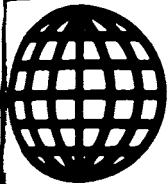


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# **China**

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No 7, 1 April 1988

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7 June 1988

[Translation of the semimonthly theoretical journal HONGQI of the Central Committee of the Communist Party of China published in Beijing; boldface passages as published]

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No 7, 1 April 1988

**Zhao Ziyang Makes a Work Report at the 2d Plenary Session of the 13th CPC Central Committee—On the Major Work of the Central Political Bureau in the Past 4 Months and More and the Ideas and Arrangements for Further Implementing the 13th CPC National Congress' Guidelines in the Future**

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[Text] On behalf of the Central Political Bureau, Zhao Ziyang, general secretary of the CPC Central Committee, delivered a work report at the 2d Plenary Session of the 13th CPC Central Committee on 15 March. In this report, he talked about the major work of the Central Political Bureau in the past 4 months and more, as well as ideas and arrangements for further implementing the 13th CPC National Congress' guidelines in the future. In particular, he pointed out that after the 13th CPC National Congress, the whole party's central task has been to let reform play a dominant role in overall work and organize efforts to implement the resolutions of the 13th CPC National Congress.

Zhao Ziyang's report consists of six parts, namely: 1) On the Succession of the People's Congress and the CPPCC; 2) On the Economic Situation; 3) On Speeding Up Economic Development in Coastal Areas; 4) On the Formulation and Implementation of the "Enterprise Law"; 5) On Party Building; 6) On Social Consultation and Dialogue.

Talking about the succession of the People's Congress and the CPPCC, Zhao Ziyang said: After conducting adequate deliberations and consulting with all democratic parties and groups, nonpartisan patriotic personages, all civic organizations and people from all walks of life, the Political Bureau worked out a namelist of recommended candidates for the state president and vice president, chairman of the NPC Standing Committee, premier of the State Council, chairman of the State Military Commission, and chairman of the CPPCC National Committee. It also came up with a namelist of the recommended candidates for the vice chairmen of the NPC Standing Committee, vice premiers of the State Council, vice chairmen of the Military Commission, vice chairmen of the CPPCC National Committee, president of the Supreme People's Court, procurator general of the Supreme People's Procuratorate, and state councillors. The Political Bureau considers the above candidates appropriate and submits their names to the plenary session for deliberation.

The personnel arrangement made at the 13th CPC National Congress was received favorably inside and outside the party, and was considered to be in conformity with the fundamental interests of the party and the

people, and to be an organizational guarantee for the fulfillment of the tasks presented by the 13th CPC National Congress. In other countries, the arrangement also received favorable responses and was regarded as testifying fully to political stability in China and continuity in implementing the reform and open policy. The namelist of recommended candidates for major state leaders was worked out through prolonged deliberations and overall consideration when making personnel arrangements at the 13th CPC National Congress. It is actually an important part of the overall personnel arrangement of the 13th CPC National Congress. Since this question is vital to the overall situation, the Political Bureau deems it necessary to submit to the plenary session for deliberation and approval. The Political Bureau demands party member-comrades attending these two meetings to exercise their democratic rights correctly and carefully, play their role actively, and exert their influence as party members, and join nonparty deputies and CPPCC committee members in making the two meetings a success.

The upcoming People's Congress will examine and approve the State Council's structural reform program, which was discussed at the Second Plenary Session of the Political Bureau. Comrade Li Peng will make a special explanation in the Government Work Report. Structural reform is an important task for reforming the political system laid down at the 13th CPC National Congress. This reform is still transitional in nature. The emphasis is not on reducing the number of government agencies, but on changing their functions. Newly established agencies or existing ones should concentrate on changing their functions, delegating certain powers to lower levels, streamlining their organs, reducing their staff, overcoming bureaucratism, and raising work efficiency. The Political Bureau demands that all Communist Party members working in the State Council, the party's senior cadres in particular, do their share earnestly in structural reform, and strive to create a new atmosphere in government work.

On the economic situation, Zhao Ziyang said: Last year, China's economic situation was fine. Major progress was made in reform and construction. The economic growth rate was fairly high and normal. Under the traditional system in the past, we had to sacrifice speed in order to achieve stability, and we tended to go blindly for the construction of large-scale projects if we wanted speed, which led to instability. Last year, a new situation began to emerge in China's economy, which was characterized by a combination of growth and stability. This was the result of upholding reform. There is much experience of our success that we should summarize and continue applying. The most valuable experience is that if we let reform play a dominant role in overall work, an economic situation will appear where invigoration of the microeconomy and control of the macroeconomy would facilitate each other; speed and good results would be gained at the same time; and reform, development, and stability would promote one another.

What will be the trend in the future? This year and for several years to come, can we maintain a fairly rapid and sustained economic growth while improving efficiency and ensuring a stable and balanced development? The Political Bureau considers it possible. The reasons are: First, intensification of reform of the economic system will continue to promote a smooth economic development. The institution of the contract system in enterprises, in particular, provides a fairly solid groundwork for achieving both speed and results. Second, China is in the transitional period when the people, now just having adequate food and clothing, are becoming well-off. With the changes in economic structure and the mushrooming of village and town enterprises, large numbers of agricultural laborers continue to switch to industrial production. This may generate a great momentum leading to a sustained growth of industrial production, even the national economy as a whole. Third, the international industrial setup is undergoing a major readjustment at present, when labor-intensive industries are shifting from developed nations to developing nations that have well-trained workers and where costs are relatively low. This helps to develop and utilize greatly China's labor resources, and affords a rare opportunity for China's economic growth. Fourth, while opening wider to the outside world, we may make use of the world market to exchange what it has with what it needs, make up for our deficiencies by borrowing other's beneficial experiences, and achieve a balanced economic growth. This would help change the situation in which the entire economic development is hampered by the shortage of certain goods. Fifth, despite the sabotage during the 10 years of the "Great Cultural Revolution," we managed to create good conditions for sustained development in the next 10 years, thanks to the nearly 10 years of preparation since the 3d Plenary Session of the 11th CPC Central Committee. Key construction projects in the energy, transport, and other industries completed during the Sixth 5-Year Plan, as well as the technologies imported during that period, have begun yielding results. Experience gained in construction and reform in recent years has also increased our foresight in work, and our ability to steer through complicated situations. In a word, we should and can do our work better in the future. We should further emancipate our minds, stabilize the economy, deepen reform, and further liberate China's productive forces.

