have to produce conclusions at the meeting. After this meeting, it may be necessary to hold one or two more meetings or to conduct studies separately. If the suggestions made by the participants do have some important and urgent elements, then we may consider having the Secretariat and the State Council each make certain specific decisions or instructions. The Polish Incident has not been resolved and is likely to affect the future of the world (for example, in the event of the crisis continuing to evolve and grow, thereby affecting the neighbors or causing Soviet intervention). During the Polish and Hungarian Incidents of 1956, Chairman Mao tried to draw some conclusions from the events, thereby providing ways of correctly handling the contradictions among the people of our country. It was very correct and important for Chairman Mao to raise such a question, and his ideas are still of guidance value today. Regrettably, later (1) the contrary practice was adopted and the contradictions among the people were treated as contradictions between the enemy and the people, leading to a great historical tragedy; the problems of contradictions considered to be among the people were not correctly solved in practice, either. (2) The article *On Correctly Handling the Contradictions Among the People* does not really provide completely correct solutions. In addition to the inconsistencies caused by revision, the article does not contain serious analysis of economic issues which cause the main internal contradictions of a socialist society. Such contradictions cannot be resolved through using the "unite-criticize-unite" formula. Secondly, the contradictions in the forms of political, social and cultural issues cannot be completely resolved through the use of the "unite-criticize-unite" formula or the formula of "letting a hundred flowers bloom and a hundred schools contend." It is here necessary to resolve a whole set of problems regarding such issues as the separation of powers, democracy, human rights, the legal system, and the party's work system and working policy. That article does not touch upon those issues. The issues involved in

this regard cannot possibly be resolved by a speech or in a one period in the first place. Resolving those issues is a long-term task for the socialist society. Now, in addition, the Polish Incident has come. I hope that today's party center will learn lessons from the incident, conduct serious study on every relevant problem, formulate correct policies for resolving the problems, and energetically implement the policies. In this way, other people's fortunes can become our fortune.

Written in a hurry, the letter will certainly contain errors and things not well thought out. Please enlighten me by pointing them out.

Solute.  
Hu Qiaomu  
24 September 1980

### Links Between Socialist System, Economic Structure

93CM0216A Beijing ZHENLI DE ZHUIQIU  
[PURSUIT OF TRUTH] in Chinese No 2, 11 Feb 93  
pp 6-9

[Article by Zhou Fu (0719 6346): "The Interrelationship Between the Socialist Basic System and the Economic System—An Understanding Gained From Studying the Objective of Reforming the Economic System"]

[Text] As clearly stated at the 14th CPC National Congress, the objective of reforming China's economic system is to establish a socialist market economy system; this is a major breakthrough in socialist economic theory.

To provide impetus to establishing and developing the socialist market economy system, it is first necessary to clarify the relationship between the socialist basic system and the economic system. If we do not accurately distinguish between the two, or if we mix them up, we are bound to arrive at the following conclusion: either that radical reform of the economic system will ultimately force us to negate socialism, or that maintaining the socialist system will make reforming the original economic system impossible. Both these views are, of course, wrong. I believe that the basic system and the economic system are different but related: they are linked together organically. In other words, radical reform of the original economic system, which hampered development of productive forces, does not aim at changing the socialist basic system. On the contrary, it aims at further strengthening and consolidating the basic system. The socialist basic system and the economic system are two concepts that are on different levels. Under no circumstances must they be mixed up.

What is the socialist basic system? Briefly, according to the scientific socialist theory of Marxism-Leninism and China's post-liberation socialist practice, it is the following: From a political perspective, it means placing the political party of the proletariat—the communist party—in the leadership position, and implementing the

dictatorship of the proletariat. From an economic perspective, it means placing public ownership of the means of production in the dominant position, following the principle of distribution according to work performance, and finally achieving common prosperity. From an ideological perspective, it means guidance by Marxism-Leninism and Mao Zedong thought. This is actually the same as the four cardinal principles enunciated by Comrade Deng Xiaoping. We must say that the four cardinal principles reflect the essence and special characteristics of the socialist system; these are the rules by which socialism differs in essence from capitalism. Obviously, if one were to abandon these few principles, it would mean abandoning socialism. It is precisely as Comrade Deng Xiaoping has pointed out: "Shaking one of these cardinal principles would shake the entire socialist undertaking." In this sense, upholding the four cardinal principles means upholding the socialist basic system.

What, then, is the socialist economic system? It is the concrete form through which the socialist basic system is being realized in the economic sphere. The only purpose of the socialist basic system is to provide the basic and most essential conditions for the vigorous development of the productive forces. It promotes the process whereby development of productive forces themselves will take place in a specific economic system and with an operational mechanism that will be in accord with China's national condition. If the economic system and the operational mechanism are irrational, or if they cannot effectively utilize and organize various resources, it will not only be impossible to utilize the inherent superiority of the socialist system itself, but it may even hamper development of productive forces. There is therefore no complete, permanent solution to the question of how to develop productive forces after the socialist basic system has been established; further exploration and perfection is needed with regard to concrete management methods and operational mechanisms. This is the question of how to construct socialism. After China's liberation, there have been historical reasons for establishing a highly centralized planned economy. It conformed to the historical conditions that prevailed for a period after the establishment of the PRC, and it has had positive results. However, this system actually had defects: too many controls; centralization was too rigid; it dampened the enthusiasm of enterprises and staff and workers; and it caused a lack of vitality in the economy. Following the further development of the economy, these defects became more and more evident; they hampered development of productive forces, and therefore made reform simply imperative. It is precisely as Comrade Deng Xiaoping pointed out: "After establishing the socialist basic system, it is still necessary to effect a radical reform of the economic system which hampers development of productive forces, and to establish a socialist economic system full of vitality and vigor, so as to promote development the productive forces. This is reform, and reform, therefore, is liberation of the productive forces."

It is very clear here that the target of reform is the specific economic system and the operational mechanisms, but not the socialist basic system. This is because the socialist basic system suits the nature of the productive forces, and what is hampering the productive forces is merely the specific form of realization, i.e., the system of a highly centralized planned economy. Reform must therefore be conducted based on the premise of maintaining the socialist basic system, and not the other way round. The report to the 14th CPC National Congress pointed out that reform "is being conducted based on the successful revolution of the past and the huge achievements accomplished in socialist construction. It is being conducted in an orderly, gradual manner, under the leadership of our party. It is not intended to change the character of our socialist system, but rather to effect the self-improvement and self-development of the socialist system."

Upholding reform fully agrees with maintaining the socialist direction. Fettered by "leftist" thinking, some people had been afraid that reform would go the capitalist road, and they were therefore hesitant and wavered about matters of reform, or they even opposed reform. One theoretical and ideological reason for this is that they did not see that we only want to reform the economic system and not the socialist basic system. Others, under rightist influences, believed that maintaining the socialist direction fetters thinking and obstructs reform, and they therefore mistrusted and even opposed the four cardinal principles. This view, in its theoretical and ideological aspects, also results from mixing up the economic and basic systems and thus directs the spearhead of reform against the socialist basic system.

Some strongly oppose the way of formulating the two reform concepts as reform with socialist characteristics and reform toward capitalism. They believe reform is reform, and that there is no socialist and capitalist difference. However, China's 14 years of reform and "opening up" have shown that both these reform concepts are objectively extant. The CPC has consistently maintained that it is conducting reform based on upholding the socialist basic system, while bourgeois liberalization proposes abandoning the socialist basic system and initiating a reform toward capitalism. The difference between the two reform concepts is not in questioning the need for reform or the intention of establishing a market economy system, but rather in whether it is the intention to maintain the socialist basic system. Those in favor of bourgeois liberalization purposely oppose the formulation of the two reform concepts; their purpose is to negate the socialist basic system. Of course, people should be on guard against this kind of view.

Distinguishing between the economic and basic systems is also helpful to understanding the market economy issue and accelerating the establishment of the socialist market economy system. For quite a long time theorists

have always regarded the two economic means of planning and the market as categories of basic systems. They have regarded the planned and market economies as indicators distinguishing the socialist system from the capitalist system. As a consequence, they did not dare to courageously utilize market regulation or market mechanisms. In his important speech about his southern tour of inspection, Comrade Deng Xiaoping pointed out: "A planned economy is not tantamount to socialism: capitalism also has plans. A market economy is not tantamount to capitalism: socialism also has markets. Planning and markets are economic means." This will once and for all free us from the ideological fetters of the past with regard to understanding the planned and market economies. It will let everyone reach a common understanding, because it clarifies in theoretical respects that the market economy belongs to the category of economic systems and operational mechanisms, and is not a basic system. Thus the topic put forward at the 14th CPC National Congress was a topic for establishing a system of socialist market economy.

Distinguishing between the economic and basic systems is also helpful in accurately understanding the issue of the usefulness of drawing lessons from and studying capitalist countries. As basic systems, socialism and capitalism are diametrically opposed and have nothing at all in common. Viewed under the aspect of basic systems, drawing lessons or studying capitalism is therefore out of the question. However, under the aspect of specific managerial methods and operational mechanisms, and in view of the fact that socialism and capitalism are both socialized production and both commodity economies, there are some things the two do have in common. China is building socialism in a backward country. Therefore, in order to accelerate China's economic development, it may—in fact it must—actively draw lessons from, absorb, and utilize all advanced forms of business operations and managerial methods of capitalist countries, as long as they reflect the laws of modernized production. If we advocate drawing lessons from and studying capitalism, it does not mean, as some would say, that this is "wholesale westernization" or "making up a missed lesson in capitalism." Rather, it means developing one measure taken in the interest of the socialist cause. The fundamental reason for it is that we are absorbing and utilizing whatever is useful among the business and operational mechanisms of capitalist countries, but always with the premise of upholding the socialist basic system. As far as the basic system is concerned, we must clearly distinguish what is socialist and what is capitalist. However, as far as specific measures and specific mechanisms of business and operations are concerned, there is no problem of anything being particularly labeled "socialist" or "capitalist."

At the same time that we differentiate between the basic and economic systems, we must also recognize that actually both are closely linked and cannot be easily separated. We cannot set aside the basic system and

independently and abstractly study the economic system and the operational mechanisms. Every kind of managerial method exists and operates within a certain social system, and will always be subject to the restraints of the social system of the society in question; the managerial method will also serve to consolidate and develop the particular social basic system. Even though certain specific managerial methods and operational mechanisms have no "social-system" character in themselves, and though they are common to different social forms, they cannot possibly be separated from their basic systems. On the contrary, they must reflect and display the special characteristics and demands of the relevant social basic system. As far as the general philosophical principle is concerned, things contained within something of a special nature cannot be removed from that thing and exist independently. For instance, a market economy is common to both socialism and capitalism, but the market economy that exists in reality is either integrated in the socialist basic system or in the capitalist basic system: it is either a socialist market economy or a capitalist market economy. It is impossible to have an abstract market economy that is not linked to a basic system and that operates independently: in fact such a thing has never happened. More precisely, as an operational mechanism, a market economy must not only be linked with a basic system, but must be attributed and subordinated to a basic system, because the basic system reflects the basic production relationship and has a decisive function for the entire socioeconomic form. In different socioeconomic forms it is precisely the difference in basic systems that determines the character of the market economy: its effective scope, extent, and form will also of necessity be different. Only by looking in this way at the problem can we understand why the market economy has different innate characteristics in different social forms. Precisely because of this, the report to the 14th CPC National Congress emphasized that "the system of socialist market economy is integrated in the

socialist basic system." When the report mentions the objective of reform it does not speak in general of establishing a system of market economy, but rather establishing a system of socialist market economy. This formulation clarifies that the new economic system is based on the market mechanism. On the other hand, it also points out clearly that China's system of a market economy will maintain the socialist direction and character. This differentiates China's reform objective from the capitalist market economy—based on the private ownership system—as it is already practiced in the West and as it is intended in the former Soviet Union and the various countries of Eastern Europe.

Our proposal that the system of market economy must be integrated with the socialist basic system and that it be subservient to the demands of the socialist basic system is basically put forward because the socialist system is in essence suited to the needs of developing productive forces and reflects the demand of the law of social development. Establishing the system of a socialist market economy is undertaken precisely for the purpose of utilizing the superiority of the socialist system. The report to the 14th CPC National Congress confidently pointed out: "We are confident that a market economy under the conditions of socialism should, and quite possibly will, work even better than the market economy under the conditions of capitalism."

In short, with regard to the question of the relationship between the economic and basic systems, it is necessary to separate these two categories in theoretical respects, and to make clear that the two are closely bound to each other in reality. Furthermore, it is necessary to clarify that the former category is subordinated to the latter. In this way we are helped methodically in gaining a full and accurate understanding of the statements on the objective of reform of the economic system contained in the report to the 14th CPC National Congress.

## NATIONAL AFFAIRS, POLICY

### Price Forum Discussing Prices, Enterprises, Markets

93CE0422A Beijing *JIAGE LILUN YU SHIJIAN*  
[PRICE: THEORY AND PRACTICE] in Chinese No 3,  
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[Article edited by Liu Hanwen (0491 3352 2429): "Ways of Using Prices To Make Enterprises More Market-Oriented—Summary of Enterprise Pricing Forum Held by the China Price Institute"]

[Text] The China Price Institute held a forum on enterprise pricing in Guiyang in January 1993. The forum was guided by the spirit of the 14th CPC Congress, discussing the matter of ways for enterprises to use their pricing authority well under socialist market economy conditions, and exchanging practical experiences of enterprises in using their pricing authority well. The forum was attended by over 30 directors or representatives of large and mid-size state enterprises in the China Price Institute. Cheng Zhiping [2052 5268 1627], a member of the State Commodity Prices General Administration and a deputy director of the China Price Institute, and Hu Bangding [5170 6721 1353], another deputy director of the China Price Institute, took part in the forum. The matters discussed at the forum are summed up below:

#### I. The Need To Revamp Thinking To Enable Enterprises To Better Understand How To Use Pricing Authority Well Under Socialist Market Economy Conditions

The participants noted that as prices are the key market force in a socialist market economy, it will be only through enterprises exercising independent pricing authority that they can be invigorated to truly become the dominant players in markets and market competition. The participants reached consensus on the following matters:

1. The exercise of enterprise pricing authority will be a key link in the conversion of enterprise operating forces and the realization of enterprise operational independence. The participants noted that the exercise of independent enterprise pricing authority is an important result of economic and price reforms. The state has gradually deregulated prices or practiced diverse pricing forms to expand enterprise pricing authority, all of which have paved the way for the conversion of enterprise operating forces. A representative of the Changzhou Passenger Train and Bus Manufacturing Plant said that the exercise of enterprise pricing power is essentially the achievement of enterprise operating authority.

2. The exercise of enterprise pricing authority will be a key link in establishing a pricing mechanism in which prices are mostly market-formed. Some delegates pointed out that the proposal of the 14th CPC Congress for a mostly market-oriented price-formation mechanism will mean gradually shifting price policymaking

dominance from mostly government pricing to mainly enterprise pricing. As the state deregulated many commodity prices in 1992, it is estimated that by the end of 1992, state pricing had dropped to account for about 10 percent of retail commodity turnover, about 15 percent of peasant-sold agricultural product turnover, and approximately 20 percent of manufactured capital goods producer prices. So except for the prices of key production elements, the framework for a pricing mechanism of mostly market-formed prices has begun to evolve for commodities and labor. A Beijing department store representative said that since reform, the absolute lack of pricing authority had expanded to independent enterprise pricing of most commodities. As we have a great responsibility guided by state macroeconomic policy and based on the demands of the laws of value and supply and demand to invigorate pricing, enhance enterprise vitality, and achieve our enterprise operating aims, we need to study and sum up conscientiously.