As a developing country, China needs both economic growth and stability. Without economic stability, it is impossible to maintain a sustained economic growth and social stability. Without a certain level of economic growth, many contradictions will become more acute. In a word, we need both economic stability and growth. We need a better result as well as a fairly high growth rate. The two should be given overall consideration and properly managed. We should allow all localities to proceed from realities, and take measures appropriate to their local conditions to explore and master the best combination between the two. We should use the law of

value to stabilize the economy and promote its development, and analyze and tackle the new economic problems in accordance with the objective requirements of the law of value. To develop socialist commodity economy, we should master the law of value. Under the traditional system, it was impossible to learn the law of value even if we wished to. Now that the old system is being replaced by the new system, it is imperative to solemnly call on the whole party, especially party members who are responsible cadres in charge of economic work, to learn to swim in the ocean of commodity economy and master things which have been unfamiliar to us.

The most prominent question in the current economic situation is excessive price hikes. The focus of prices is on food prices, with which urban dwellers are most concerned. Last year the nation's retail price index rose 7.2 percent, of which 65 percent was caused by increases in the prices of farm and sideline products. The fundamental way to solve the problem of food prices lies in expanding agricultural production so as to increase the supply of farm and sideline products. In a large developing nation like China it is impossible to develop agriculture by relying on state investment alone. The most important thing is to learn to use the law of value in dealing with peasants and attract all available manpower, material, and financial resources to agricultural production. China's countryside has embarked on the path of commodity economy. Prices should send the message that can most effectively guide agricultural production. Fluctuations in the production and supply of farm products may result if peasants are misled by distorted prices, if prices are not readjusted or decontrolled as they should be, or if prices are suddenly raised to rush-purchase certain farm products or suddenly reduced to stop the purchase of some farm products. This will lead eventually to structural imbalance between supply and demand, as well as uncontrollable prices. Therefore, it is imperative that the misconception that stabilizing prices means freezing them be dispelled. We should follow these principles in price reform and pricing work: 1) Irrational prices that hamper the development of production should be consciously readjusted step by step, so that fluctuation in prices helps rationalize the production structure and produce mix. At the same time, unauthorized price hikes should be resolutely checked. 2) When prices of major food items go up, proper compensation should be given to workers so that the masses' livelihood is not affected seriously. We still lack experience in safeguarding the interests of both the producers and the consumers. We should explore actively this question in practice. Having solved the question of food prices, we should be able to create favorable conditions for reforming the entire price structure and price management system.

Part three of the report deals with speeding up economic development in coastal areas. Zhao Ziyang said: The strategy recently put forth by the Political Bureau for accelerating the economic development of China's

coastal areas is a national as well as regional strategy. The implementation of this strategy will facilitate the development of coastal areas; bring along the development of inland areas; and give great impetus to reforming the systems of foreign trade, science, and technology and finance, banking, and pricing, as well as enterprises. The implementation of this strategy will serve as an important link in fulfilling the construction and reform tasks set by the 13th party congress. Over the past 2 months the State Council has held a series of meetings to arrange for and implement this strategy. Some departments and localities have already taken steps and, focusing on this strategy, worked out reform plans and measures to improve their work.

There are many favorable conditions as well as difficulties in carrying out this strategy. In particular, great efforts must be made to orient production to exports and help Chinese goods enter the international market. At present there are serious incompatibilities in the foreign trade system, enterprise management, the quality of workers, and the integration of scientific and technological advance with economic development. These must be corrected. The key to implementing this strategy lies in reform.

The foreign trade system should be reformed boldly. The customs, import and export, and foreign exchange administrations should take the initiative to create favorable conditions and improve their work style. This is the way to facilitate foreign trade on a large scale and at any time so as to keep abreast of the sharp competition on the fast-changing international market. All regulations and work styles that go against this requirement should be rapidly overhauled. Concrete steps should be taken at this time to reform the foreign trade system. The main contents of the reform are all-round implementation of the contracted managerial responsibility system with regard to foreign trade and putting an end to the practice of allowing everyone to eat from the same big pot. Foreign trade enterprises should be given full authority over management if they assume full responsibility for profit and loss. When this is done it will be easy to improve coordination between industry and foreign trade and will lead eventually to a system whereby foreign trade corporations can act as agents for other enterprises in the export of their products. Meanwhile, we must not overlook overall coordination.

It is necessary to give full scope to the tremendous role science and technology can play in developing an export-oriented economy. Compared with a number of other developing countries, in China science and technology is a relatively strong sector. The problem is that integration of science and technology and the economy has not been solved well, and it takes too long to translate the results of scientific and technological research to productive forces. This situation will change as soon as science and technology is integrated into the lively structures of the village and town enterprises. For a period of time to come, village and town enterprises should be treated as

an important base for promoting the application of scientific research results. Scientists and technicians should be encouraged to take part directly in production by building vigorously a number of high-quality, export-oriented village and town enterprises in various ways, including the transfer of technologies for compensation, exchanging technologies for shares, managing an enterprise by contract, and so on. Large and medium-sized enterprises should play a key role in implementing the strategy for developing the economy in the coastal areas. When these enterprises have further invigorated themselves and further progress is made in reforming the science and technology structure the problem of integrating science and technology into the economy will be better resolved. In light of the existing conditions, the coastal areas should strive to develop high-quality and competitive labor-intensive products and integrated labor- and technology-intensive products for export. Long-term efforts must be made to develop technologically advanced industries actively and export more hi-tech products. In the final analysis, the success of the development strategy for the coastal areas depends on science and technology. China's science and technology resources should contribute as much in this respect as possible.

We welcome more foreign businessmen to invest in China. We should encourage more foreign businessmen to open wholly owned enterprises here. At the same time, we have to upgrade existing enterprises by establishing more Sino-foreign joint ventures and adopt advanced technology, managerial expertise, and sales networks. Experience in the past few years shows that letting foreign investors manage directly their wholly owned enterprises and allowing foreign businessmen to manage or play a dominant role in the management of Sino-foreign joint ventures and cooperative enterprises, according to international practice, has many advantages. The view that letting foreign businessmen manage our enterprises in accordance with law is "giving up sovereignty" is incorrect. We must change this view. Many enterprises in China are far behind those of the developed countries in the level of operations and management. Forcing their backward management methods upon Sino-foreign joint ventures, Sino-foreign cooperative enterprises, and wholly foreign-owned enterprises would inevitably turn these three kinds of partially or wholly foreign-owned enterprises into something that is neither fish, flesh, nor fowl and leave them neither dead nor alive. We would gain nothing if foreign businessmen could not make any money here. If we truly want to invigorate China's economy, we should consider these three kinds of partially or wholly foreign-owned enterprises training centers for managerial personnel. When we have truly mastered the foreign advanced managerial experience, we will also see an improvement in the management of our own enterprises. Our existing enterprises—advanced and backward ones—all have very great potential. Once management is improved, the labor quality and efficiency of their workers will also improve and their economic results will increase quickly.

Generally speaking, China must base itself on the vast domestic market, but the coastal areas are truly equipped to develop an export-oriented economy. Implementing the development strategy for the coastal areas does not mean the inland areas can do nothing to develop their own export-oriented economies. Nor is it absolutely required for the coastal areas to "put both ends of the production process [raw materials procurement and product marketing] on the world market," which, moreover, would take some time to do. The coastal areas can still use the resources the inland areas are capable of supplying. Coastal and inland areas should develop lateral economic cooperation energetically between them in order to tap inland resources. Many enterprises in the inland provinces are fairly well equipped technologically. They should fully develop their potential. We must take an all-round view with regard to these questions and analyze and handle them by seeking truth from facts.

Comrade Deng Xiaoping pointed out recently: In carrying out the coastal development strategy, we must act boldly, quicken our steps, and never let opportunities slip by. Speaking about questions of economic reform and development, he once again pointed out: When opportunities come, we must be resolute. This is the consistent and correct view Comrade Xiaoping has held in the past few years. He has always encouraged us to act boldly in carrying out reform and blazing new trails and not to be afraid of taking risks. What worries him is that we act hesitantly and become too cautious—that we may let opportunities slip by us. These considerations of Comrade Xiaoping are based on a scientific analysis of the current international and domestic economic and political situation. We will have much need of such Marxist insight and courage, and it will be necessary for us to have a sense of urgency when important opportunities for invigorating the economy knock on our door. We should implement this spirit conscientiously in the future as we carry out the policies of reform and opening to the outside world and of economic construction.

On the formulation and implementation of the "Enterprises Law," Zhao Ziyang said: The "State-Owned Enterprises Law (Draft)" was discussed at the Third Plenary Session of the Political Bureau in the middle of January this year. The NPC Standing Committee has distributed the draft for discussion by the whole people, to solicit their opinions. It has also made some revisions to the draft, which will soon be submitted to the First Session of the Seventh NPC for its examination and approval.

Why must we enact the "Enterprises Law" now? Because we are faced with this situation: Tremendous progress has been scored in reforming enterprises in recent years, the report to the 13th CPC National Congress shed light on many issues theoretically, and unanimous understanding has been achieved in many fields—this is point No 1. Point No 2 is that the achievements already made

in reforming enterprises need legal protection. Enterprise reform must climb another new step so that enterprises can truly become legal persons who can manage their own affairs with full authority and assume full responsibility for their profits and losses. All this also needs a legal basis. Point No 3 is: Although certain progress has been made in the past few years in reforming the leadership system in enterprises, relations of various types have not become completely rational. After enterprises gain more authority, things should be done strictly according to law, between the government and the enterprises and between one enterprise and another. In this situation the role of the factory director (manager) as the legal representative of the enterprise must be defined clearly. Therefore, the time is now ripe for the promulgation and implementation of the "Enterprises Law."

The gist of the "Enterprises Law" is the separation of ownership from managerial authority. First, there will be no change in the ownership of the state-run enterprises, which will remain in the hands of the whole people, but managerial authority in these enterprises must be handed over to their managers. Second, the managerial authority delegated to enterprises should be understood in a broad sense: It refers to the right to possess, use, and dispose of enterprise assets. All questions such as how the enterprises should operate and develop and how their assets can be transferred according to law—including the purchase of each other's shares, mutual investment, joint operations, and mutual transfer of assets—can be and should be decided by the enterprises themselves in accordance with the provision of law. All production and business operations of enterprises are legal unless they run counter to the "Enterprises Law" or other relevant laws. This should be used as a criterion when we judge whether that law is being implemented conscientiously.

In implementing the "Enterprises Law" it is necessary to carry out supporting reforms and improve and develop the contracting system in enterprises, which is an effective and widely applicable method of separating ownership from management at the present stage in China. This experience is gained through repeated practice. Right now, we must regard the mechanism of competition as a focal point in promoting the contracting system in enterprises and pay full attention to this point.

Through competition and contracting we will be able to train large numbers of capable, efficient, competent, and outstanding entrepreneurs who are imbued with a pioneering spirit and good at relying on workers. This is where the fundamental interests of China's working class lie. The system of enterprises that run other enterprises on a contract basis is a new development of profound significance in the enterprise contracting system. It reflects the principles of "selecting the superior and eliminating the inferior" and "enhancing strong points and eliminating weaknesses, protecting competition, and encouraging associations"—a principle that we have

promoted for many years. It is conducive to using economic means to break down the blockade between different areas and smash the barriers between different departments and regions. With the contracting system as the key, the enterprises should energetically apply the "full-capacity working method" and various forms of economic responsibility system and clarify the responsibilities, powers, and interests of all workers so as to tap the huge latent manpower, material, and financial resources there.

Arousing the initiative and creativeness of the broad masses of workers is crucial to implementing the "Enterprises Law." The 13th CPC National Congress has already clearly pointed out that no matter what type of managerial responsibility system is implemented, we must invariably pay attention to arousing the workers' initiative and creativeness. Right now, in building the democratic system at the basic level we must place emphasis on improving the system of workers' congresses and the trade unions in various enterprises. We must ensure not only that enterprise managers are able to exercise their managerial powers independently and with authority, but also that workers are able to enjoy their democratic rights fully and display their role as masters of their enterprises. This is a cardinal principle that we must follow in running socialist enterprises well, and a common task of each enterprise's director, the workers' congress, and the trade union. As for the trade union's status and role in each enterprise, the central authorities are studying and working on documents to be submitted to the legislative organ after being perfected through practice, so that they will become the relevant laws.

Separating the functions of the party organizations and management in enterprises is the core of the issue for implementing the "Enterprises Law." Under the law, the director is the legal representative of the enterprise, who plays the central role in it, and assumes full responsibility for it. The law reflects the party's views on enterprise reform at the current stage. In implementing the law, party organizations in enterprises must first of all ensure the establishment of the director responsibility system. They must act in strict accordance with the revised party Constitution as was adopted at the 13th party congress; that is, they will no longer provide centralized leadership as they did in the past. However, they will, through their role as the militant bastions of the party and the exemplary role of party members and by conducting ideological and political work among the masses, play a supervisory function, mobilize the workers, and ensure that the party's line, principles, and policies and the state's laws, decrees, and plans are implemented and that various tasks of the enterprises are accomplished.