3. The good use of enterprise pricing authority will be a key condition for making enterprises more market-oriented and competitive. A representative of the Jilin Chemicals Industrial Corp said that as enterprises now have a certain amount of pricing authority, they have begun to pay attention to studying markets and caring about pricing management. In particular, as China is about to recover its standing as a signatory state to the GATT, meaning that enterprises will be faced with both domestic and international market competition, the matter of enterprises using their pricing authority well will be of even greater importance. Many delegates noted that without pricing authority, enterprises do not have complete independence, so are unable to take part in market competition. The representatives from the Baoshan Iron and Steel Corp, the China Heavy-Duty Truck Company Group, and the Wanbao Electronics Company Group all noted the real need for enterprises to use their pricing authority well, in order to enhance their internal management, adapt to market forces, and take part in market competition. As enterprises gradually become more market-oriented, how to link their product prices to market prices becomes a matter that they need to study and explore. The Luoyang Glass Factory delegate noted that the deregulation of glass prices, the push toward markets, and the direct participation in market sales-regulation were forcing enterprises to emphasize and make efforts to manage and use prices well and flexibly.

4. Breaking free from the adherence to old ideas will be the ideological basis for enterprises to use their pricing authority well. The Jilin Chemicals Industrial Corp delegate said that while we were long tied ideologically to the planned-economy model, so that pricing was a forbidden zone that no one dared to invade, in recent years, particularly since the 14th CPC Congress report ended the debate over "socialism" and "capitalism," our ideological awareness has been raised, and we have become more determined to use our enterprise pricing authority well. It was also reported at the forum that some enterprises had pricing authority but were afraid or unable to

use it, tending to strive for stability and fear confusion, continuing to use the old pricing methods or formulas, and being unable to adapt to market competition demands.

## **II. Fair Competition, Expanded Market Share, and Optimum Economic Efficiency and Social Benefits Are the Basic Principles of Enterprise Price Decisionmaking**

The participating delegates noted that the good use of enterprise pricing authority depends on correct enterprise pricing decisions. The delegates from the Changzhou Train and Bus Manufacturing Plant and the Luoyang Glass Factory both noted that enterprises should make fair market competition, constant expansion of product market share, and improved economic efficiency their enterprise-price-policy struggle goals. They noted the need for enterprises to improve their management and administration by all means, constantly make their products more market competitive, and acquire the maximum market share, in order to increase their economic efficiency. The Luoyang Glass Factory closely adhered to the policy of expanding its product market share, by using pricing leverage and adopting a flexible pricing strategy, which gave its float glass not only a solid market share in north, south, and east China, but also enabled it to break into new markets. In the past year, its product sales rate rose 25.3 percent, while its enterprise economic efficiency saw a correspondingly marked improvement. The Wanbao Electronics Company Group also clearly pointed out the need to establish the price competition goals of "ironclad markets" and higher market share.

## **III. Observing the Laws of Value and Supply and Demand, and Stressing Pricing Tactics, Are the Key Means of Improving Enterprise Economic Efficiency**

Many enterprises that acquired pricing independence earlier accumulated certain valuable pricing-tactics experience. In the midst of ever-changing market competition, these enterprises learned pricing flexibility, with "each showing their special prowess and displaying their particular capability."

1. When formulating pricing tactics, enterprises need long-range strategic foresight. The Baoshan Iron and Steel Corporations pricing tactics were to produce a series of products with higher quality standards than international ones, formulate a Baoshan Iron and Steel trademark pricing system to make their products better known, and set their enterprise product target prices based on international market product prices. The Jiangxi Copper Company's pricing tactics included adhering to prices based on quality to gain consumer confidence, allowing each mine to set prices separately based on quality, grade, and geographic conditions, setting differential prices that would contribute to prompt payment, and taking pricing steps aimed at increasing sales. And the Anshan Iron and Steel Corporation's pricing tactics were to set low prices for new products, set high prices for certain special products

where others were less competitive, and use a comprehensive pricing strategy corresponding to costs, markets, and operations.

2. Enterprises need to draw up flexible market-oriented pricing tactics suited to the times. The China Heavy-Duty Truck Company Group uses the pricing tactics of phased, discount, and psychological pricing. Shanghai's No 1 Department Store Shareholding Corporation, Ltd., introduced its pricing tactics as being mostly infiltration pricing (i.e., setting lower prices for certain new products to increase sales and achieve efficiency of scale) and seasonal discount pricing. The Beijing Department Store Tower adopted the pricing tactics of pricing based on target profits, and the flexible use of "lower profits but higher sales," "prestige pricing," "inducement pricing," and "competitive pricing."

## **IV. The Use of Pricing Leverage Plays a Positive Role in Spurring Enterprises To Optimize Their Product Mix and Improve Their Product Efficiency**

1. Enterprises need to make promotion of new product development and optimization of product mix their key lines of attack in acquiring market share and improving efficiency. Enterprises, such as the Luoyang Glass Factory and the Anshan Iron and Steel Corp, all took the pricing steps of promoting the development of new products as a key mission to be emphasized to enhance market competitiveness and enterprise product vitality. The Luoyang Glass Factory has trial-produced and successfully put into production in recent years dark brown and sapphire glass, with brisk product sales, higher prices, and markedly improved economic efficiency.

2. Enterprises need to adhere to preferential prices for top quality, and constantly improve product quality. The Baoshan Iron and Steel Corporation made preferential prices for top quality and success through quality its enterprise price management orientation, winning a remarkable reputation among consumers with the jingle "if you want good steel, go to Baoshan Iron and Steel."

3. Enterprises need to be encouraged to innovate, tap potentials, and lower costs. The Baoshan Iron and Steel Corporation took steps to lower costs, by not only strengthening product pricing control, but also emphasizing raw material purchasing price control, as well as mandating cost responsibility, by implementing cost-reduction measures in its secondary plants, shops, and production groups, achieving remarkable results. The Jilin Chemicals Industrial Corporation representative noted the need for enterprises to use pricing leverage and take active price-management steps, in order to reach the goals of optimum disposition of resources and improved enterprise economic efficiency and social benefits.

## **V. The Establishment and Perfection of Enterprise Price Management and Operating Mechanisms Is a Key Guarantee That Enterprises Will Use Their Pricing Authority Well**

1. We need to establish and perfect enterprise pricing decision mechanisms. The successful method used by

most large- and medium-sized state enterprises has been to establish enterprise pricing committees or leadership groups headed by key enterprise leaders and made up of officials and chief accountants from departments, such as finance, planning, production, sales, information, and quality control, to act as the enterprise organs of supreme authority over key enterprise pricing decisions, and to be responsible for joint study and decisionmaking on key pricing matters involving the overall situation, as well as harmonizing price relations or conflicts among the concerned departments.

2. We need to establish functional price-management organs. In order to ensure the normal operation of organization, regulation, and control of pricing, most enterprises have set up functional or concurrent price-management organs which, under the leadership of pricing committees or leadership groups, are responsible for daily price-management work, and for implementing the relevant decisions made by pricing committees or leadership groups.

3. We need to establish and strengthen a market pricing and supply and demand information system. The delegates noted the need for enterprises to pay great attention to information work, by setting up quick, accurate, and effective information networks, in order to enhance jobs, such as collection, transmission, collation, analysis, and projection, of domestic and overseas market pricing and supply and demand information. All large- and medium-sized enterprises have regarded this as a systematic project to be emphasized, achieving fine results.

4. We need to establish and perfect all price-management regulations. Enterprises, such as the Jilin Chemicals Industrial Corporation, the Wanbao Electronics Company Group, and the Lanzhou Oil Refining and Industrial Chemicals Corporation, have drawn up regulations in areas such as enterprise price management, price declaration and recording, and coordination of product price management. In order to promptly control pricing implementation, they have drawn up monthly reports for product pricing and raw materials and fuels pricing. In order to do a good job of basic pricing work, they have set up price adjustment registration regulations or pricing accounts, as well as pricing data filing systems. And in order to improve their self-restraint capabilities over pricing actions, they have established pricing oversight and inspection systems and reward and penalty regulations.

5. We need to provide professional training for pricing personnel, in order to improve their quality and policy-making skills.

#### VI. Recommendations

In order to fully implement the "Regulations on Converting the Operating Forces of State-Owned Industrial Enterprises," the delegates made the following recommendations: 1) As to the few key commodity prices under state control (such as drugs and power), the state should perfect as quickly as possible a planned price-formation

mechanism, in order to rationalize price relations and contribute to enterprise development, while continuing to deregulate some product prices. 2) It is suggested that the pricing sector oversee and inspect the implementation of enterprise pricing authority, in order to curb the organized interception of pricing authority by concerned departments or industries. 3) It will be necessary to establish a capital goods futures market as quickly as possible, in order to help bring the impact of market forces into full play; 4) It is suggested that the state draw up as quickly as possible market laws, rules, and regulations suited to a socialist market economy, in order to standardize enterprise market-competition actions. 5) The pricing and other concerned sectors need to enhance their provision to enterprises of pricing information and advisory services. 6) It is suggested that the concerned departments resolutely stop arbitrary apportionments of enterprise funds. 7) It is suggested that along with accelerated price reform, matched and synchronized reforms of the revenue and taxation systems be conducted.

#### State Council Research Center Forecasts 1993 Economy

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[MANAGEMENT WORLD] in Chinese  
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[Article by Li Boxi (2621 3124 3305) and Hou Yongzhi (0186 3057 1807), State Council Development Research Center: "Forecast and Analysis of Economic Development in 1993"]

[Text] *Editor's Note: Reportedly the forecasts of units concerned differ but little when they use GNP growth rates of 8, 9, and 10 percent to calculate economic development during 1993. Therefore, this article uses a different approach in forecasting and analyzing the development of the economy in 1993, namely, it builds on the basic judgments and analyses of the state of economic development, and on solutions to the problems that already have occurred or that may occur in the operation of the economy to forecast the speed of economic development.*

#### 1. Basic Estimate of Economic Development in 1992

Ever since the spring of 1992, China's economy has exhibited high speed growth. GNP for the first half of the year increased 12 percent over the same period in 1991. The primary industry grew 6.7 percent; secondary industries grew 17.5 percent, and tertiary industries grew 6.7 percent. During July and August, the national economy maintained a strong growth momentum. Forecasts suggest that if no major changes are made in macroeconomic policy during the remainder of the year, GNP growth for 1992 will exceed 11.5 percent.

#### Main Features of Economic Growth in 1992

1. Economic growth was export led. During the first half of the year, investment in fixed assets totaled 218.9 billion yuan, up 28.5 percent from the same period in

1991. Between January and August, investment in units under ownership of the whole people totaled 200.2 billion yuan, up 36.4 percent over the same period in 1991. During the first half of the year, secondary industries accounted for 71 percent of the contribution to GNP growth, which is to say that 8.5 percentage points of the 12 percent GNP growth during the first half of the year came from the growth of secondary industries consisting of industry and the construction industry. Moreover, the rapid growth of industrial production was largely attributable to investment demand; and growth of the construction industry was even more directly attributable to the increase in investment.

2. Uneven economic growth of industries under different forms of ownership. Between January and August, gross output value of industries at the township level and above throughout the country was 1.7923 billion yuan in a 19.2 percent increase over the same period in 1991. This included a 12.8 percent increase in industries under ownership of the whole people, a 27.6 percent increase in collectively owned industries, and a 43.8 percent growth in other types of industries.

3. Economic growth varied greatly from place to place. During the first half of the year, industrial growth was fairly rapid in an overwhelming majority of places, and opening to the outside world was great. Growth was fastest in coastal provinces and regions where enterprises' operating mechanisms were transformed faster than elsewhere. Industry in Guangdong, Jiangsu, Zhejiang, Shandong, and Hainan provinces grew by more than 20 percent between January and July. In some old industrial base areas in which growth has been fairly slow for the past several years, growth also accelerated markedly, Shanghai growing 19.3 percent, and Liaoning growing 13.3 percent.

4. Heavy industry grew much faster than light industry. During the first half of the year, heavy industry grew 20 percent, much more than the approximately 15 percent in light industry for the same period.

5. Market retail prices remained basically steady. Despite the succession of major price increases that the state inaugurated during the year, including a rise in the price of grain, crude oil, coal, and railroad freight transportation, and the decontrol of a large number of commodity prices in many places, thanks to the substantial balance between total supply and demand, and steady consumption, the market retail price situation remains fairly good. The overall level of commodity retail prices during the first half of the year rose 4.9 percent over the same period in 1991. If the "carry over" effect from the price rises of 1991 as well as the planned grain price rises of 1992 are taken into consideration, the new overall market price level did not rise very much in 1992.

6. Bumper agricultural harvest in prospect. The country's summer grain output totaled 103.2 billion kilograms, 4.8 billion kilograms more than in 1991 for another all time high. Despite a slight decrease in the

autumn crop growing area, the outlook for the harvest is quite good. A good harvest of cotton, oil-bearing crops, and sugar-bearing crops will be brought in. Livestock and fishing industry production has continued to grow, output of hogs and cattle, and sheep and aquatic products for the first half of the year increasing a respective 9.5 and more than 10 percent over the same period in 1991.

7. Slow readjustment of the structure; economic returns remain relatively low. Economic growth relied too much on the growth of secondary industries. By comparison, the growth of tertiary industries is relatively slow, their contribution to GNP decreasing 1.1 percentage points from the same period in 1991. In a situation of rapid economic growth, the principal economic return indicators of independent accounting industrial enterprises nationwide for the period January through June showed a rise over the same period in 1991 from 9.39 to 9.7 percent in the profit and tax rate on capital, a rise from 4.21 to 4.28 percent in the profit rate on costs, a rise from 91.95 to 92.17 percent in the production and marketing rate, an increase in the turnover of capital from 1.49 to 1.56 times per year, and a rise in the all-personnel labor productivity rate from 7,732 to 8,976 yuan. The foregoing situation shows that except for the fairly substantial rise in the all personnel labor productivity rate, the increase in the other economic return indicators was a long way from the better levels of the past.

## 2. Forecast of Various Indicators of Economic Development in 1993

If reform and opening to the outside world moves along smoothly, bringing out the economy's inherent vitality; if no substantial changes of macroeconomic policy are made, investment demand steadily increasing; if agricultural production escapes severe natural disasters, the peasants income continues to rise; if international demand increases steadily; if international markets do not fluctuate wildly, exports growing steadily, the forecast is for a economic growth rate of 11.8 percent in 1993.

The primary industry's contribution to the growth rate will continue to fall; the secondary industries' contribution will continue to rise; and the tertiary industries' contribution will see an upturn.

Agricultural production exhibited fine growth momentum in 1992, but many difficulties stand in the way of another step upward in agriculture: First, even though the state has tremendously increased the procurement price of some grain crops, the price ratio between grain crops and cash crops remains inequitable; thus, peasant interest in growing grain remains not very high. Second, the country's rural labor productivity rate is fairly low. The use of science and technology to invigorate agriculture cannot be applied on a larger scale. The peasants are still largely dependent on the vagaries of nature to grow food. At the present time, the overall average price of agricultural and sideline products in

China differs but little from the international price level. For the next several years and throughout the 1990's, little leeway exists for stimulating agricultural production by increasing procurement prices. Genuine building of a premium quality, high return, high yield agriculture requires a process. Thus, a 4.6 percent increase in gross agricultural output value is forecast for 1993.

Industrial production will continue high speed growth in 1993. This includes a gross output value growth rate for light industry that is higher than for heavy industry in a reversal of the situation in 1992. This forecast is based largely on the following: a quickening of rural consumer goods market demand; updating, replacement, and upgrading of durable consumer goods in urban households; the development of tertiary industries; government providing proper policy guidance for the development of all kinds of negotiable securities markets; and the effects of the tilt toward consumption. These factors will play a role, on the demand side, in stimulating light industry production.

During 1992, industrial enterprises within budget in China took the first steps in reversing the continuous decline in economic returns of the previous several years. With the changes in enterprises operating mechanisms in 1993, enterprises' economic returns will show a rising trend, government tax revenues improving in consequence. At the same time, however, in the wake of the Fourteenth Party Congress, government agencies will carry out a large scale reduction in force, which will mean a tremendous decline in administrative expense payments. Subsidies of enterprises' losses will also decline. The rise in grain and edible oil prices will reduce government grain and edible oil subsidies, meaning that fiscal expenditures will not increase too rapidly. On this basis, we forecast that government expenditures during 1993 will be somewhat better than formerly.

Since the advent of reform and opening to the outside world, credit has come to play an increasingly large role in China. The increase in credit during 1992 greatly exceeded the beginning of the year plan figure. The control actions now being taken will not likely reverse this situation. An increase in credit was indispensable to maintenance of a certain growth rate in 1992. Inasmuch as the scale of credit in 1992 is already on the high side, if policies to tighten credit slightly are taken in 1993, both the amount of credit and the amount of money put into circulation will be less than in 1992.

Since investment approval authority may be further delegated in 1993 for a further simplification of investment examination and approval procedures, fixed assets investment demand will remain very large, but it will not expand as fast as in 1992.

With the acceleration of the economic growth rate, a demand-led rise in the overall price level in China will appear once again. Because of the high speed increase in fixed assets investment, the price index for construction

materials-related means of production and electromechanical products exhibited a month-by-month rising trend during 1992. In 1993, reform of the price system in the country's basic industries will make fairly large strides. Since basic industries affect a broad area, a rise in prices of basic industries is bound to lead to a rise in costs in other industries; thus, latent pressures for a rise in prices are very great. On the other hand, once China's GATT status has been restored, the overall level of China's import tariffs will decline; thus, the domestic sale price of imported commodities will fall too. This will help restrain a rise in domestic prices of the means of production. In view of the foregoing, we predict an 8.0 percent rise over 1992 in the overall commodity retail price index for 1993, a higher rise than for 1992.

Changes in the world economic situation during 1993 will help increase China's exports. Recovery of China's GATT status will benefit China's multilateral trade system, spurring Chinese export growth. At the same time, however, it will require China to lower its overall tariff level, and reduce import licensing controls, which will promote an increase in China's imports. Despite the overall effect of the foregoing factors, imports and exports during 1993 will maintain fairly enormous growth. This includes no major changes in the export growth of 1992, and an import growth that outpaces export growth; however, China will maintain its fine international balance of payments position.

### 3. Several Thought Points

1. On the basis of our above calculations, if the trend of the economy during 1992 continues, the economic growth rate in 1993 will be about the same as in 1992. Maintenance of the commodity retail price index within two digits appears to pose no major problem in view of the situation in 1992. If we can accelerate reforms and improve efficiency in the allocation of resources, take effective macroeconomic regulation and control actions, regulate policies properly, maintain a normal macroeconomic environment, and bend efforts to tilt investment in the direction of infrastructure, China's economy may be able to maintain a beneficial fairly high growth rate that enables more than 9 percent average speed of economic growth for the 1990's,

2. Speed and the Macroeconomic Environment;

High speed economic growth may damage macroeconomic balance giving rise to economic instability. However, this does not mean that all high speed growth results in economic instability. Japan, South Korea, Taiwan, and Singapore went through high speed growth periods without attendant economic instability in the course of their economic development. Conversely, low speed growth may produce high inflation, such as occurred in the USSR before its dissolution and in the present Commonwealth of Independent States. Therefore, in examining the problem of speed of economic growth, one cannot simplistically suppose that high or low speed growth is the sole criterion for judging whether

the economy is operating well or not. The key issues are whether economic growth is efficient, qualitative, and produces a benign cycle, and whether it can maintain a fine macroeconomic environment. If high speed growth is accompanied by improvement in resources allocation efficiency and by proper market demand and capacity, it need not result in economic instability.

### 3. Speed and the Market

The pattern of economic development during 1993 will depend to a substantial degree on how well markets are developed. At the present time, investment demand in China is vigorous, but consumption demand is relatively flat. This situation deserves our close attention. If growth in investment demand continues faster than growth in consumption demand, this will lead to a hiatus between the investment goods market and the consumer goods market, resulting ultimately in economic growth being held back by insufficient market demand. Therefore, we must energetically develop the rural economy, increase peasant income, and develop rural markets, as well as create new urban resident consumer demand.

### 4. Speed and Inflation

It must be admitted that speed of economic growth and inflation are definitely related, but other factors also play a role. Furthermore, holding down the speed of growth does not necessarily lead to a lowering of inflation. The key lies in keeping a close watch on macroeconomic policy, particularly on the policy yardsticks of fiscal policy and monetary policy, as well as the maintenance of policy uniformity and continuity. In view of the current state of macro economy, we believe that making needed continuous "micro-adjustments" is more effective than massive retrenchment, and can keep in check certain ill-advised actions, thereby controlling the overall price level within acceptable limits.

### 5. Speed and Structural Readjustments

Making the economic structure rational is the foundation for improvement of macroeconomic returns. Weak infrastructure and weak basic industries have always been an important factor impairing China's economic growth. We must better understand the importance of infrastructure and basic industries. Transportation and communications facilities, for example, are not only key sectors of economic development, but are also the material foundation for the development of a nationally unified market. During the period of improving the economic environment and rectifying the economic order, the percentage of investment in infrastructure, including investment in raw and processed materials industries, energy industries, and the communications and transportation industries increased, but today it shows a decline. This should serve as a warning.

Granted that the direct investment of the central government is very important in the development of infrastructure and basic industries; nevertheless, it is also necessary to stir the interest in investment of local

governments and business enterprises. Ways have to be found to spur reforms that accelerate the setting of energy, raw and processed materials, and transportation prices by the market, as well as providing discounted loans for investment in some infrastructure and basic industries.

### 4. Analysis of the Trend of China's Economic Development During the 1990's

The Development Forecasting Unit of the State Council's Development Research Center has analyzed, forecast, and issued a research report on the trend of China's economic development during the 1990's. Members of the unit, we can only explain our views simply here.

During the 1980's (1981-1990), China's GNP grew by an average annual 9 percent. This economic growth rate was virtually the highest of any country or territory at that time. Nevertheless, we must realize that China's economic growth is positively not unique, and also that China's economic growth was from a relatively low base figure. We still face pressures from international competition, as well as danger from a widening of the gap between ourselves and surrounding countries and territories. Looked at in terms of the three step strategy for the country's modernization that the CPC Central Committee has directed, the 1990's mark the second step during which a transition is to be made from sufficient food and clothing to a comfortably well-off standard of living, which will require a fairly high economic growth rate. During the 1990's, more than 200 million people will reach employment age in China. In addition to natural personnel attrition, China must provide employment opportunities for 170 million more people in order to fulfill basic employment needs. High efficiency and high rapid economic development helps spur reform. All of the above means that a fairly high development speed will be necessary during the 1990's, but this economic development speed is fairly high, resulting from improved efficiency in the allocation of resources. This is the only way to maintain sustained and stable development of the economy.

During the 1990's, China's economy will face a development climate different from that of the 1980's. Study of all factors at the present time produces a general belief that China's GNP will grow at an average annual 8 to 10 percent. Even though study of the problem solely from the angle of economic growth rate choices smacks of traditional planning methods; nevertheless, comparison of many different scenarios is one method of analysis. We made an analysis of three scenarios, namely GNP growth rates of 8, 9, and 10 percent.

An 8 percent GNP growth rate. Such a growth rate can fulfill the task of quadrupling GNP, attaining the goal of a per capital GNP of U.S.\$1,000 (figured in terms of 1980 prices and exchange rates), without leading to a widening of the gap with surrounding countries and territories. However, this growth rate cannot ensure an

easing of employment pressures. Such speed of economic growth would not be subject to either supply or demand limitations.

A 9 percent GNP growth rate. This growth rate may possibly narrow the gap with surrounding countries and territories, fulfill the task of quadrupling GNP three years earlier, and more than fulfill the goal of a per capita GNP of U.S.\$1,000. It could also basically ease employment pressure. Such a growth rate would be subject to varying degrees of supply and demand limitations, but these might be overcome with effort.

A 10 percent GNP growth rate. Such a growth rate could narrow the gap with neighboring countries and territories and more than fulfill the goal of a per capita GNP of U.S.\$1,000. It would also markedly ease employment pressure. Such a growth rate would be markedly limited by supply and demand, which would require a substantial effort to overcome. These limitations would be manifested in: a shortage of funds, a scarcity of transportation, insufficient energy supplies, insufficient consumption demand, and resultant excess production capacity and acceleration of inflation.

The foregoing conclusions were reached following analysis and study of the supply of funds, overall balance, economic stability, inflation, transportation and energy supply, and structural renovation.

It must be particularly noted that implicit forecasts of intermediate and long-term economic development is forecasting of the country's progress in reform and opening to the outside world. Therefore, an 8 to 9 percent GNP growth rate is premised on a continuation during the 1990's of the trend of reform and opening to the outside world during the 1980's. Otherwise, such a speed of economic growth might be either higher or unattainable. We realize that the 1990's is a crucial period in China's development, and that it is also a key period for reform and opening to the outside world. Development places more urgent demands on reform and opening to the outside world, and the role of reform and opening to the outside world in spurring development and improving the caliber of the national economy is substantial. After the decision was made that a market economy should be the model for China's economic system, reform and opening to the outside world became an irreversible trend in China. Consequently, progress in reform and opening to the outside world during the 1990's must be faster than during the 1980's. Use of the market as the primary means for allocating resources will accelerate a change in development strategy from simply emphasizing speed to highly efficient high speed. If all goes along smoothly, sustained, stable, and coordinated development of the economy can be realized during the 1990's.

Let us look at the main factor restricting China's economic growth during the 1990's: transportation. Railroad and highway construction has been inadequate. As a result, China's transportation system has always been

greatly loaded or overloaded. Even if the structural readjustments, improvements in the transportation pattern, and such factors causing a decline in the elasticity of transportation demand are taken into consideration, by conventional standards, the development of railroad, highway, and other transportation methods will not likely satisfy needs for a higher GNP speed of development. The current investment pattern and price formation mechanism must be thoroughly reformed. The attraction of more domestic and foreign capital for investment in transportation, and the use of new science and technology and new management systems to speed up construction also offer promise in this regard.

Another factor restricting China's economic growth during the 1990's that should be looked at is the development of the consumer market. The economy and a comfortably well-off standard of living change not only quantitatively but qualitatively. Both consumer market demand and investment market demand power economic development. This is particularly so under a market economy system. Not only must we satisfy people's new requirements for consumer goods, such as providing telephones and small motor vehicles for some families, a new round of household electrical appliances, a comfortable well-off amount of grain, a comfortable well-off amount of foods, and a comfortably well-off cultural life, but we must use new designs and new science and technology to create high quality products that create new demand to develop markets.

In short, promotion of economic system reform and bring about a strategic change in economic development is the key to sustained and stable development of the economy. Low efficiency and low speed have to be abandoned, and low efficiency with high speed has nothing to offer. In studying development, we must keep our eyes focused on intensifying and accelerating opening to the outside world in order to advance the sustained, stable, and coordinated development of the economy.

#### Interim Summary:

1. The pressing matter of the moment is acceleration of reform and opening to the outside world to improve macroeconomic regulation and control capabilities. This is the key in stimulating sustained, stable, and coordinated development of the economy.
2. High speed in a low efficiency situation is difficult to sustain. The focus has to be on improving the efficiency of resources allocation, accelerating change toward market allocation of resources. This can produce a proper development speed.
3. Most of the inconsistencies revealed in the course of high speed development reflect the shortcomings of the old system. One cannot pursue speed for the sake of speed, but rather one must focus on reforms, such as channeling investment in the direction of infrastructure,

as a means of both effectively readjusting the structure and also laying a foundation for development of the market economy.

4. The trend of economic development suggest that price to be paid for "putting on the brakes rapidly" is too great. Financial and fiscal reforms such as a transition toward the marketplace, floating interest rates, and free convertibility must be handled well and given close attention, too early adjustments avoided.

5. The building of a socialist market economy stems from China's development needs. It means the building of an attendant economic framework and policy system, a market economy being developed within this framework through the economic activities of entrepreneurs and people. Therefore, the government must function in coordination with the market economy system.

**Table Showing 1993 Macroeconomic Forecasting Reference Variables**

1. GNP	Absolute Figure (Current Prices: 100 million yuan); Rate of Increase (Comparable Prices%)	27626; 11.8
2. Including: Tertiary Industries	Absolute Figure (Current Prices: 100 Million Yuan); as a Percentage of GNP (%) 100 Million Yuan	7570; 27.4
3. GNP Average Decrease Index	Absolute Figure; Growth Rate (Comparable Prices %)	5.7
4. Agricultural Gross Output Value	Absolute Figure (Current Prices 100 Million Yuan); Growth Rate (Comparable Prices %)	9980; 4.6
5. Rural Gross Output Value	Absolute Figure (Current Prices 100 Million Yuan); Growth Rate (Comparable Prices %)	25,792; 16.8
6. Industrial Gross Output Value	Absolute Figure (Current Prices 100 Million Yuan); Growth Rate (Comparable Prices %)	43,785; 18.0
7. Including: Light Industrial Output Value	Absolute Figure (Current Prices 100 Million Yuan); Growth Rate (Comparable Prices %)	21,324; 18.2
8. Including Heavy Industrial Output Value	Absolute Figure (Current Prices 100 Million Yuan); Growth Rate (Comparable Prices %)	22,461; 17.9
9. Industrial All-Personnel Labor Productivity Rate	Absolute Figure (Current Prices 100 Million Yuan); Growth Rate (Comparable Prices %)	36,383; 10.7

**Table Showing 1993 Macroeconomic Forecasting Reference Variables (Continued)**

10. Independent Accounting Industrial Enterprises Profits and Taxes	Absolute Figure (Current Prices 100 Million Yuan); Growth Rate (Comparable Prices %)	3,149; 18.9
11. Number of Days For Working Capital To Circulate in Independent Accounting Unit Industrial Enterprises	Absolute Figures (Days)	2.95
12. Investment in Fixed Assets	Absolute Figures (Current Prices 100 Million Yuan); Growth Rate (Current Prices %)	8,456; 22.8
13. Investment by Units Under Ownership of the Whole People	Absolute Figures (Current Prices 100 Million Yuan); Growth Rate (Current Prices %)	5,721; 23.3
14. Including: Investment in Capital Construction	Absolute Figures (Current Prices 100 Million Yuan); Growth Rate (Current Prices %)	3,305; 23.0
15. Including Investment in Renovation and Transformation	Absolute Figures (Current Prices 100 Million Yuan); Growth Rate (Current Prices %)	1,658; 26.2
16. Staff Member and Worker Total Wage Bill	Absolute Figures (Current Prices 100 Million Yuan); Growth Rate (Current Prices %)	4,644; 18.0
17. Industrial Staff Member and Worker Per Capita Wage	Absolute Figures (Current Prices 100 Million Yuan); Growth Rate (Current Prices %)	3,172; 14.6
18. City and Town Resident Per Capita Income for Living Expenses	Absolute Figures (Current Prices 100 Million Yuan); Growth Rate (Comparable Prices %)	2,000; 14.0
19. Rural Residents Per Capita Net Income	Absolute Figures (Current Prices 100 Million Yuan); Growth Rate (Comparable Prices %)	842.5; 9.5
20. Increase in City and Country Residents Savings	Absolute Figures (Current Prices 100 Million Yuan); Growth Rate (Current Prices %)	2,667; 12.0
21. Total Retail Commodity Sales	Absolute Figures (Current Prices 100 Million Yuan); Growth Rate (Comparable Prices %);	12,908; 18.6
22. Retail Price Index	Absolute Figure; Growth Rate (%)	108.0

**Table Showing 1993 Macroeconomic Forecasting Reference Variables (Continued)**

23. Fiscal Revenues	Absolute Figures (Current Prices 100 Million Yuan; Growth Rate (Current Prices %))	4,705; 14.5
24. Fiscal Expenditures	Absolute Figures (Current Prices 100 Million Yuan; Growth Rate (Current Prices %))	4,891; 13.5
25. New Loans	Absolute Figures (Current Prices 100 Million Yuan; Growth Rate (Current Prices %))	3,893; 14.5
26. Amount of Currency Issued	Absolute Figures (Current Prices 100 Million Yuan; Growth Rate (Current Prices %))	757; 16.5
27. Exports	Absolute Figures (Current Prices 100 Million Yuan; Growth Rate (Current Prices %))	972; 16.0
28. Imports	Absolute Figures (Current Prices 100 Million Yuan; Growth Rate (Current Prices %))	957; 19.5
29. Year End Population	Absolute Figures (? people); Growth Rate (%)	119,124; 1.35
30. Year End Number of Staff Members and Workers	Absolute Figures (10,000 persons); Growth Rate (%)	16,147; 5.6

## PROVINCIAL

### Profile of Three Guangxi Ports

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pp 32-33

[Article by Luo Ying-hsueh (5012 2503 7185): "Guangxi's Golden Triangle of Seaports—Fangcheng, Qinzhou, Beihai"]

[Text] Guangxi Zhuang Autonomous Region vice governor Lei Yu indicates that because Guangxi has a 1,950 kilometer coastline and has such seaports as Qinzhou, Tieshangang, Fangchenggang, Beihai, and Zhenzhugang with such advantages as deep water, few waves, a large range of tides, and a large hinterland, it has become the optimum passageway to the sea for the inland southwestern provinces.