With regard to party building, Zhao Ziyang said: While making important decisions on speeding up reform and opening up, the Political Bureau has also placed the issue of party building high on its agenda. The first Political Bureau plenary meeting adopted work rules for the Political Bureau of the CPC Central Committee and its

Standing Committee and the Secretariat. The establishment of a new work system for the central leading organs will be conducive to the strengthening of collective leadership and the implementation of the principle of separating the functions of the party from those of the government.

The Secretariat of the CPC Central Committee held two forums last December to discuss the issue of improving party work style. The general consensus is that we cannot understand this issue correctly, nor will we solve it correctly without reference to reform and opening up. Developing a socialist commodity economy through economic structural reform and developing socialist democracy through political structural reform will, once and for all, decrease the soil for unhealthy tendencies. This is the way to get at the root of the problem. We must conscientiously combine the structural reforms with strictly enforcing party discipline. We should start with the problems concerning structural reform about which the people have complained the most and for which conditions are ripe for solution, and solve them one by one in earnest. Efforts should be made to institute a system of public service and provide the people with the opportunity to compete on an equal footing. If this is done, unhealthy tendencies in personnel matters will be reduced. While implementing the "Enterprises Law," enterprises should carry out reform of the personnel system. It is necessary to uphold the system of holding elections with more candidates than the posts to be filled so that cadres are educated about democracy and subject themselves to supervision in a lively democracy. In connection with institutional reform, efforts should be made to overcome bureaucratism, improve work efficiency and work style, and open, as much as possible, the operation systems of the various government departments so that they can be subjected to the supervision of the people. It is necessary to speed up the reform with regard to the commercialization of housing in order to minimize the irrational phenomena in housing distribution.

With the development of a commodity economy, there rises a new problem which must be solved in earnest; that is, how to make party and government officials go on serving the people wholeheartedly and remain honest and clean. We should have a prosperous economy and clean party and government organs. To achieve this, educational work aimed at improving the overall quality of party and government officials should be stepped up; relevant regulations and legal systems should be perfected; the economic supervisory departments should be reinforced to keep a close watch on public servants; and wages of public servants should also be raised step by step with the development of production and the increase of state financial resources. We should attend to the establishment of systems in real earnest, which is, however, an undertaking that requires time. All communists must play the role of a communist, be the first to be concerned about their country and people and the last to enjoy themselves. Grave law-breaking activities, such as

abusing one's power to extort money, graft, embezzlement and betraying the nation's interests, must be dealt with strictly in accordance with law and discipline. Corrupt elements within the party must be expelled from the party. This is a matter of principle. On the questions of achieving economic prosperity and preserving the fine tradition of performing one's official duties honestly, the coastal areas should march ahead and create experiences for the nation. This is also an important part of the reform of the political structure.

The issue of curtailing the purchasing power of social groups strictly and combating the trend of extravagance and waste vigorously should be stressed here again. Right now, many government organizations, enterprises, and institutions indulge in extravagance and wastefulness, and parade their wealth. The masses are unhappy about this trend. It will be disastrous if we do not combat such a trend vigorously. It is not only for the purpose of saving money that we must combat such a trend. More important is the fact that we are doing so for the purpose of changing the general mood of society, maintaining ties with the masses, and filling people with enthusiasm to build enterprises through arduous efforts. From the central level to the localities and to the grass-roots level, all government organizations, enterprises, and institutions must bring into full play the fine traditions of building the country with diligence and frugality and building enterprises through arduous efforts, and attain notable results in this connection.

It is necessary to vigorously strengthen party building in various basic-level party organizations. The 13th CPC National Congress has called on grass-roots party organizations to carry out their day-to-day work in seven aspects; that is, they should "provide constant education, maintain strict supervision, carry out criticism and self-criticism, strengthen party discipline, expel degenerates, and properly handle those who are not entirely qualified for membership, admit excellent people, encourage healthy practices, and resist unhealthy ones." All this is of great significance in strengthening party building. For a long time, many grass-roots party organizations have been busy doing administrative work. They have no time to take care of this extremely important day-to-day work. With the development of economic and political reforms, tremendous changes have taken place in the functions of the grass-roots party organizations. They should concentrate their efforts mainly on building the party itself and, at present, particularly on improving its system of organizational life. Leading party organizations have the responsibility to guide grass-roots organizations in changing their functions, so that they do a good job in regular party work.

Party building should be strengthened so as to develop the socialist spiritual civilization as a whole. The reform and open policy call on us to further emancipate the mind and step up theoretical research, artistic creations, and other cultural activities to keep the society as a whole in a fine atmosphere characterized by lofty ideas,

high moral standards, good education, and a sense of discipline. In the past few months, the Political Bureau and the Secretariat have made arrangements to expand and deepen theoretical research regarding the initial stage of socialism and prepare for a theoretical forum marking the 10th anniversary of the 3d Plenary Session of the 11th CPC Central Committee and the Fifth National Writers and Artists Congress. They have also taken positive but careful steps to spur on the reforms in news media, publication, and literary and art work and to strengthen and give better guidance to the study of ideological and political work at grass-roots levels. All this work must be carried out in a down-to-earth manner with effective results.

The Political Bureau suggests that the party committees at all levels regard party building, which includes the strengthening of party building ideologically and theoretically, building of a contingent of cadres, improvement of party style and party discipline, and the development of grass-roots organizations, as an important item on their daily agenda and pay full attention to this item, and that they conduct investigation energetically and research and make preparations so that the central authorities may hold a meeting at an appropriate time to discuss issues in this connection alone.

The last part of the report dwells on consultations and dialogue. Zhao Ziyang said: Since the 13th CPC National Congress, many localities, departments, and units carried out activities of all forms for consultations and dialogue. In general, they have attained positive results.

The central theme of the consultations and dialogue is the correct handling of contradictions among the people. Under a socialist system, contradictions between interest groups still exist among the people, and the correct policy lies in timely and proper handling or mitigation of contradictions instead of sharpening or evading them. A great number of social contradictions can be solved by reforms. But, during the reforms, new forms of conflict and adjustment between different interest groups will arise inevitably. Therefore, at present and for a considerable time to come, consultations and dialogue should be held to ensure the smooth implementation of the various measures taken in the reforms, to mitigate social contradictions and consolidate stability and unity.