Guangxi's Fangchenggang area working committee secretary Li Mingxing says that among the six cities of Guilin, Liuzhou, Wuzhou, Nanning, Beihai, and

Fangchenggang, Fangchenggang as a thriving seaport also is a naval port and is the starting point for the famous "Little Ho Chi Minh Trail" on the sea. And since the normalization of Sino-Vietnamese relations, Fangchenggang has changed from having strategic value to become a bridgehead for developing the southwestern region's external commercial trade. In 1992 a total of 205 firms came to Fangchenggang to invest. Overall investment was 1.2 billion yuan, half from foreign firms, and more than 20 of the firms conducted real estate development.

### The Convenience of Fangchenggang's Geographical Position

Fangchenggang presently has thirteen berths, eight of which are 10,000 tons or more, and its total handling capacity in 1992 was 3.2 million tons. Foreign investors, including Hong Kong's Jardine Group's Kuo He-nien, could invest a total of 2 billion yuan, including the construction of seven 10,000 ton berth piers expected to take three years to complete; the construction of a 3 million ton palm oil processing plant in one year; and the planned development of 10,000 *mu* of land; as well as the investment of more than 20 million yuan from Taiwan firms for such projects as the development of a liquified natural gas plant.

Li Mingxing believes that Fangchenggang is the third largest port in the South China region and the tenth largest grain receiving port in all China. Moreover, it has an important position as a transshipment port for bulk cement and petroleum in the Guangxi region. Fangchenggang presently can also build an additional 115 10,000 ton to 100,000 ton berthing piers, and overall planned designed handling capacity could reach more than 1 trillion tons. Fangchenggang presently has amassed 2,000 square meters of usable land for construction and nearly 1,000 square meters of land reclaimed from the sea. At the same time, they have constructed such capital construction projects as a 10,000 ton Japanese-made water plant and 110,000 volt transformer power station.

In 1992 Fangchenggang had 85 newly registered enterprises, fifty of which were wholly owned by foreign firms and in 1992, 22 partially or wholly foreign owned enterprises were started with an investment of US\$600 million. Lei Yu indicates that Fangchenggang has a natural wind screen because it has Hainan island to the south, the Leizhou peninsula to the east, and Vietnam to the west and the province's expenses for constructing breakwaters and its building costs for port projects are low. Construction of a 30,000 ton berth only requires 18 million yuan as contrasted with other places that have to expend 70 million to 80 million yuan. Engineering expenses are clearly cheap and with the very nearby Vietnamese ports it forms an optimum port for Southeast Asia. Presently 60 percent of foreign trade is export and 40 percent is import. Major foreign trade areas

include the Commonwealth of Independent States, Japan, Singapore, South Korea, Panama, Greece, and Africa.

#### The Advantages of the Qinzhou Bay Combined Harbor

Qinzhou prefectural party committee secretary Chu Zhitian indicates that Qinzhou is presently beginning construction on the Qinzhou port and in the port area they could build five 100,000 ton berths and twenty-five 50,000 ton berths and the annual handling capacity could reach 60 million tons.

Qinzhou Bay's coastline is 1,105 kilometers long, the sea area is more than 470 square kilometers with a 20 meter or less depth shallow sea area of 274,000 hectares. Guangxi Zhuang Autonomous Region vice governor Lei Yu indicates that in Qinzhou Port there is a natural deep trough 7.5 kilometers long, 0.6 to 1 kilometer wide and 10 meters deep. In places the water depth reaches 15 meters or more and the greatest depth is 24.7 meters. Tide differentials are great and in addition there is the scouring effect of the internal Maowei Sea ebb tide. So, the port region does not silt up and 100,000 ton freighters can avail themselves of the tide differential to enter. Presently the only 100,000 ton deep water ports are Dalian in Shandong and Ningbo in Zhejiang.

Lei Yu says that Qinzhou port is presently planning to build eighteen deep water berths, including five 100,000 ton berths, eight 50,000 ton berths, and five 25,000 ton to 35,000 ton berths and at the same time enhance the development of Qinzhou's external transport infrastructure, including joint construction with Hong Kong's Hoho Group's Hu Ying-hsiang of a total of 265 kilometers of trunk highways, including 109 kilometers from Nanning to Qinzhou, 95 kilometers from Qinzhou to Beihai, and 61 kilometers from Qinzhou to Fangcheng, for a total investment of approximately 1.6 billion renminbi.

Lei Yu indicates that Qinzhou is concentrating its main efforts on complete capital construction projects to improve the foreign firm investment atmosphere. Projects include: joint construction with Hu Ying-hsiang of from six to eight 660,000 kilowatt power plants, with the first stage being the construction of two 660,000 kilowatt generating sets with the accompanying pier; construction of the Nan Kun Railroad connecting with Chengdu and Kunming, a project expected to be completed in 1996; the June 1994 completion of the Beihai to Qinzhou railroad; opening of a flat land canal; and opening the Longmen 72 stream tourist vacation area.

#### Beihai Excels at Tertiary Industries

Beihai presently has 27 special transport piers, two of which are 10,000 ton berths, and an annual handling capacity of 2.3 million tons. Beihai, Guangxi Mayor Shi Ligu indicates that Beihai is presently adding five 25,000 ton berths and is preparing to construct a 50,000 ton deepwater berth at Tieshangang. In 1992 there were more than 830 foreign investment projects for a total

investment of 3.4 billion yuan and an actual use of 110 million yuan, including: the Wuhan Steel Company built a steel mill with an annual output of 3 million tons or more using electric furnace liquid processing and having a total investment of 10.6 billion yuan, the first stage of which will be 800,000 tons with an expenditure of 2.5 billion yuan; the Hong Kong Jardine Group planned and built 450,000 ton oil refinery and ethylene refinery with two Shangri-la hotels for a total investment of US\$2.5 billion; and 30 million yuan to open the 270 *mu* Beihai Silver Beach tourist vacation area.

Shi Ligu indicates that in 1993 Beihai could invest 1 billion yuan in infrastructure such as water, electricity, and communications, and provide 63 square meters as a foreign firm development area and 80 square meters as a processing industry area to meet commercial and trade and tertiary industry requirements in the area.

Lei Yu indicates that because Guangxi's opening to the outside has been rather slow, they could provide more relaxed investment conditions to help reduce costs for foreign firms to develop investments, Guangxi has a consumer market of nearly 200 million people in Yunnan, Guizhou, Sichuan, and Xizhang along with facing a trade market in such Southeast Asian countries as Vietnam and Thailand. The completion of development of the Fangcheng, Qinzhou, and Beihai port regions is expected to bring even greater foreign investments and employment opportunities to Guangxi.

#### Ningxia Economic, Social Development Statistics

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[Article: "Ningxia Hui Autonomous Region Statistical Bureau Statistical Report on 1992 National Economy and Social Development"]

[Text] In 1992 all the nationalities in the Ningxia Hui Autonomous Region, under the correct leadership of the autonomous region party committee and government, conscientiously studied and implemented the spirit of Comrade Deng Xiaoping's important speeches on his southern tour and the party's Fourteenth Congress and up and down the region picked up the pace of reform and opening up, developed the economy, and made progress in society. The entire national economy was transformed from steady operation to a new stage of accelerated development. According to statistics, an annual gross domestic product (GDP) of 7.6 billion yuan was realized, a 7.5 percent increase over the previous year. Of this 2.55 billion yuan was increased value of tertiary industries, a 13 percent increase over the previous year. The share of its increased value in the GDP rose from 32.3 percent the previous year to 33.5 percent.

#### I. Agriculture

In 1992 the region's countryside further perfected the system of contracted household responsibility linked to output; actively advanced the agricultural social services system and adjusted the structure of agricultural production, and developed high quality, high production, high efficiency agriculture. Despite suffering the twin disasters of a drought in the spring and low temperatures and an unbroken spell of rainy weather in the fall, we still

obtained a rather good harvest. The 1.83 billion yuan in annual agricultural increased value of output was a 5.4 percent decline from the previous year and its share of the GDP declined to 24.2 percent from the previous year's 26.5 percent. The 2.84 billion yuan in total agricultural output declined 3.0 percent from the best year in history (1991) and for overall agriculture was the region's second best in history. Within that, the value of output for field crops fell 4.4 percent; forestry, because of reduced cutting, had a 22.0 percent decline in the value of output; the value of output for livestock increased by 3.1 percent; the value of output for sideline production increased by 29.9 percent; and the value of output for fisheries increased by 14.7 percent.

Among the yields for major agricultural products, grains had a total yield of 1.868 million tons, a decline of 6.5 percent from the previous year (only lower than 1991

and 1990, it was the region's third highest yield in history). Within that, river regions had 1.422 million tons, a decline of 3.6 percent, and mountainous regions had 446,000 tons, a 14.7 percent decline. Oil-bearing crops had 62,400 tons, a decline of 12.9 percent from the previous year (it was the third best harvest year in history); sugar beets had 454,000 tons, a decline of 31.7 percent; and fruits had 61,700 tons, an increase of 126.8 percent from the previous year, setting the record for the highest yield in history.

Annual afforestation reached 243,000 *mu* (afforestation is calculated on an 85 percent survival rate) and increased by 4.7 percent over the previous year.

Livestock production had rather great development. Total meat production, milk production, and the heads of hogs removed from inventory, and the year end heads all were the best in history. Principal livestock products and livestock inventories were as follows:

	1992	Increase From Previous Year (percent)
Total meat production	76,000 tons	6.0
Milk	64,300 tons	17.6
Pork hogs removed from inventory	629,300 head	5.2
Yearend hogs	707,200 head	5.8
Yearend sheep	2,525,400 head	-7.0
Yearend large draught animals	744,000 head	1.3

Fishery production developed further. Annual aquatic product production reached 13,485 tons, an increase of 13.3 percent over the previous year and again setting a record.

Agricultural production conditions continue to improve. At the end of 1992, the whole region had a total power for agricultural machinery of 2,121,300 kilowatts, a 4.7 percent increase over the previous yearend; 5,481 large and medium-sized tractors (combined), an 11.6 percent decline; 100,200 small and hand tractors, an increase of 7.3 percent; and 144,400 kilowatts of power for irrigation and drainage equipment, a decline of 3.9 percent. Annual (net) fertilizer use was 136,900 tons, a 7.9 percent increase, and there was 487 million kilowatt hours of rural use electricity, a 7.5 percent increase.

As regards the overall development of the rural economy, in 1992 the total value of output of rural society reached 4.521 billion yuan, a 5.2 percent increase over the previous year. With rectification, the pace of township and town enterprise development picked up. Within that, the output value of such non-agriculture industries as industry, construction, transportation, and the commercial food and drink industry increased 23.4 percent, 13.6 percent, 24.0 percent, and 31.0 percent, respectively, and increased their share of the total value of output of rural society to 37.3 percent from the previous year's 32.0 percent.

## II. Industry and Construction

In 1992 the region's industry conscientiously implemented the Regulations and firmly grasped turning

losses into profits, and industrial production entered a new stage of accelerated development and the economic returns of enterprises clearly improved.

The 2.63 billion yuan in increased value accomplished by industry during the year was an increase of 12.4 percent over the previous year and made up 34.6 percent of the gross national product. The 8.92 billion yuan in total output value accomplished by industry was a 14.1 percent increase over the previous year. Within that, the 3.226 billion yuan in output value accomplished by industrial enterprises within the budget throughout the region was a 19.1 percent increase over the previous year.

Last year regional industrial development had three remarkable characteristics. The first was synchronized growth of light and heavy industry. Light industry accomplished an output value of 2.24 billion yuan, a 14.2 percent increase over the previous year, and heavy industry accomplished an output value of 6.68 billion yuan, a 14.1 percent increase. The second was that industries of various types of ownership systems generally rose. In total value of output of overall industry, state-run industry was 6.998 billion yuan, a 13.4 percent increase over the previous year; collective industry was 1.428 billion yuan, a 13.5 percent increase; individual industry was 393 million yuan, a 27.9 percent increase; and Chinese-foreign joint venture and foreign investment enterprises were 101 million yuan, a 28.0 percent increase. They made up 78.45 percent, 16.01 percent, 4.41 percent, and 1.13 percent, respectively, of the

overall total value of industrial output. Industrial productive capacity improved and the output of major

industrial products increased. The output of major industrial products was as follows:

	1992	Increase From Previous Year (percent)
Woolen goods	678,000 meters	-40.0
Knitting wool	2,082 tons	40.3
Woolen blankets	334,200	71.4
Sugar	58,100 tons	14.1
Cigarettes	50,000 cases	10.4
Daily use china	24.94 million pieces	11.4
Plastic products	11,600 tons	9.4
Machine-made paper and cardboard	98,000 tons	17.4
Total energy production (minus standard fuel)	9.96 million tons	-5.1
Raw coal	13.79 million tons	-1.7
Crude oil	207,800 tons	-9.7
Processed crude oil	407,000 tons	99.0
Electric power generated	7.662 billion kilowatt hours	21.4
Of that, hydroelectricity	840 million kilowatt hours	0.2
Pig iron	33,700 tons	-32.6
Steel	59,700 tons	22.6
Cement	1,135,400 tons	16.7
Ferroalloy	86,300 tons	7.9
Aluminum	73,000 tons	9.6
Chemical fertilizer (minus 100 percent pure)	321,100 tons	3.3
Machine tools	2,000	73.7
Bearings	1.868 million sets	-13.1
Tires	1.036 million	37.0
Small tractors	12,000	8.3

The third was that industrial economic returns made a clear improvement. Compared with the previous year, the composite industrial economic return index was 75.74, a 5.3 percentage point improvement (based on a 66.0 national standard value calculation, a 4.3 percentage point improvement); the product production sales rate was 95.4 percent, a 2.9 percentage point improvement; the interest tax rate was 5.6 percent, an increase of 0.45 percentage points; the cost profit rate on funds was 1.51 percent, an increase of 0.4 percentage points; the circulating fund turnover was 1.26 times, an increase of 0.06 times; and the total personnel labor productivity was 7,013 yuan per person, a 13.4 percent improvement. But total economic returns still were rather low. Finished product fund use was rather great and enterprise losses still were rather large.

Construction industry productivity further developed. In 1992 throughout the region, the construction industry accomplished an increased value of 614 million yuan, an increase of 9.8 percent over the previous year. State construction enterprises accomplished a total construction industry output value of 802 million yuan, a 40.1 percent increase over the previous year, and 1.407 million square meters of construction area, a 22.2 percent

increase. Based on total value of output calculations, the total personnel labor productivity was 16,883 yuan per person, a 29.7 percent improvement over the previous year.

### III. Fixed Asset Investment

Fixed asset investment increased. In 1992 total society fixed asset investment reached 3.809 billion yuan (including 301 million yuan for the Bao-Zhong Railroad and 126 million yuan for the Changqing oilfield), a 32.2 percent increase over the previous year. Discounting the price factor, the actual increase was 14.7 percent. Within that, state units accomplished 3.065 billion yuan, an increase of 28.9 percent; collectively owned units accomplished 299 million yuan, a 69.2 percent increase; and individuals invested 446 million yuan, a 36.1 percent increase.

Among state unit investments, capital construction was 1.967 billion yuan, an increase of 24.3 percent over the previous year; replacement and transformation was 796 million yuan, a 45.9 percent increase; 158 million yuan was invested in sales building construction, a 71.4 percent increase; and other investment was 144 million

yuan, an 8.1 percent decrease. During the year there were 1,414 state unit capital construction and replacement and transformation projects, an increase of 208 over the previous year. Among these 1,009 were new starts, an increase of 153 over the previous year.

The investment structure was adjusted somewhat. Among state unit investments, energy industry investment's share fell from 40 percent to 26.1 percent and raw material industry investment's share rose from 11.0 percent to 12.5 percent. Tertiary industry investment's share rose to 42.6 percent from the previous year's 33.8 percent. Within that, the transportation and post and telecommunications industries' investment share rose from 16.1 percent to 19.7 percent.

Infrastructure and key project construction picked up. Throughout the region, twelve key construction projects in the year accomplished an investment of 579 million yuan, making up 95.6 percent of the annual plan. In energy construction, the Lingwu Mining Area accomplished an investment of 163 million yuan, stepping up the pace of exploitation; the first phase of the Daba Power Plant project was completed and went into normal operation with a 600,000 kilowatt increase in installed capacity; and the Daba to Guyuan transmission and transformer project began construction. Throughout the region, township to township electrical circuits were realized. In transportation, 301 million yuan was invested in the Ningxia section of the Bao-Zhong Railroad and construction was begun on double lining from Zhongwei to Gantang and the Lingwu Railroad. The pace has picked up on such key construction projects as the Liupan Shan tunnel, the Yinchuan extra large Huanghe bridge, the Yingu first class highway, and the

Yinping and Shiyang highways, and the Ruxi special coal transporting line. The accelerated transportation infrastructure construction will alleviate and improve the region's tense transportation situation.

New increases in major production capacity through capital construction throughout the region in 1992 included: 170,000 tons per year of coal exploitation, 39 kilometers of electrical transmitting lines, 130,000 kilovolt-amperes of transformer equipment, an installed capacity of 350,000 kilowatts, 300,000 tons per year of synthetic ammonia, 520,000 tons per year of urea, 350 kilometers of new highway construction, 112 kilometers of rebuilt highways, an effectively irrigated area of 70,000 *mu*, 9,000 urban telephone switchboards, and 248 kilometers of newly constructed microwave lines.

#### IV. Transportation and Post and Telecommunications

In 1992 the region's transportation and post and telecommunications sectors' infrastructure further improved and production increased somewhat. For the entire year, value increased by 530 million yuan, a 9.7 percent increase over the previous year. The transportation sector of the total region together accomplished the transport of 16.894 million tons of freight, a 3.6 percent increase over the previous year. Within that, the railroads accomplished 15.024 million tons, a 2.4 percent increase and highways accomplished 1.570 million tons, a 16.3 percent increase. During the year, passenger transportation transported 22,184,000 people, a 4.0 percent increase over the previous year.

The amount of transport accomplished by each type is as follows:

	1992	Increase From Previous Year (percent)
Amount of goods circulated	5.896 billion ton kilometers	4.6
Railroads	5.748 billion ton kilometers	4.6
Highways	148 million ton kilometers	7.4
Amount of passengers circulated	1.733 billion passenger kilometers	5.3
Railroads	539 million passenger kilometers	9.0
Highway	1.194 billion passenger kilometers	3.8

Post and telecommunications tasks completed in the entire year totalled 66.54 million yuan, an increase of 26.1 percent over the previous year, and yearend urban within city telephones reached 33,089, a 22.4 percent increase over the previous yearend. Program controlled telephones made up 52.9 percent of all urban telephones and all cities and counties throughout the region accomplished city telephone automation.

#### V. Domestic Commerce and Market Prices

The consumer product market is growing steadily. For the year, society's retail commodities market totalled 3.798 billion yuan, a 13.2 percent increase over the previous year (if the price factor is discounted, it actually is 5.4 percent). Within that, retail consumer products

totalled 3.217 billion yuan, a 14.3 percent increase, and retail agricultural means of production sales were 581 million yuan, a 7.4 percent increase. Among consumer product retail sales, city retail sales increased by 18.2 percent, county retail sales increased by 10.8 percent, and retail sales below the county level increased by 6.2 percent.

Retail sales in all economic types of commerce generally increased. Within that, state-run commerce increased by 9.25 percent, collectively owned commerce increased by 5.33 percent, individual commerce increased by 24.45 percent, and peasant nonagricultural residential retail sales increased by 21.30 percent. Looking at various types of consumer product retail sales amounts, within

food products cereals increased by 9.2 percent, edible plant oils decreased by 33.5 percent, pork declined by 26.4 percent, fresh eggs increased by 32.1 percent, aquatic products increased by 24.2 percent, and alcohol increased by 7.33 percent. Among clothing products, cotton cloth declined by 25.1 percent, cotton synthetic blend textiles declined by 22.7 percent, synthetic fiber cloth declined by 13.1 percent, woolen goods declined by 7.5 percent, silks and satins declined by 19.9 percent, and various types of apparel increased by 7.8 percent. Among useful commodities, soap declined by 0.2 percent, washing powder declined by 7.8 percent, wrist-watches increased by 5.4 percent, television sets increased by 1.2 percent (within that, color televisions declined by 12.6 percent), tape recorders increased by 11.9 percent, and electric fans, washing machines, and electric refrigerators declined by 26.4 percent, 4.5 percent, and 7.4 percent, respectively.

The means of production market was active. In 1992 throughout the region, goods and materials supply and marketing enterprises purchased 1.76 billion yuan in means of production, a 25.7 percent increase over the previous year, and sold 1.94 billion yuan, a 31.0 percent increase. Within that, they sold 207,000 tons of steel products, a 10.1 percent increase over the previous year; 162,000 tons of cement, a 31.1 percent decline; and 106,000 cubic meters of lumber, holding steady with the previous year.

Price reforms made rather great strides. Means of production items with autonomous region centrally controlled prices were reduced from 312 to 27, industrial consumer products were reduced from 628 to nine, and the percentage of agricultural products and by-products with state fixed purchasing prices was lowered to 18.5 percent. But because of the effect of the rather large increases in such prices as cereals, rents, water and electricity fees, and miscellaneous school fees, residents' cost of living prices rose more than retail market prices. For the year, residents' cost of living prices rose 8.3 percent from the previous year, two percentage points higher than the previous year's increase, and the overall level of retail prices rose 7.4 percent from the previous year, 1.7 percentage points higher than the previous year's increase.

Changes in various types of prices in 1992 from the previous year (with the previous year's prices as 100) are as follows:

1. Overall index for residents' cost of living prices	108.3
Within that:	
Urban	109.3
Rural	106.5
2. Overall index for retail prices	107.4
Within that:	
Consumer goods	108.1

Foods	112.6
Cereals	139.4
Edible plant oils	103.8
Clothing	104.1
Daily use articles	102.9
Culture, entertainment items	93.2
Books, newspapers, and magazines	106.0
Medicines, health items	117.1
Construction, decorating materials	104.0
Fuels	103.5
Agricultural means of productions	104.0
3. Index of service prices	109.9
4. Index of agricultural product, byproduct purchasing prices	107.4

#### VI. External Economy, Trade, Travel, and Tourist Industry

In 1992 the region put forth a great effort to carry out the "Ningxia—Coastal—Overseas" and "Three Points, One Line" strategy to open to the outside and the opening to the outside made new progress. For the year, the external trade total value of imports and exports was US\$125.66 million, a 24.2 percent increase over the previous year. Within that, the total value of exports was US\$109.48 million, a 23.5 percent increase, and the total value of imports was US\$16.18 million, a 28.7 percent increase.

For the year, the new batch of 83 wholly or partially foreign owned enterprises was more than three times the total of 22 for the twelve previous years. Foreign contract funds were US\$28.15 million and actual investments were US\$3.48 million.

For the year, foreign visitors coming to the region to tour, visit, or conduct various types of activities were 10,418 persons (days), a 15.6 percent increase over the previous year, and tourist foreign exchange received (foreign exchange certificates) was 3,294,000 yuan, a 19.56 percent increase over the previous year.

#### VII. Science, Education, Culture and Health, and Sports

The pace of scientific and technical development picked up. In 1992 the region altogether attained 186 major provincial level and above scientific research achievements. At year's end we had 60 independent scientific research organizations. Of those, 54 were for natural science and six were for social science and the humanities. Throughout the region, enterprises under the ownership of the whole people and institutions together had 118,214 technical personnel from various specialties, an 8.1 percent increase from the previous end of year. Among those, 19,475 were engineering technicians, 5,835 were agricultural technicians, 797 were scientific research personnel, and 49,224 were instructors.

Education made further progress. In 1992 the entire region altogether had ten newly enrolled graduate students, and 2,722 newly enrolled general higher education and professional students. The 8,475 students in school was a 7.56 percent increase over the previous year. There were 1,648 adults newly enrolled in regular higher education and professional schools, and 4,278 in school.

At the end of 1992, throughout the region there were 11,345 student in secondary level technical schools, a decline of 0.98 percent from the previous year; 12,725 secondary agriculture and trade school students; and 6,570 adults in secondary level technical schools. Throughout the region there were 229,600 junior middle school students in school and 652,100 elementary school students in school, a decline from the previous year of 0.39 percent and 1.41 percent, respectively. The percentage of school age children in school was 94.58 percent. The elementary school promotion rate improved to 87.4 percent from 85.2 percent the previous year. Project Hope achieved initial success. The general secondary and elementary school drop out rates were 2.2 percent and 3.2 percent, respectively, and the operation of secondary and elementary schools further improved.

The 231 Project achieved remarkable success. For the year, a total of 125,000 people participated in literacy classes, 75,000 were eliminated from the rolls of the illiterate, 170,000 lost their scientific illiteracy, and 255,000 peasants grasped two or three useful skills.

Cultural efforts continued to develop. At the end of 1992, throughout the region there were a total of sixteen artistic performance troupes, nineteen cultural centers, three museums, four mass craft centers, nine broadcasting stations, eight radio transmission and relay stations, and 52 television transmission and relay stations. The percentage of people covered by radio and television was 76.3 percent and 73.7 percent, respectively. During the year, various types of new motion pictures were released. There were 172 feature films and six made for television dramas with 27 episodes. Some 52.96 million issues of twelve newspapers, 1.06 million issues of 21 magazines, and 19.51 million books were published.

Medicine made further progress. At the end of 1992, hospitals throughout the region had 11,609 beds, a 4.42 percent increase from the previous end of year. There were 20,724 skilled health professionals, a 3.29 percent increase. Among those were 9,872 physicians, a 0.20 percent increase, and 5,491 nurse practitioners and nurses, a 5.03 percent increase.

Sports achieved new success. In 1992 the region's athletes in competition at home and abroad and in major competition in our own region, one by one broke national records, and 48 people 38 times broke autonomous region records. Sports for the masses flourished. During the year, at the township and town level and above a total of 1,070 sports meets were held and 214,300 people participated in the sports meets. The

percentage of secondary and elementary school physical training up to standard was 74.4 percent and 64.1 percent, respectively.

#### VIII. Population and People's Livelihood

The rate of population increase continued to slow and planned parenthood efforts achieved new success. According to a 1992 sampling of changes in the regional population, the birth rate was 20.11 percent and the death rate was 5.36 percent for a natural increase of 14.75 percent. The birth rate and the natural increase rate declined from the previous year by 1.85 and 2.08 percentage points, respectively. Based on calculations from the sampling, at year's end, the total population was 4.872 million, a 1.54 percent increase from the previous year. Among those, 1.607 million were Hui, a 2.2 percent increase. The natural rate of population increase and the net rate of population increase both were at the lowest levels in recent years.

Residents' actual income both increased and decreased. According to the sampling, the living expense per capita income for urban residents throughout the region was 1,603 yuan, a 15.2 percent increase from the previous year. If the price factor is discounted, the actual increase was 5.4 percent. The net per capita income of peasants was 618.7 yuan, a 1.7 percent increase. If the price factor is discounted, it is an actual decrease of 1.7 percent. Because the increase in monetary income of urban and rural residents was lower than the national average and the livelihood price index was higher than the national index, the disparity between the actual standard of living of the region's urban and rural residents and the national standard of living further widened.

In 1992 throughout the region, urban employment was arranged for 38,000 people and the unemployment rate fell to 4.1 percent from 5.3 percent the previous year, and at year's end there were 719,000 persons employed, 18,000 more than the previous year. Total employee wages for the year were 1.94 billion yuan, a 17.2 percent increase from the previous year. Per capita employee monetary wages were 2,722 yuan, a 13.0 percent increase from the previous year. If the price factor is discounted, the increase is 3.4 percent. Urban and rural savings continued to increase. At the end of 1992, residents throughout the region had savings in excess of 5.03 billion yuan, a 23.4 percent increase from the previous year.

The insurance business made further progress. In 1992 throughout the region, domestic property insurance was 12.5 billion yuan, a 25.7 percent increase from the previous year, and 2,643 household enterprises took part in enterprise property insurance and 1.31 million people took part in personal property insurance. During the year, insurance companies handled a total of 18,745 domestic property insurance claims and paid out 33.11 million yuan in claims.

Urban and rural housing conditions further improved. In 1992 construction was completed on 1.219 million

square meters of urban residential space and 3.643 million square meters of rural residential space. Construction at comfortable living test villages proceeded smoothly.

Environmental protection efforts developed faster. In 1992 the environmental protection system throughout the region had a total of 507 people and there were eleven environmental protection monitoring stations of various levels. Thirty-four environmental rectification projects were accomplished during the year. At year's end, ten areas throughout the region covering 23 square kilometers were built to meet environmental noise standards.

**Note:** In this report, gross national product, national income, and various industries' increased value and gross output value indices are calculated based on current prices and rates of increase are calculated based on comparable prices.

## FOREIGN TRADE, INVESTMENT

### State Planning Commission on Foreign Capital Policy

93CE0348A Hong Kong CHING-CHI TAO-PAO  
[*ECONOMIC REPORTER*] in Chinese No 5,  
15 Feb 93 p 27

[Article: "State Planning Commission Proposes 1993 Policy on Use of Foreign Capital"]

[Text] According to a disclosure by an official of the State Planning Commission, in 1993 China will continue to improve its investment climate, make use of foreign capital vigorously and effectively, and do the following work well:

1. In order to promote economic development, China will strive in 1993 to use foreign capital to maintain good momentum in line with the policy of accelerating reform and opening up to the outside world. Where conditions permit a capacity for digestion and absorption, China will use foreign loans in an attempt to surpass the 1992 results. It will absorb direct investment of foreign businesses in order to raise funds and maintain the fairly high level attained in 1992.
2. In line with the industrial policy, it will vigorously guide foreign capital so that it is mainly invested in the technological transformation of the infrastructure, basic industries, and enterprises, investing in technology-intensive industries, and appropriately investing in the fields of finance, commerce, tourism, and real estate.
3. It will further support the country's omnidirectional opening up to the outside world and the interior's economic development. While continuing to vigorously support the coastal region's increasingly better use of foreign capital, it will guide foreign businessmen to invest more in interior industries that possess superior conditions. Loans on favorable terms from international

financial organizations and foreign governments must also be used in the interior's provinces and autonomous regions to support the interior's economic development.