Social consultations and dialogues should be held at various levels.

It is not advisable to hold too many nationwide consultations and dialogues. Emphasis should be placed on major questions concerning reforms. The discussions by the whole people of the "Enterprises Law (Draft)" mentioned earlier can be considered a nationwide dialogue. From now on, opinions of the people from all walks of life should also be solicited before or after a decision is made upon such draft laws concerning major reforms, as



well as plans for major reforms such as price readjustment and reform of the labor and wage system. We should seriously hear the opinions of all concerned quarters and, together with them, analyze what is advantageous and what is not and work out the measures to be taken. We must speak the truth to the people of the whole country about major incidents concerning social stability, we must explain policies, and we must enlist the people's support and cooperation through extensive dialogues. In holding consultations and dialogues on major issues concerning China's political life, it is necessary to give full scope to the role of the CPPCC, the democratic parties and trade unions, women's federations, and communist youth leagues.

At present, local consultation and dialogue can be held mainly at the city level, with emphasis on questions related to urban residents' immediate interests—such as public transport, housing, education, social order, social guarantees [she hui bao zhang 4357 2585 0202 7140], commerce, services and environmental hygiene—to accelerate the settlement of these social problems.

Consultations and dialogues in the grass-roots units are an important part of the building of the democratic system at the grass-roots level and should focus on the questions with which people of the respective units are most concerned. Measures to be taken in reforms, working regulations and disciplinary requirements, production safety, and other issues important to employee interests should be settled through earnest consultations between leaders of the respective grass-roots units and their employees. Issues concerning the grass-roots units' welfare funds, housing distribution, and management of daily life facilities (such as dining halls, retail stores, public baths, and nurseries) should be discussed among the employees, and administration of them should be subject to procedures agreed upon by the employees. Democratic life, relations between the cadres and the masses, and supervision over the cadres should be the main topics for dialogue at the grass-roots units. In short, consultations and dialogues at the grass-roots level are channels through which people can fully air their views and a school for their self-education, self-administration, and self-service by which the socialist system of democracy at the grass-roots level can be further improved and perfected. The masses should also be consulted about the steps to be taken to make sure consultations and dialogues are conducted in a lively and effective manner and carried out persistently, and about how to gradually work out a certain framework and system for the consultations and dialogues. Leaders of the various grass-roots units should master the skill to enhance employees' enthusiasm and sense of responsibility through consultations and dialogues and work together with them with concerted efforts to solve contradictions and accelerate and improve the work of their units. They must never allow contradictions to pile up and affect society.

Consultation and dialogue should serve as channels of communication not only between the leaders and the people, but between various social groups as well. This is

vital to forming among the people a mechanism of checks and balances and to maintaining a political situation of stability and unity. The various mass organizations and representatives of all walks of life should be invited to take part in the consultations and dialogues at the various levels mentioned above. Consultations and dialogues between different industries and units are not yet common but should be earnestly encouraged.

In the future, there should be still greater openness in party and state affairs. This is a prerequisite for carrying out consultations and dialogues. It is proposed that the NPC, the State Council, and the various ministries perfect their spokesman system as quickly as possible so as to offer regular, substantial news briefings.

As the reform of the political structure gradually develops, there will surely be new developments in the contents and methods of social consultations and dialogues. Leaders at all levels and people in all walks of life should be made to understand that all consultations and dialogues ought to be conducive to maintaining order in the social and production fields. They should be carried out by taking the interests of the whole into consideration, encouraging equality, and enhancing mutual understanding and forgiveness for the purpose of finding an approach to solving contradictions instead of deepening and intensifying contradictions. They must be carried out after full preparations, in the spirit of speaking the truth and doing actual deeds instead of making empty promises, and by paying attention to immediately acting upon things that can be done instead of making perfunctory commitments. We should closely adhere to the party's basic line. In other words, we should persist in emphasizing the central task of economic development and the two basic points, namely, adherence to the four cardinal principles and implementation of reform and the open policy. We should steadfastly uphold the purpose of correctly handling contradictions among the people, adhere to the orientation of building socialist democratic politics, and cherish the enthusiasm of the people to take part in social consultations and dialogues. We should find the pattern of consultations and dialogues through practice, raise their effectiveness, and sum up experience in order to gradually develop a system of consultations and dialogues.

**Several Questions Concerning Speeding Up Rural Modernization—Part of a Speech Delivered at the Tianjin Municipality Rural Work Conference on 9 February 1988**

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[Article by Li Ruihuan [2621 3843 3883]; passages in boldface as published]

[Text] During the first 10 days of January, to make preparations for the rural work conference of Tianjin municipality, we sent some comrades to the suburban counties to make certain surveys. In the places they

visited the cadres and masses said that they hoped some major ideas would be clarified and major policies worked out at this conference on Tianjin's rural development. This has also been a major problem under consideration by the municipal party committee in recent times. At present, the development of the rural economy is faced with the new situation of how to accelerate its pace and forward advance. Many questions have yet to be correctly answered. After repeated consideration the municipal party committee has set out a principle and orientation for this development in light of Tianjin's realities and that is to put more stress on speeding up rural modernization in our city. This is not a slogan but a guiding policy, a strategic arrangement, and a concrete measure. From now on we must really shift the focus of our work and ideological concept to speeding up rural modernization. All work in the suburban counties should be arranged and carried out in an all-round way centering on this objective.

**Why should we put forward the question of speeding up rural modernization at present? This is decided by the current rural situation and demanded by the long-term development of the rural areas.** At present, the rural situation throughout the country is very good, as is the situation in Tianjin. A good trend of stable and continuous development has been maintained in the rural economy for a considerably long time. Especially in the second step of rural reforms, many helpful explorations have been made and some substantial progress has been achieved. We often say several fundamental changes have taken place in the rural areas. For the suburban counties of our city this is mainly represented by the trend of continuous and deep-going development. The rural commodity economy has made a further step forward on the basis of development in the past few years. The production structure in the countryside has been further readjusted and a new situation characterized by the overall development of agriculture, forestry, animal husbandry, sideline production, and fishery, and by a diversified economy including agriculture, industry, commerce, construction, and transport which has been initially created. Some new changes have taken place in various rural economic sectors and a new pattern characterized by the coexistence of various economic sectors and diverse forms of management, with public ownership as the main body, has been established. We can say that through our efforts over the past few years the frame for a new rural economic structure is becoming more and more perfect, many old concepts which stifle the people's minds are being discarded, and enthusiastically carrying out reforms and blazing new trails has become a trend of our times. These are all decisive factors for the future development, reflecting the essence of the current situation.