4. It will strengthen the macroeconomic regulation and control and the macroeconomic management in the use of foreign capital, promote the gradual improvement of beneficial results of foreign capital use, further transfer to lower levels the examination and approval of the limits of authority in using foreign capital, and improve the ways of managing the use of foreign capital. It will strengthen the guidance given to all localities, departments, and enterprises in the use of foreign capital and also provide services for them; at the same time, it will do good work in forecasting and measuring foreign debts, and continue to control the state's foreign debts at a reasonable level.

### Foreign Investment in Guangdong Land Development Surges

93CE0348C Beijing GUOJI JINGMAO XIAOXI  
[*INTERNATIONAL TRADE NEWS*] in Chinese  
2 Feb 93 p 1

[Article: "Foreign Businessmen Enter Guangdong's Land Development Market in Large Numbers"]

[Text] Guangdong Provinces real estate market is growing rapidly, and there is a powerful momentum of investment by foreign businessmen in land development. In the first nine months of last year alone, the foreign businessmen's contracted investment in land development totaled \$3.5 billion, accounting for 31 percent of the province's total contracted imported foreign capital.

Since 1987, when the Shenzhen Special Economic Zone took the lead in being the first to sell the use rights on the first piece of state-owned land, the reform of Guangdong's land-use system has been pushed forward in a comprehensive manner. Public bidding, auctions, and agreements have gradually replaced administrative transfers, becoming the main forms of selling land-use rights. Land—this key element in production—is being put on the market as a special commodity, a practice that is being deeply welcomed by Chinese and foreign investors.

In the past year Guangdong sold a total of 7,010 hectares of land, 36.8 percent of the total amount of land for use in that year. Income from the land (including necessary fees for municipal facilities) totaled 9.4 billion yuan in Renminbi, equal to 44.8 percent of the province's financial income last year. Land development and urban infrastructure construction are gradually forming a benign cycle, thereby promoting the rapid development of Guangdong's urban and rural economies.

Now, not only are the special economic zone and the Zhujiang Delta area continuing to maintain their leading position in reform, but also the reform in areas of western, northern, and eastern Guangdong is continuing to accelerate. Through selling land, attracting business with land, and developing land to relieve poverty, they

are taking a new path in the vigorous development of the mountain area economy. The development and use of land is going away from the single use of agricultural land in the direction of developing industry, commercial housing, forestry, aquatic breeding, and their auxiliary processing industries. Urban land development, with the transformation of the old cities, is now beginning in Guangzhou and Foshan cities in order to provide overseas investors with wider fields for investment.

Real estate has developed into a popular industry for investors at home and abroad. Last year in Guangdong the total amount of land used for real estate was 71,000 mu, exceeding the land used for infrastructure construction, and becoming the largest proportion of the total amount of land used in Guangdong. People concerned think that, although land use has grown fairly fast, its base is fairly low. As a newly arising industry in its initial stage, a fairly large amount of land use is a normal phenomenon, and is indispensable for starting up a market in it.

### Strategies for Opening NAFTA Markets

93CE0427B Beijing ZHONGGUO MAOCU BAO  
in Chinese 8 Feb 93 p 1

[Article by the Office in Mexico of the China Council for Promotion of International Trade: "Open Markets for China in North America, Enhance Cooperation in International Economic Relations and Trade"]

[Text] The regulations of the original producing areas in the North American Free Trade Agreement (NAFTA) with regard to China's use of Mexico's market increase the degree of difficulty for China's expansion of imports in the North American market. However, if we make effective use of the regulations of the original producing areas, we can transform some unfavorable factors into favorable factors, and continue to maintain and expand the market for China in North America.

Setting up investment enterprises in Mexico is one of the principal ways to consolidate and expand the market for China in North America and to obtain tariff preferences. By setting up investment factories in Mexico, China can avoid the trade barriers put up by implementation of the agreement, thereby allowing China to continue to maintain and to expand its trade with North America. The reason for setting up investment enterprises in Mexico is the county under the agreement that is weakest in economic strength, and after the agreement takes effect these enterprises will bring economic and trade benefits to Mexico. In Mexico's trade volume, China's import-export commodity volume accounts for only 0.4 percent, but, from a look at the development of Sino-Mexican trade over the past several years, we see that this is fairly rapid progress. In 1972, when the two countries established diplomatic relations, their trade volume was only worth \$12.99 million, and by 1991 it had grown to \$233 million, and what is of chief importance is that the two

countries' commodities have a fairly large complementary nature, and there is still a very large potential for development of Sino-Mexican trade.

Because Mexico has a stable political situation, has a steadily developing economy, and has a special geographical position and other superiorities, our adoption of a pluralistic, open trade policy can become a factor for promoting the further development of China's economy in Mexico's market and in the Central and South American markets, as well as play an irreplaceable radiating role toward American and Canadian markets.

Since President Salinas assumed power in 1988, Mexico has taken a series of measures to develop its economy: domestically, it cut back on economic intervention, promoted the privatization of state-run enterprises, reduced the income tax, stabilized the currency, and tried to achieve a balance of revenue and expenditure; abroad, it pursued trade liberalization, lifted foreign exchange controls, lowered tariffs, and transformed the closed economy into an open economy. After four years of effort, success has been seen in Mexico's economy. This year's inflation rate will be about 10 percent. From 1989 to 1991, the gross national product (GNP) grew on average 3.8 percent. The favorable turn for the better in the economic situation without a doubt has greatly improved Mexico's investment climate. It is advantageous for China's investment in Mexico, giving China the possibility that, through the production by the enterprises it has invested in in Mexico, there will be produced products with Mexico as the original producing area; thus, China will infiltrate the North American market.

The following situations can be considered in China's investment in Mexico:

1. Investment and cooperation in machine-building equipment will integrate bilateral, multilateral, and entrepot trade and will open the North American market. Mexico wants to become a major industrial power before the end of this century, and therefore it needs to import a large amount of construction materials. Mexico's machine-building industry is comparatively backward, especially its heavy machine building; every year it needs to import about \$3 billion worth of electromechanical products, and therefore in this aspect there is a very large potential for Sino-Mexican economic cooperation.

2. In the high-tech products aspect, there is also a very large potential for Sino-Mexican cooperation. Mexico is the weakest country in NAFTA, and it worries that, because of its deficiency in technological and economic strength, certain enterprises will be squeezed out by America and Canada, and therefore it hopes for cooperation with China in importing advanced technology and in producing high-quality products that will infiltrate the North American market. Because the agreement's provisions prevent entrepot trade, if the two sides cooperate in production, making use of China's raw materials and

parts to carry out intensive processing, especially making use of China's high technology to improve product quality, this will make the products, after an increase of a certain add-on value, Mexican products that infiltrate the North American market.

3. Make China's traditional commodity production part of the investment. China's light industry, textile, and handicraft products enjoy a superiority on the Mexican market, e.g., in shoes, bicycles, toys, and ready-made clothing. The share of the sports equipment market taken by Chinese mainland and Taiwan firms, in one year rose from 7 percent in 1987 to 15 percent in 1988 (including commodities entering the Mexican market through American channels), and therefore in this aspect the prospects for investment and cooperation are good.

4. Use the relevant provisions of the original producing area's regulations to develop our textile industry. With regard to those commodities for which the original producing area's provisions are strict, they can be mainly sold on Mexico's own market; as those that are relatively not strict, after appropriate processing and an increase in add-on value, they can be put on American and Canadian markets. Textiles are China's main export commodity. But the original producing area's rights are very strict, and they demand that the side in which the fibers are produced and processed be considered the original producing area for the products. For this reason China can only sell its textiles to Mexico, which in turn sells them to Central and South America. But in the provisions silk and flax fabrics are exceptions; China also enjoys a superiority in these products, and the North American region needs them. For this reason there are good prospects for enhancing investment and cooperation in this aspect. We can use silk and flax fabrics produced in Mexico as products of the original producing area.

5. Grasp the opportunity to run well investment enterprises in the client processing industry. The client processing areas of northern Mexico are the forward zone for Mexico's communication with America. To promote its exports, the Mexican Government once formulated a series of preferential policies for the client processing industry. However, following the implementation of NAFTA, the original preferential policies will vanish. For example, beginning in 2001, the client industry's drawback policy will be revised, eliminating the temporary importation of machine-building equipment for the client processing industry; the original producing area's provisions will be strictly implemented under NAFTA, and in the first seven years in which the agreement is implemented the entire client industry will still carry out the provisions of the original policies. For this reason China should, in these seven years, chose well investment projects at suitable times. For example, the client processing enterprises already being run should get a tight grip on this transitional period, thereby letting the enterprises obtain their deserved economic returns.

### Market Share in U.S. Surpasses Taiwan

93CE0427A Beijing GUOJI JINGMAO XIAOXI  
[INTERNATIONAL TRADE NEWS] in Chinese  
16 Mar 93 p 1

[Article by Huang Futao (4106 3940 7290): "Last Year Mainland's Share of U.S. Market for First Time Surpassed Taiwan's"]

[Text] According to reports from foreign news agencies, Taiwan economics officials on 9 March announced that last year the mainland's share of the U.S. market for the first time surpassed, the mainland's share being 4.87 percent and Taiwan's share being 4.68 percent. These officials said that the mainland has become Taiwan's main competitor in the U.S. market.

They warned Taiwan manufacturers that they should review the industrial structure and develop high-grade, high-tech products, because the mainland, in the aspect of labor-intensive export products, is gradually prevailing over Taiwan.

In the period 1987-1991, Taiwan's share of the U.S. market fell from 6.07 percent at the beginning of the period to 4.7 percent at the end of the period, and the mainland's share rose from 1.55 percent at the beginning to 3.87 percent at the end. In 1992 Taiwan's share of Japan's market fell from 4.95 percent to 4.09 percent, and in the same year the mainland's share rose from 4.95 percent to 7.28 percent.

In 1992 Taiwan's trade surplus with America fell 5 percent, to \$7.8 billion, the lowest level in eight years. In 1992 Taiwan's trade deficit with Japan sharply increased 33.4 percent, setting a record of \$12.9 billion.

America is Taiwan's biggest buyer, and Japan is Taiwan's biggest supplier.

## POPULATION

### Male Chauvinism Hinders Family Planning Program

93CE0381A Beijing ZHONGGUO RENKOU BAO  
in Chinese 1 Mar 93 p 1

[Article by Wu Cangping (6762 3318 5493), Professor, People's University of China, and Assistant Director of the CPPCC's Population Group: "Vigorously Promote 'The Husband's Responsibility for Family Planning'"]

[Excerpts] In 1991, I wrote a short piece for RENMIN RIBAO entitled "In Family Planning, the Man Is Also 'Half the Sky.'" In 1992, in the closing statements from the final session of the CPPCC's seventh plenary meeting, I further proposed the widespread propagation of the "husband's responsibility for family planning." The second proposal struck a sympathetic chord

throughout society, because it clearly reflected the broad masses of the people, especially the heartfelt feelings of women. [passage omitted]

Normally, family planning popularization and education is aimed entirely at women; with 90 percent of family planning measures falling on women, and women having to bear virtually all the responsibility for implementing the basic national policy on this, it is senseless to say that our family planning work is being done well. [passage omitted]

In the macroeconomic view, in the rural areas of China, husbands are generally of a higher cultural level than wives. Husbands usually have better comprehension of the necessity, importance, and urgency of China controlling the population growth. Therefore husbands should take the leading role in implementing birth control in the family. From the "half the sky" view, 90 percent of our leaders at all levels are men, and if they are not "vocal revolutionaries" when it comes to birth control, practicing what they preach, it can influence and spur on their leadership to a large degree. The force of example is limitless, as is the role of the male in "half the sky." The saying, "family planning is very difficult, but leaders stressing it is not" sums up the decisive role that men can play under "half the sky."

The real intent of birth control is to plan families (births). For this reason, taking a macroeconomic view of each couple, husbands should have the same responsibility as their wives for contraceptive measures and decreasing the number of unplanned pregnancies, perhaps even greater responsibility. A husband's awareness concerning family planning has a major impact on its effectiveness. It is common knowledge that the PLA, by stressing the role of the male, has had outstanding achievements in its family planning work. In Sichuan, our most populous province, with the highest proportion of male ligations in the country, there has been a huge decrease in the number of unplanned pregnancies. This is a model for "the husband's responsibility for family planning."

Advocating "the husband's responsibility for family planning" has even more profound significance for society.

**First, it will aid in bringing about true equality of the sexes.**

Chinese men and women are equal in government and law, but still not truly equal in society and in the home. In the realm of family planning, "male superiority and female inferiority" applies even more. When it comes to having children, a wife submitting to her husband's will is by no means an isolated case. Many surveys of people's aspirations concerning birth have demonstrated that wives who express their true feelings in the matter have a strong preference for small families, but in those instances of large families or unplanned pregnancies, the majority of these were the fault of the husband. Women's tendency to prefer smaller families is due to the fact that

so much child-bearing, parenting, and nurturing adds to the yoke their bodies must bear, and especially their wanting to avoid the burden that "birth avoidance" and a stream of people would add to their minds and bodies. Even though some women expressed a desire for large families, the majority of these were going against their own beliefs due to the pressures of family, clan, and the customs of traditional society, as well as their economic dependence upon their husbands. A husband's assumption of responsibility in family planning also implies that he respects his wife's feelings in the matter, that he will try to avoid unplanned pregnancies, and that he will help his wife in her education, job-seeking, and economically, so that she can have a feeling of equality and self-worth.

**Second, it will help in creating a harmonious and stable family life.**

Family planning in China is not an expedient measure: birth control has been recommended to couples for 20 years. If a husband cannot understand and cooperate in practicing birth control, his wife will be under a great deal of pressure. If unplanned pregnancies and resultant remedial measures are totally the wife's responsibility, it not only can injure her mental and physical health, it can also be detrimental to solid family relationships. According to birth control surveys in China, 90 percent of the birth control measures here are practiced by wives, with husbands taking the initiative in only 10 percent of the cases. This compares to foreign husbands assuming the initiative in 30 to 50 percent of the cases, a considerable gap. The explanation for this low feeling of birth control responsibility in Chinese men is that the concept of male superiority and female inferiority is still deeply ingrained in China.

**Third, it will help raise the quality of the population.**

It is obvious that male assumption of responsibility in family planning will help safeguard the mental and physical health of the female. There are two key points to family planning: one is the control of population size; the other is raising the quality of that population. The constitution of the International Planned Parenthood Federation lists as one of its basic goals that parents take full responsibility for their children, and that a child's healthy growth to maturity not be inhibited by being part of a large family. Therefore, the "responsibility" in a "husband's responsibility" should extend smoothly into better child-bearing, better child-rearing, and better education. There is no substitute for the husband taking responsibility in his family for nurturing and rearing the children, especially since the father's teaching by example is more important than his teaching by word of mouth.

In addition, objectively giving wide publicity to the "husband's responsibility for family planning" will create a demand that husbands and fathers assumption of such a role is both responsible and civilized. This sort of mood throughout society will bring the pressure of

public opinion to bear on the cynics among co-habiting unmarrieds, unwed parents, and those who marry and have large families early.

### Problem of Floating Population

93CE0381B Beijing FAZHI RIBAO in Chinese  
3 Mar 93 p 1

[Article by Zhang Ya (1728 0068): "Where Is the 'Labor Tide' Going?"]

[Excerpts] Like the movements along a sensitive nerve ending, the "labor tide" has once again resulted in a series of chain reactions, and is once more a popular subject of street gossip. Opinions vary on the reasons for it. [passage omitted]

For many years, the natural job-seeking path for an expanding rural labor force was the land as a way of life. A self-sufficient natural economy and traditional agriculture confined many hundreds of millions of peasant laborers to the land. "Peasant" became a firm occupational title, as well as the occupational legacy passed on to one's descendants. Reform of the rural economic system has liberated the rural labor force. But a grim reality is that there is a serious surplus of rural labor.