However, in the rural economic development there are also some problems that merit our attention. I feel that today it is comparatively more difficult to carry out further reforms in the countryside. There are increasing factors restricting rural economic development, and

some new problems and new contradictions have also appeared. Although we can understand and analyze these problems and contradictions from various angles, in my opinion the essence of these problems, or the reason for them, is the low level of rural productive forces and the low degree of modernization in rural areas. In this respect there is the old problem of a weak technological basis for the rural economy, but there are also new problems emerging from the fact that we still have not extricated ourselves from the yoke of the old guiding methods of the product economy, although the commodity economy has already developed in the countryside. This obstructs the further development of productive forces. To put it concretely, the following are the main reasons:

**1. The problem of backward conditions and lacking momentum in agricultural production is quite conspicuous.** In the past few years there has been an increase in grain output and other agricultural production in Tianjin but the rate of increase has not been high. Production in some low-yield fields was still unstable. This reflects that the material basis of our agricultural production is very weak and our science and technological level is low. Generally speaking, the main symbols of agricultural modernization include the production and use of farm machinery; the production and application of chemical fertilizer; the use of electrical power in agriculture; the selection and breeding of fine varieties; and so forth. But we lag behind in all these aspects. The agricultural production in our suburban counties is still in a stage of low-level development, relying mainly on traditional agronomic technologies and increased manual labor. What merits more attention is that due to the irrational price parities between agricultural products there is a great disparity between the income from industrial production and the income from agricultural production. As a result some peasants are not interested in increasing agricultural input and a decreasing trend in agricultural input has appeared over the past few years. Thus in many places, not only are agricultural production conditions not improved, but also aging water conservancy facilities are becoming more and more serious year by year and the ecological environment is deteriorating. The phenomena of extensive cultivation and predatory production are comparatively serious. Some peasants have even given up farming and let the land lie fallow. If we allow things to go on like this the agricultural foundation will certainly be weakened and shaken. Once this happens we will be forced to carry out another readjustment of the entire rural economy. Thus the new pattern of rural economy, which has been formed through our efforts for many years past, and various nonagricultural undertakings which have been vigorously developed, will be greatly affected. We must realize the seriousness of this problem.

**2. The excessively small scale of production greatly restricts the development of productive forces.** The system of contracted responsibilities on a household basis with payment linked to output has played a great historical

role in emancipating the productive forces and promoting the development of rural economy. The problem at present is that the scale of this kind of production is too small and, because of the divisions between departments and regions at all levels, it is very difficult to popularize the use of farm machinery and advanced science and technology. In addition, all kinds of services before, during, and after production have fallen short of demands. This also restricts the development of socialization and specialization of production and the increase in the level of modernization. As a result both the output rate of land and the labor productivity of our rural areas have not been satisfactorily increase in recent years. In some places they are at just the same level as in previous years. How do we gradually expand the scale of production on the premise of protecting the enthusiasm of individual peasants and on the basis of perfecting the system of contracted responsibilities on a household basis with payment linked to output, so that greater economic returns can be achieved and better conditions can be created for agricultural modernization? This is an important question facing the rural areas at present.

**3. The backward means of production and circulation of nonstaple food still cannot match consumption demand.** In the field of serving the city, Tianjin's rural areas have rendered great contributions. However the passive situation in the supply of nonstaple food has still not been fundamentally changed and there are many reasons for this. For example, the contradictions between the decisionmaking power of the peasants in production and the planned commodity economy have not been appropriately solved; the price system has not been improved; and the relationship between production and sales has not been handled well. But the most fundamental reason is that we still have not adopted modern productive methods. As a result the production of agricultural and sideline products is unstable and both their quality and quantity still cannot meet market demand. Of course, taking the whole country into consideration the form of manual labor on a household basis will continue to be adopted in the broad countryside for a rather long period to come. At present, in developing rural economy, including the production of nonstaple food, it is still necessary to give play to our country's manpower superiority. However, in Tianjin, which is a super city with a population of several million, there should be some stable sources of nonstaple food. Thus it is necessary to establish a number of large, modern, and high-commodity-rate nonstaple food production bases in our suburban counties. Meanwhile, the level of modernization is still very low in the circulation field at present; the processing, storage, and transport facilities are imperfect; there are loose connections between production and sales; the channels for marketing are more or less impeded; and we still lack quick access to market information. All this has become sharply contradictory to the fast-developing commodity economy and the increasing demands of the people. This situation should also be changed.

**4. The quality of most township and town enterprises is not high, and they are faced with a series of new challenges.** Judging from Tianjin's situation, although the township and town enterprises have been developing on a considerable scale there have been great fluctuations in production in many of them and their economic returns are comparatively low. In recent years especially, as a result of sharp market competition and reduction in the preferential policies, the economic returns of quite a few township and town enterprises have dropped and the number of enterprises running at a loss has increased. Many enterprises have even run into debt. This reflects the fact that the equipment, technology, and management in township and town enterprises are rather backward. Some of them are still using equipment from the 1940's to 1950's, or even the 1920's or 1930's. About 50 percent of their employees have only received an education under junior middle school level. On such a poor quality basis it is very difficult to talk about the development and invigoration of township and town enterprises. If the current situation of township and town enterprises which is characterized by outmoded equipment, backward designs, rough techniques, and lax management, is not changed, and if their science, technology, and management are not greatly improved, they may suffer great setbacks in the future although a good trend has already appeared. It may happen that a large number of enterprises will fall into dire straits and be unable to subsist in the sharp competition; and it may also happen that the township and town enterprises as a whole will remain in a lower stage and be unable to play a greater role in the development of the national economy.

**5. The building of spiritual civilization in rural areas still cannot match the demands of the new period; as a result some problems have emerged which merit our attention.** Over the past few years spiritual civilization has been greatly promoted in the rural areas. However the traditional small-peasant mentality is still quite strong in the countryside, while the concepts of market, competition, and economic returns are still rather weak there. Some shortsighted people are content with the wealth they have already gained and do not want to make further improvements. For example they have paid more attention to consumption than to production. When they have money they indulge in ostentation and extravagance, spending it on household affairs such as marriage and death, rather than giving more consideration to the development of production. Some young people require double trousseaus such as a couple of refrigerators, a couple of washing machines, and a couple of color television sets. But not all these things are really used. A spare refrigerator may be used as a cupboard and the washing machine may be used to store grain. In some places several reams of paper were burned for a dead person and several hundred yuan worth of cigarettes were buried with the dead. There are a variety of reasons for all this but the most important reason is that the level of modernization is not high in the rural areas. To raise the degree of spiritual civilization it is necessary to change the mode of production. Under the current

situation whereby the mode of production in the countryside is comparatively backward our efforts to raise the degree of spiritual civilization will inevitably be obstructed.