The "labor tide" is the result of the market system producing a surplus labor force, which is moving to developed areas, where it can fairly easily merge into other key production forces. Behind the "labor tide" lies a prominent contradiction: on the one hand, there is a serious surplus of labor in China's rural areas, and following the industrialization pattern of the developed Western nations, a large contingent of this massive rural labor surplus should be migrating to the cities to find work; but at the same time, China's urban work force is also seriously in oversupply, with an annual urban unemployment rate of approximately 2 to 3 percent. This makes any significant migration of the rural labor surplus impossible. [passage omitted]

On 26 January 1991, the developmental research centers of the Ministry of Labor, Ministry of Agriculture, and the State Council jointly issued a proclamation which marked the beginning of an experiment of great practical and historical significance. This was "China's Rural Labor Development Job-Seeking Test Project"; namely, select certain provinces and counties as test sites for the development of various tests to improve rural job searches. It summarized the achievements and methods of various localities in actual practice and publicized these nationally, as well as the programs, policies, and regulations they had formulated through research. All of this was to promote the development of rural job searches.

At present, these several tens of test sites and related sites have amassed considerable experience: some have organized labor contracts working on barren hills, water

surfaces, afforestation, and breeding fish; some are practicing meticulous farming, raising the level of agricultural intensity in the process; some are practicing courtyard economics, utilizing the labor force at a time when there is a large labor surplus. Some are maximizing their superiority in resources to develop dragon industries in production, processing, and sales. Some have organized the labor force to engage in commerce in developed areas, and then bring back with them technology and accumulated funds which will further develop rural enterprises. [passage omitted]

In the course of implementing a socialist market economy, functioning as a dynamic factor in the forces of production, the labor force must be spurred by the market mechanism. Particularly dynamic is the movement among dissimilar regions, industries, and enterprises. To produce the more orderly situation which makes this sort of movement possible, we should as soon as possible perfect the role of the labor force as a factor in building the market, steadily building and amplifying the regulations, and using them effectively. We should at the earliest possible time establish and perfect local service markets, to strengthen coordination of interprovincial labor services.

Look, please, at the "south central model." In 1989, 1990, and 1991, Guangdong bore the brunt of three great assaults of "labor tides." How did they deal with this? It obviously wouldn't do to just sit by and watch passively. They began by grasping the situation at the source. In October, 1991, the Guangdong Department of Labor took the initiative in reaching agreement with Sichuan, Hunan, and Guangxi to coordinate the prevention of "labor tides." This established labor service coordination relationships, mutually circulated labor service supply information, and set a date for holding a coordination conference. Around spring festival, the usual time for labor moving into the province, they used a variety of dissuasive measures, including newspapers, radio, television, and posters, to publicize widely the "Notice Regarding the Prevention of Labor Entering Guangdong To Seek Employment." They also used such means as work permits to prevent laborers from blindly leaving other areas. Guangxi sent people to Guangdong to persuade older workers to not bring new workers with them when they returned to their work in Guangdong. These measures achieved obvious successes in a very short period of time. Later, this labor service coordination was expanded to include Guizhou, Anhui, Jiangxi, Hubei, and Henan, forming a south central labor service coordination region. At present, there are two more embryonic labor service coordination regions: the Shanghai-Nanjing-Hangzhou coordination region, and the Beijing-Tianjin-Hebei coordination region. [passage omitted]

In July, 1985, the Public Security Bureau issued "Concerning Temporary Measures for Control of Populations Temporarily Resident in Urban Areas" (abbreviated below to "Temporary Measures"). This chiefly set out what was required of temporary urban residents from the standpoint of controlling residence and public security.

However, as the times change, management of the temporary population has revealed some obvious loopholes: one is that the regulations are imperfect, and the "Temporary Measures" can be applied only among the populations of cities and market towns. But right now, in the Pearl River Delta, and in southern Jiangsu, in some administrative villages and villages of the Daqiu Zhuang class, the present cannot be compared with the past: the development of industry, commerce, and service industries has resulted in these areas attracting a considerable temporary population; the public security problem is growing more complex by the day, but there are no laws which can be relied upon to deal with control of this temporary population. Second, the control organizations are imperfect. The work involved in controlling the temporary population is broad in scope, numerous in aspect, multiple and diverse, with very strong policies. At present there is only the Public Security Bureau "going it alone," which of necessity creates an uncontrollable and difficult situation. The third is that there no guarantee of funds to carry out this control, so the work is hard to develop. Fourth is the lack of unified leadership and coordination, with control dispersed among various departments. This makes it very difficult to change the present passive management situation. [passage omitted]

#### Newly Emerging Population Model

93CE0381C Beijing ZHONGGUO RENKOU BAO  
in Chinese 26 Feb 93 p 1

[Article by Lu Xiaobin (0712 2556 2430): "China's Population Model Changing; Average Age of Population Is 28.7, With 5.7 Percent Over Age 65"]

[Text] With many years of family planning work effectively bringing its excessively rapid growth under control, China's population has gone from a youthful model to an adult one. In 1992, the average age of the Chinese population was 28.7 years, with 27.1 percent of the population consisting of children under the age of 14. The silver-haired elderly, those over the age of 65, made up 5.7 percent.

At present, a young population model is generally taken internationally to be one in which more than 30 percent of the population is youthful, and less than 5 percent is elderly, while an elderly population model is one in which the elderly compose more than 7 percent. There are four Chinese provinces and municipalities which have a elderly model: 10.6 percent of Shanghai's population is over 65 years of age, as is 7.8 percent of Beijing's, and 7.0 percent of the populations of Jiangsu and Zhejiang. An aging population carries with it a variety of problems which are increasingly receiving the attention of government and society.

Further investigation has shown that China's total supporting coefficient is now 48.9 percent, which is to say that every two working years of the population are supporting one year of nonworking population. This is

the lowest total supporting coefficient in the world. If this figure can be kept that low, it will be of massive benefit to societal and economic development.

## AGRICULTURE

### Price Control System for Agricultural Products

93CE0406A Beijing JINGJI RIBAO in Chinese  
19 Mar 93 p 7

[Article by Wang Fu (3769 6346), Zhang Shusen (1728 2885 2773), and Yu Peiwei (0060 1014 0251): "Set Up and Perfect Price Regulation and Control System for Agricultural Products"]

[Text] Since the beginning of 1992, following the acceleration of economic reform, the reform of agricultural product prices has also experienced a new period of upsurge, which could also be called entering the stage of "storming fortified positions." The idea that the state fixes prices for a small number of important agricultural products has been "breached"; for important agricultural products, including grain and cotton, the direction of reform is toward loosening prices, loosening management, and effecting market regulation. Thus the setting up of a sound macro regulation and control system for the prices of agricultural products seems more urgent.

1. Set up a system of purchase price protection for main agricultural products. Generally speaking, the comparative profit from staple agricultural products is fairly low, and these products need price supports. With regard to the formulation of the principle of purchase price protection, in line with the experience of all countries, protected prices depend for their formulation on production costs, incidental costs, trade conditions, international prices, the country's economic condition, and other factors. Focusing on China's specific circumstances, we think the protected purchase prices should be formulated on the level that compensates production costs and be slightly lower than the profit on a normal harvest; at the same time, we should take into consideration the state's financial administration's ability to bear the prices, which should be formulated on the principle of being beneficial to the optimum production mix. In the near future they must be appropriately linked to the level of the prices originally set by the state. With regard to the scope of the protected purchase price for grain, it should include that part that was originally put under the state's special quota system and that part that was put in the state's special-item reserve. These two parts account for more than two-fifths of the total amount of the grain commodity. If, during the process of actual implementation, the situation is fairly good, then these two parts of grain will be effectively protected, and this measure will play a fairly good role. After our analysis and study, we concluded that for edible oil and cotton one-third to one-half of the total amounts of these commodities should be protected. In the future, following the gradual improvement of economic conditions, the scope of coverage for protected commodity prices can be expanded

and the number of protected varieties can be increased; there must be a gradual trend transition to a price-support policy.

**2. Set up a funding system for regulating the prices of agricultural products.** To implement the measures for protected purchase prices on agricultural products and the measures for the necessary time-limit prices on them, we must set a funding system for regulating the prices of agricultural products, as an economic way for the government to regulate and control prices and to level off or keep down price fluctuations. Some areas have now set up a fund for regulating the prices of nonstaple foodstuffs and a fund for regulating the price of grain in an attempt to get some successful experiences. But existing problems have also become very prominent. In line with the experiences here and abroad, and looking at the situation in practice, there are two things that must be clarified: first, the source of money for the funds for price regulation must be ensured and put in the budget; and second, only at two levels—center and province—must the funds be set up, and localities below the province level need not set up the funds.

**3. Set up a sound system for agricultural product reserves.** The role of a reserve system in ensuring supply, balancing supply and demand, and leveling or keeping down price fluctuations is widely recognized by people. The Chinese government has begun or is beginning to set up reserve systems for the main agricultural products. In this respect there are two principal questions, i.e., at what levels of government are the reserves to be set up and how is the appropriate measures of the reserves to be determined. Our opinions are: 1) In setting up the reserve systems at the two levels of center and province, the focus should be on the center, because the agricultural products reserve systems not only can be used to make up the difference in surplus and deficiency between bumper harvest years and poor harvest years, but also can be used to make up the difference in surplus and deficiency between regions. For regions that are narrow and small, the effect of setting up reserve systems is small. Because the regions in China are vast, there are fairly big differences in the situations between regions, and keeping reserves at the single level of the center would make it difficult to meet the needs of all localities. Also, under the current system in which the center and the locality "eat in separate dining rooms," to only concentrate the center's financial resources would make it fairly difficult to set up a complete reserve system, and at the province level we need to setup reserves to act as a necessary supplement. At the city or county level there is no need to set up reserves. Putting a reserve at the county level would be an unwise policy decision in which investment would be large and results poor. 2) Determine the appropriate scale of the reserves. On this issue there are now many opinions. Some propose that the volume of the reserves be determined on the bases of the largest annual increase or decrease of output; others say that it would be comparatively suitable for the volume of the reserves to be about 20 percent of the volume of

sales; still others propose that the determination of the appropriate scale of the reserves be based on the factors of the products' production interval and consumption volume. We think that, because there is a definite difference in the situation between supply and demand of the main agricultural products, the criteria for judging the appropriate scale are also different. The problem of the reserve volume of products such as grain and edible oil that have a fairly strong self-sufficiency in output is fairly small; for products that have a high commodity rate, like cotton and sugar, the proportion of the reserve volume in the total output should be somewhat larger. With regard to the appropriate scale of the reserves of grain and edible oil, we must give full consideration to the principal factor of the length of their production periods, the amount of their consumption, and the size of their production fluctuations, as well as their situations in import and export. We maintain that it would be suitable for the national grain reserve volume to be maintained at 20 billion kilograms, and not be less than the turnover use of grain in half a year by the whole country; would be suitable for the scale of the cotton reserve to be maintained at 40 to 50 million *dan*; and would be suitable for the total oil-bearing crops reserve be no less than 3 billion *jin*. We also maintain that the existing reserve systems for sugar, flue-cured tobacco, and pork must be further perfected. The producing areas and the marketing areas for the reserves of the main agricultural products must bear a certain responsibility for all of this.

**4. Set up and perfect an agricultural product marketing system with the wholesale market as its center.** In recent years there have appeared in China's rural areas a large number of many forms of the primary market for agricultural products, and the momentum of their development is still very powerful; at the same time the central and local governments are also preparing to establish a number of national and regional wholesale markets. This has played a strong promotional role in guiding the prices of agricultural products and in giving impetus to the growth of markets, thereby both invigorating the markets and being of fairly large benefit to the peasants. However, in this there also exist many problems, e.g., some regions blindly pursue the quantity and ranking of wholesale markets, the business of some regional wholesale markets is weak, and their business volume is small and even inferior to that of a primary market; spot transactions are given priority, and there is a lack of long-term contracts. In the future we must, in perfecting the functions of wholesale markets, make a big effort to display their latent capacity. On the basis of spot transactions, there should be a gradual development toward long-term contracts and toward futures markets. The supervision and control system is one of the important parts of market building, and we must strive to perfect this system. We must perfect the various rules and regulations so as to standardize the agricultural product markets; and we must also set up an information network system for agricultural product prices, giving full play to its guiding role for the markets. At the same time

we must provide a basis for the government's policy decisions in regulating and controlling market prices.

**5. Improve the measures for regulating the import and export prices of agricultural products.** China's seat as a GATT signatory state will soon be restored. The import-export trade and prices of agricultural products face new problems. Because China's efficiency rate in agricultural production is low, after China rejoins GATT the domestic markets for certain products, like wheat, sugar, and edible oil, will be strongly pounded by international markets, and there will be a detrimental effect on domestic production. In this regard, besides formulating reasonable tariff rates, China must make full use of GATT's safeguard provisions. Drawing on the experience of the European Community in collecting variable import levies on imported agricultural products, China should formulate "threshold prices" for imported products in order to defend itself against international dumping policies and ensure the basic stability of its domestic market prices.

**6. Appropriately retain administrative intervention in market prices, and set up laws and regulations for the prices of agricultural products, so that the government's regulation and control of markets is put on the legal track.** With regard to the necessary administrative intervention

in prices, in many countries with developed market economies administrative intervention is still maintained. Japan has put into effect a stability zone system for beef, pork, some dairy products, silkworm cocoons, and raw silk, setting a certain price float size and also limiting by legal forms the size of change in the normal profit rate of commodity transactions, and formulating standards for reasonable price behavior. The businessman, under the indirect control of the government, sets prices himself. China's agriculture is still in a period of changing from a semi-self-sufficient state and heading in the direction of marketization. Under the circumstances in which market growth is still weak, it is highly necessary to retain an appropriate administrative intervention in market prices. With regard to a small number of important agricultural products on which prices have been loosened, the government must effect control by stipulating the way of making prices, the price difference rate, and the profit rate. On the other hand, the government must control the prices of agricultural products by fixing prices through legal forms, achieving a situation in which prices are controlled by law and administration is effected by law, thereby protecting fair competition, preventing price monopolies, and protecting the interests of producers and consumers.

### First Private High School in Beijing

93CM0229B Hong Kong TA KUNG PAO in Chinese  
2 Mar 93 p 14

[Article by Liu Ch'ang-chung (0491 7022 1813): "Beijing's First Private High School, Zhengze, Opens Up a New Route of Private Education for All"]

[Excerpts] One day in late 1992 the Zhengze Private High School at the eastern entrance to Nongzhanguan Road North in Beijing's Chaoyang District received a letter from a Ms. Huang in Ch'iku Township, Tainan County, Taiwan Province, saying that her son had graduated from junior high school and, upon consultation with the family, that she had decided to send him to senior high school at Beijing's private Zhengze high school. In consideration of the school's just having been set up with rented buildings and equipment, and that this woman's son would have no guardian and possibly many living inconveniences, school officials responded that he could temporarily not be admitted.

It is understood that since 1987, 360 graduates of the private Zhengze high school have been admitted to Chinese colleges and universities of all types. Of the school's 52 graduates in 1992, 42 are enrolled in colleges and universities, with another seven attending vocational high schools. [passage omitted]

The private Zhengze high school was formerly the Fujin Continuing Education school, a famous Beijing school before the cultural revolution, but closed down in 1967. It was reopened in 1987, and given permission by the Beijing Adult Education Bureau to run three senior high school grades. As it had no funding, its founder and current principal, Jia Weiyin [6328 4850 5419], put up 38 years worth of savings amounting to more than 17,000 yuan, and some of the school's other teachers also generously opened their pockets. While it had no building at first, renting several classrooms from another high school, its leases were very shortly cancelled because of underpayments, forcing it to move three times. But while its operating conditions were simple and crude, its achievements were remarkable. In five years of experimental operation, it graduated three classes of students with a college enrollment rate above 55 percent. In October 1992, the State Education Commission and the Beijing Education Bureau gave official permission for it to be founded as the private Zhengze High School, and to be included in China's universal education system. It was clearly set forth that except for being independently funded, staffed, housed, and equipped, it was to receive equal treatment with public high schools in all other areas, such as curriculum, educational system, and student status. Beijing Education Bureau Director Tao Xiping [7118 6007 1627] personally cut the ribbon at the opening ceremony for this first private high school in Beijing in four decades.