We can draw the following conclusion from the above analysis: To solve the new problems and contradictions emerging in our countryside a fundamental way out is to accelerate the pace of our modernization drive. In China, since the peasants have long been influenced by the ideas of small production and the natural economy, they can easily be satisfied with the situation of "30 mu of land plus a cow" or the status of being a "local moneybags." If we do not remind them in good time to further develop the commodity economy and realize rural modernization it is quite possible that they may regard the current level as our ultimate goal, and may lose the motive power for further advance after the problems of food and clothing are solved. This will bring about stagnation in rural economic developments. However, if we do this at the right moment the broad masses of cadres and people in the countryside will be able to work harder to make further advances and to promote the development of productive forces with greater enthusiasm; the good trend of advancing full steam ahead will be maintained in our rural work and both the range and quality of production will be developed; and there will be a great change in the general rural situation during the next few years through our efforts.

**What are the basic tasks for rural modernization? This is a major question that should be clarified. We must strengthen theoretical study in this respect and further clarify and deepen them in the course of practice.** As far as I have learned there are still some differences between the theoretical circles and the practical departments concerned on understanding the objectives, tasks, and main channels of rural modernization. If we look at the countries which have realized rural modernization, their main roads of development can generally be divided into the following three categories. 1) The main road of Japan, Holland, and other countries with large populations but small territory is to start with biotechnology. Their orientation is mainly geared to the needs of the domestic market. Some of their surplus laborers have entered large cities but most peasant households are engaged in two or more businesses concurrently, doing both industrial and agricultural work. 2) The United States, Canada, and other countries with small populations but vast territory, started with mechanization and their orientation is mainly geared to the needs of the international market. They have mainly developed household farms and carried out specialized operations and most of their surplus laborers have gone into large cities. 3) As to France, Germany, and other countries with small land and population, they have allowed the coexistence of combined occupations and specialized occupations and have their orientation geared to the needs of both domestic and international markets. Most of their surplus laborers have also entered large cities.

The governments of all these countries, whatever category they are in, have paid much attention to the capital input in agriculture and have made efforts to establish a number of new towns and cities, leading to the basic elimination of differences between town and country. China's social system and economic situation are different from those of the above-mentioned countries. We must take the experiences of other countries for our reference in striving for rural modernization, but most also take a road of promoting socialist rural modernization with distinctive Chinese characteristics in light of our national situation. Rural modernization is a very complicated and systematic project. It is very difficult to make an accurate and overall summary of all its tasks. Judging from Tianjin's situation, the main task is to solve the following three problems: to realize agricultural modernization, rural industrialization, and urbanization of villages and towns.

Agricultural modernization means that we must gradually establish a high-yield, superior-quality, high-efficiency, and low-consumption agricultural system. Agriculture is the foundation of the national and rural economies. Agricultural modernization is the most basic task for rural modernization. It is necessary to make a conscientious study of the major problems concerning the pace of agricultural modernization. Judging from the situation in Tianjin's suburban counties, some problems have to be conscientiously solved. For example, we must endeavor to apply bioengineering, which is aimed at creating new biological varieties through various biological technologies such as the recombination of genes, the cultivation and blending of cells, and biological reactions. The application of bioengineering will help to greatly increase our labor productivity. However, in practice we are not doing well in this research and application. Our plant-growing technology, plant protection, and the work to improve varieties are all at a very low level. We must accelerate our pace in this respect. For another example, we must strive to increase the level of agricultural mechanization. Tianjin has achieved certain development in agricultural mechanization. However, agricultural production is still in a stage of mainly relying on scattered and small-scale manual labor. This situation should be gradually changed along with the continuous expansion of the scale of land management. In short, the orientation for agricultural development in our suburban counties is to promote bioengineering and mechanization simultaneously and combine modern science and technology with the traditional techniques of intensive and meticulous farming, so as to develop ecotype agriculture with unified economic, social, and environmental returns, and to maintain a benign cycle and steady growth in agricultural production.

Rural industrialization means that we must gradually establish a rural industrial system with a rational structure, modern science and technology and modern management, and a clear industrial and product superiority. It is necessary to make full use of the superiority of being close to a big city and make both the city and the

countryside, as well as agriculture, industry, commerce, and trade, relate closely to each other, so that the pace of developing rural industries can be accelerated. It is necessary to cause more of the rural population, which makes up about 50 percent of the city's population, shift to nonagricultural production so that various superiorities and resources can be fully used, and more wealth can be created. It is necessary to gradually change the traditional concepts, images, and economic contents of the "agricultural area" and "agricultural county," so that the rural industries can really become the main body of the rural economy, thereby providing more funds, materials, and technologies for rural modernization. In the course of promoting rural industrialization it is necessary to lay the stress on the county enterprises and township and town enterprises and mainly develop the industrial enterprises of diverse economic sectors with stress on the collective sector.

Urbanization of villages and towns means that we must gradually establish a system of modern city-towns which are different in nature and scale but are rationally distributed at various levels. It is necessary to actively develop the satellite cities and towns in the areas between the city and the suburbs and in the adjacent suburbs, and the counties and towns in the outer suburbs, with the development of the central urban area and seaside areas as the center. The construction of villages and towns should include the improvement of basic facilities, service systems, transport and telecommunications, cultural facilities, and the living environment so that the scattered, unenlightened, and backward rural situation can be changed and the gap between town and country can be narrowed.