The private Zhengze high school's teachers were all recruited and hired through public applications, with all of its current 24 teachers being highly experienced senior

and top-level ones from various key Beijing high schools or educational research institutions. The president of the school's board of directors is the famous scientist Wang Junkui [3769 0193 1145], a professor at the Chinese Institute of Aeronautical Engineering with a PhD from MIT. [passage omitted]

The 42 graduates of the private Zhengze high school who were admitted to college in 1992 all had grade averages far higher than Beijing standards.

It is understood that the school employs the method of student-focused, teacher-guided, graded, and tracked education, with liberal input and strict output, to ensure the high quality of its graduates. Officials from the State Education Commission's Elementary Education Office visited the school recently to inquire into its teaching methods. The school now has a stable, high quality, and superior management and teaching staff. [passage omitted]

All who take the entrance exams to the private Zhengze high school are junior high school graduates, whose parents want them so much to be successful that they are willing to pay tuition that is dozens of times higher than that of public senior high schools to send them there. While most of them are from Beijing districts, suburbs, and outskirts, others come from provinces and regions, such as Sichuan, Yunnan, Zhejiang, Guangxi, and Hebei. Zhang Hui [1728 0565] from Sichuan, who earned the highest grade point average in the school's 1992 10th grade, says that "when she finished junior high in rural Sichuan, and heard that Beijing's private Zhengze high school's teachers were all famous ones, she came all the way to pursue advanced studies with them." The school's best 1992 11th grade student is Liu Nianqing [0491 1628 7230] from Yunnan, who wanted to become a scientist ever since he could remember, and says that "he likes this school because of its high rate of graduates going on to college." The school now has over 60 resident students.

It is understood that students at this school pay tuition and fees of 1,000 yuan RMB a semester. Principal Jia Weiyin says that by the end of 1992, the school had received over 200 mail or in-person applications. He divulges the following: While the school is private, it is officially listed in the ranks of Beijing's full-time priority high schools. Future applicants will have to observe the pertinent regulations of the Beijing Education Bureau, by taking the annual citywide uniform promotion examination, so that only the best qualified will be enrolled, and the school will no longer admit applicants on its own. [passage omitted]

Zhengze's founder Jia Weiyin is now 74 years old, having studied at Tianjin's private Nankai high school in his youth, and later graduated from Yenching University's Economics Department. Teaching is the profession that has kept him busy for almost half a century. Since the mid-1950's, he had run continuing education schools, which he had persisted in despite the problems involved,

finally founding a private school in his old age to realize a lifelong ambition. His achievements have been confirmed by the Beijing Government as breaking free from the traditional centralized state-run education model, breaking from the continuing education school pattern to a private one, and opening up a new route of private education for all.

It is understood that provinces and municipalities, such as Shanghai and Zhejiang, are in the process of consulting with the private Zhengze high school on setting up a nationwide private school association.

Also, it is understood that China currently has more than 1,200 private schools.

### TV Debate on 'Business Fever' Among College Students

93CM0229C Hong Kong TA KUNG PAO in Chinese  
10 Mar 93 p 15

[Article by Ma Ling (7456 3781): "What Is the Current Value of Intellect—A Beijing TV Debate on College Students Engaging in Business"]

[Text] The business fever among mainland Chinese college students is attracting increasing public attention, and people from all walks of life are talking about with a mix of praise and censure.

Those who are for it point out that having students play a direct role in society by engaging in business is of great benefit to developing students' skills, value perception, and intellectual options. Those who are against it say that once college students become infected with the smell of money, they are bound to become enchanted with it, just as if they had put on a pair of "red dancing shoes." They say that academics and money-grubbing are absolutely anathema.

Who is right and who is wrong? Opinions vary, and no consensus exists among academics, parents, and or even among students themselves.

However, the following phenomena are becoming further socialized: wherever college students gather, business is being discussed fervently; the sounds of telephone "beepers" are heard in classrooms everywhere; color TVs and refrigerators compete for space in crowded dormitories; and college students are increasingly regular customers at karaoke parlors, dance halls, and restaurants...

While observers of such phenomena are sighing, watching from the sidelines, praising, fretting, and acting indignant, college students still include the "dynamic" ones who are moving on and the "static" ones who are standing still. The movers are bustling around, buzzing with activity, such as looking for rolled steel, pumping gas, pulling handcarts, running errands for bookstores, editing programs, tutoring, and working by the hour. The inactive ones ignore the earsplitting thunder and lightning outside and calmly sit in their ivory towers, "singlemindedly studying the sages."

On Sunday evenings, Beijing University professor Liu Wei [0491 0251] and People's University professor Wei Jie [7614 2638] hold a spirited public TV debate on Beijing TV's "Night Talk" program about "The Current Value of Intellect," aroused by college students engaging in business.

Beijing University's Professor Liu notes the following: The job of students is to study and, in light of the current advocacy for respecting one's job, students should naturally respect their own academic studies. Those who go into business now will pay a heavy price for it later. Both parents and schools prefer pure students to the slick-haired, sharp-brained, money-grubbing crowd into which students are passively drawn and from which they find it hard to save themselves.

People's University Professor Wei points out that schools are also a functional part of society, which cannot escape society's rhythms. The current business fever among students is unlike the past political movements, certainly not drawing students in passively like swarms of bees. Once students begin to take part in public business activities, they acquire a new understanding of the knowledge they are learning. When they discover through application that their knowledge is inadequate, they are likely to study even harder. Instead of training more obedient eggheads, we need to emphasize turning knowledge into commercial value. Even the children of presidents and big shots go to work overseas. Our generation had such thoughts but could not translate them into reality when we were in college; why not subscribe to them now?

While Professor Wei similarly emphasizes that students engaging in business should do so only to a certain "degree," there remains no consensus on what such a "degree" should involve.

As Beijing University's southern wall collapses, so that intellect and markets become increasingly integrated, this business fever among college students will become even more of an "irresistible force," with observers acquiring a deeper understanding of it.

## NORTH REGION

**Inner Mongolian Children Depend on 'Project Hope'**

93CM0237A Beijing ZHONGGUO QINGNIAN BAO  
in Chinese 31 Mar 93 p 3

[Article by Du Yongtao (2629 8673 3447): "100,000 Pairs of Eyes Are Full of Hope—Recording 'Project Hope' Action in Inner Mongolia"]

[Text] Editor's Note: Since the China Youth Development Foundation initiated "Project Hope" in October 1989, local offices of this foundation or of "Project Hope" have been established in the 26 provinces and autonomous regions of the country. A large number of new and old Youth League cadres went into the countryside and mountain areas to render help to youths in impoverished areas who had been deprived of education. They went from village to village, household to household and brought back to school over 300,000 youths who been unable to attend school had for a time. Over the years, somewhat over 60 "Project Hope" primary schools have been built and taken into operation.

To promote more effective development of "Project Hope," to help all youths gain a better understanding of China's national condition, and to inspire determination and action in every Chinese for arduous struggle in the cause of education, we have decided to have a "Nation-wide 1993 Inspection Tour of 'Project Hope'" column in our special "Communist Youth City" section, beginning today.

Through this column we wish to extend our respect to all those who work so energetically to help children who would otherwise be deprived of an education.

Every day, at a time when most children are still asleep in the city, an 11-year-old peasant girl, Guo Meizhi [6753 5019 2655] of Hongjinta Village in the Jungar Banner of Inner Mongolia, starts her busy day.

Books are not what keeps little Meizhi busy; she cannot even write her own name. She is busy cooking vegetable dumplings for the whole family, weeding the fields, collecting firewood, tidying up their home, and sewing and mending.

Meizhi lost her father when she was seven, and her mother remarried and moved away. All that was left behind in this settlement was a lonely and dilapidated mud house and five little orphans.

At that time, Meizhi's older brother was 14. He and his 12-year-old younger brother were forced to stop going to school and pick up hoes instead.

Since last year, Meizhi's third brother and youngest brother, with help from the "Project Hope" Foundation in the autonomous region, finally managed to enter school. However, Guo Meizhi herself could not afford

the 40 yuan in miscellaneous costs and school fees, and remained tied to the kitchen sink.

Although Guo Meizhi's case is a particular tragedy, it is not unique. Statistical data provided by "Project Hope" of the autonomous region show that there are more than 100,000 children who cannot go to school because of poverty or other reasons.

Inner Mongolia is one of the less developed regions of the country. Of a total of 100 banners and counties in the autonomous region, 16 are poverty-stricken and are principal recipients of state support, while 26 poverty-stricken banners and counties are recipients of support from the autonomous region. Economic development in these poverty-stricken banners and counties basically hovers on the subsistence line. In 1992, total revenue in the autonomous region was only 3.7 billion [no currency unit given], while expenditure was over 5 billion, so that it has relied every year on a state subsidy of somewhat over 1 billion. Year after year 70 percent of the region's banners and counties depend on subsidies from a higher authority for their subsistence.

In the past few days, my investigations in Togtoh County and Jungar Banner have impressed on me that poverty in some of these remote mountain regions is not merely some abstract figure. If you have not seen it with your own eyes, you will perhaps never be able to realize the true meaning of the poverty of those dilapidated village huts and school houses. It is in these remote mountain regions that I saw the shining spark of "Project Hope" lighting up over those loess mountain slopes.

In the case of Li Guoqiang [2621 0948 1730], a pupil at the primary school of Huojiagedong Village in Nanping Township of Togtoh County, the family was extremely poor because of the father's long illness. Thus Li Guoqiang had to discontinue his schooling for some time. It was then "Project Hope" that returned this gifted pupil, a boy of good character, to school. Li Guoqiang's father, Li Yutang, [2621 3768 1016] tearfully told the cadre in charge of the "Project Hope" work team, "I shall show myself worthy of the financial help from 'Project Hope', and even if I am worse off and more worn out, I shall see to it that from now on my child will have an education."

Since July 1990, the Youth League's party committee in the autonomous region has received relief funds from the China Youth Development Foundation for the relief of 300 educationally deprived children. The committee has used these funds in the country's principal poverty-stricken banner and county, Aohan Banner and Togtoh County, to assist 300 children formerly deprived of education in returning to school. This was a prelude to implementing "Project Hope" in the autonomous region. At the end of the year, the autonomous region set up a "Project Hope" leading group and signed an agreement with the China Youth Development Foundation for establishing a "Project Hope" fund in Inner Mongolia.

By the end of 1991, "Project Hope" branches had been established in six banners and counties throughout the autonomous region, and these have helped a total of 1,000 educationally deprived children. In July 1992, with the approval of the Inner Mongolia Branch of the People's Bank of China, Inner Mongolia officially established a "Project Hope" Educational Assistance Foundation, headed by Ulan [3527 5695], deputy secretary of the Youth League's party committee. By the end of that year "Project Hope" branches had been set up in 42 banners and counties, with assistance given to 10,000 children. At the same time, the autonomous region established the country's first "Hope Primary School" in a pastoral area, in the Ongniud Banner of Chifeng City.

Since its initiation in Inner Mongolia, "Project Hope" has received the widest support and understanding from party and government, as well as from all social organizations and individuals in the autonomous region. The highest party and government leadership of the autonomous region has written dedicatory inscriptions and made financial contributions to "Project Hope." Bu He [1580 6378], chairman of the autonomous region's government, made a one-time contribution of 1,000 yuan to "Project Hope." Furthermore, he handed to "Project Hope" the entire monetary reward of 10,000 yuan received from the publication of the "Comprehensive Inner Mongolian Dictionary," of which he had been editor in chief.

On the afternoon of 19 June of last year, the Youth League's party committee in the Inner Mongolian Autonomous Region held an official ceremony for receiving donations. When Li Tianyou [2621 1131 0147], a cadre who had retired from the cultural affairs department of the autonomous region, heard of it, he came with his old wife and three daughters to the place where donations were received, and they made a total one-time contribution of 200 yuan. Each member of the family pledged to take care of one educationally deprived child and see that the child finishes primary school. The old man said, "This is a good thing, a charitable thing."

On the evening of 7 March of this year, the Inner Mongolian TV station broadcast a prime-time special—almost half an hour in length—entitled "The Loving Heart Calls You, Me, and Him." This depicted again the living conditions of educationally deprived children. The huge response to the film was unprecedented in recent years. Early the next morning, many people phoned in to the station, with some requesting a rebroadcast, and some asking for the address of the autonomous region's "Project Hope" Foundation. It was precisely through this film that the 11-year-old peasant girl Guo Meizhi of Hongjinta Village in Jungar Banner came socially reunited with the Inner Mongolian community.

Two days later, the "News World" section of the Inner Mongolian TV station received a letter from Zhang Ying [1728 4481], a 14-year-old girl in third grade (6) of the Baotou City Number 1 Primary School. In the letter, her

entire family expressed deep-felt sympathy for little sister Guo Meizhi's unhappy fate. Furthermore, the family wrote that they would accept little Meizhi into their family and help her finish school.

On 14 March, Zhang Ying and her whole class took Sunday to voluntarily go into the streets and solicit contributions. Each classmate wrote an encouraging phrase for little sister Guo Meizhi. They were indeed able to collect 204 yuan in donations, which they all turned over to the "Project Hope" Foundation in the autonomous region.

Dai Jinhai [2071 6855 3189], full-time secretary of the "Project Hope" Foundation in the autonomous region, was much moved, and remarked, "Even the most cold-blooded person will become warmed up when he experiences this." When this university student, who was assigned to the Youth League's party committee in the autonomous region, joined up with "Project Hope," he was from a government agency which had most of its personnel assigned to the countryside. In the words of these people, "We go to places where no one goes."

For the last two years, Chen Jie [7115 2638], secretary of the Youth League's Jungar party committee, toured all the settlements by bicycle to seek out and establish family conditions of children to be helped. At these settlements no one had ever heard of the assistance that would now be rendered.

When discussing the next phase of work, Ulan, deputy secretary of the Youth League's party committee and president of the "Project Hope" Foundation in the autonomous region, said that the government of the autonomous region has approved the issue of "Project Hope" lottery tickets worth a total of 6 million yuan. They are expected to be out in May. At present, the entire region's fund has only 400,000 yuan, which is pitifully little. Also, the "Project Hope" Foundation will be made into a special department of the Youth League's regional party committee and will have five persons assigned full time to handle its affairs.

Bayin Chaolu [1572 7299 2600 7627], secretary of the Youth League's regional party committee, and already in a grassroots leading position for a long time, has made a thorough study of the people's feelings at the grassroots level. Due to his work style of always thoroughly examining problems and doing a job, he had his eyes completely fixed on "Project Hope" as soon as he assumed his duties. He frequently said that "this is something that deserves to be pursued to the very end."

"Project Hope"—100,000 pairs of eyes are on you full of expectations!

"Because of the sun's light, every blade of grass hopes to be able to see the horizon."

**Ulan, female, 31 years old, Mongolian nationality:** She joined in 1978 and worked successively in the Youth League's Baotou City party committee and the Youth League's party committee of the Inner Mongolia Autonomous Region.

She now holds the positions of deputy secretary of the Communist Youth League's party committee of the Inner Mongolian Autonomous Region, deputy secretary of the Young People's Federation of the Inner Mongolian Autonomous Region, and president of the "Project Hope" Foundation in Inner Mongolia.