The realization of rural modernization is a long course of gradual advance. Beginning now we must follow this orientation and endeavor to concentrate our objectives on this matter. We must shift the starting point and standpoint of all our work to this objective and start what should be started, deepen what should be deepened, and accelerate what should be accelerated. To put it concretely, in the period to come we must pay attention to the following points in our rural work:

**1. To make a breakthrough in development from the small commodity economy to the developed commodity economy.**

In order to realize rural modernization it is necessary to achieve a great development in commodity production. It is impossible to realize modernization by skipping the developed commodity economy stage. This is an objective law of economic development. Through the reforms over the past 9 years, although some changes have taken place in the management system of the product economy, finances, commodities, and the law of value have begun to resume their roles in the broad economic sphere, and great development has been achieved in the rural commodity economy. Judged by the criterion of modernization there is still a long way to go in the

development of the commodity economy. No ideological concepts, structures, production links, and operation systems can suit the demands of the development of modernization. Therefore, we must forcefully develop the commodity economy and regard it as an important link in speeding up the pace of modernization so that we can achieve greater progress in this field. On the one hand, we must make effort to increase labor productivity because this is the basis for increasing the commodity rate and developing the commodity economy. It is necessary to develop multiple processing and increase the additional value, and to reduce consumption and production costs, so that there can be a greater increase in the economic returns of various rural industries. On the other hand it is necessary to further enliven circulation and foster the market through deepening reforms. This is a prerequisite for developing the commodity economy. The most fundamental question in this respect is to learn to deal with the peasants in accordance with the law of value so as to improve macroeconomic guidance. We should realize that the range of commodities we have acknowledged is much narrower than that described by Marx and many commodities are not allowed to enter the sphere of circulation. Moreover, since the old system of the product economy has not yet been thoroughly broken the circulation channels are still too rigid and the price system is not as rational as it should be. Serious impediments still exist in the circulation sphere. If these problems are not solved the commodity economy cannot be greatly developed. Therefore it is necessary to smash the forbidden area and enable more products to enter the circulation sphere. It is necessary to gradually change the situation of monopolized operation and local blockade, allow the peasants to come into the city to engage in commercial activities, and allow commodities to flow freely between town and country, so that a multiform and multilayered circulation network can be gradually established. This will serve as a link between town and country, facilitate production and sale, promote production, and make things convenient for the people in their consumption, and aid the creation of an open circulation environment for commodity production in rural areas. It is necessary to gradually rationalize the price system and give play to the role of the law of value in commodity production and circulation. It is also necessary to vigorously develop the markets for various production elements such as the science and technology, labor, money, real estate, and securities markets.

**2. To make a breakthrough in the development from the closed and domestic-oriented economy to an open and export-oriented economy.**

We have been discussing the question of whether the rural economy should be and can be geared to the needs of the international market for many years. At present we can say that the answer is affirmative. If Tianjin's rural economy is not developed toward an open and export-oriented economic orientation we will be unable to obtain advanced technologies and foreign funds and

we will not be able to realize modernization. Comrade Zhao Ziyang has repeatedly emphasized recently that the rural economy should "make a full use of its superiority in manpower resources and vigorously develop labor-intensive products so that more foreign funds can be earned to support the construction of its basic facilities. It must go through the stage of developing fund-intensive industries and take the road of the great international circle in economic development." It is necessary to make use of the abundant and cheap labor forces of our country to produce labor-intensive products through processing raw materials imported from abroad. These products should then be exported and sold abroad so that more foreign exchange can be earned to satisfy the urgent needs of our economic and technological development. In a big coastal city like Tianjin's suburban counties there are many favorable conditions for improving the basic facilities, technological forces, personnel quality, management, and international relations. They can certainly do something in this respect. We must firmly grasp this good opportunity, get a clear understanding of the situation, change our old concepts, and rely on the domestic market to develop an export-oriented rural economy as soon as possible. It is necessary to import without delay a number of improved varieties and advanced and applicable technologies and equipment from abroad, to quickly improve the quality and increase the output of agricultural products and township and town enterprises' products, and to strengthen our competitiveness in the international markets. It is necessary to make a good readjustment of the product mix and the industrial structure in a planned way, and in light of the demands of the international market, so that more products can be sold abroad. It is necessary to plan and start building a number of export bases, especially for agricultural and sideline products and, through deepening reforms, cause them to gradually develop toward the orientation of integrating production, circulation, science and technology, and information, and also the integration of trade, industry, and agriculture. It is necessary to adopt flexible and diverse forms of export. We can adopt either the method of "three processings and compensation trade" or joint and cooperative ventures; we can adopt either the procurement system or the agent system; and we can carry out loose processing or establish integrated commercial, industrial, and agricultural enterprises. In short, we should adopt whatever methods that are favorable to us.

**3. To make a breakthrough in the development from decentralized management of land to management on a considerable scale.**

Rural modernization is closely related with the management of land on a considerable scale. The rural areas have entered a new stage of developing commodity production and seeking more economic returns. This has set some urgent demands on the scale management of land. We must attach great importance to this new problem which has emerged along with the development of commodity production, and place the development of

scale management on our agenda. At present, more than 6,900 units engaging in the management of land on a considerable scale have appeared in Tianjin, seizing on some 2.7 percent of the total agricultural laborers and 4.7 percent of the collectively-owned cultivated land. In Daqiuzhuang, after carrying out scale management of land both industry and agriculture have been promoted. Last year the 16 farm laborers in this village managed some 4,800 mu of land, an average of 300 mu each. This is at about the same level as the developed countries. Although scale management of land has not been carried out in many places and is still imperfect, with its better social effects [she hui xiao yi 4357 2585 2400 4135] and economic returns, it has revealed a trend of development in rural land management and become attractive to the broad masses of peasants. We must offer timely guidance according to the development of the situation and speed up the progress in this field. Of course, some basic conditions are needed for carrying out scale management. The most basic conditions are that there should be employment opportunities for the labor forces that have been shifted from land management and that the collective economic strength should be comparatively strong. Therefore we should adopt a positive attitude toward the management of land on a considerable scale and do a solid job in this respect. Our policies should also be made to dovetail with one another. We must pay attention to the following points: 1) While further consolidating and perfecting the system of contracted responsibilities on a household basis with payment linked to output, it is necessary to encourage diverse forms of cooperation and association based on the principles of voluntary participation and mutual benefit so that the goal of rational management on a considerable scale can be reached step by step. However we must prevent doing things in a massive and unplanned way and adopting administrative measures to force the merger. 2) It is necessary to work out various policies to facilitate and encourage land management to develop in the direction of combination, and give priority and preferential treatment to scale management of land in respect of the supply of production materials, bank loans, and marketing. 3) It is necessary to give play to the roles of regional economic cooperation organizations in management, service, and harmonization. 4) It is necessary to proceed from local realities and match our measures to local conditions and to adopt diverse forms of scale management such as large specialized household associations, contracting by associated households, and teams specializing in grain production organized by the collectives, rather than restricting it to a certain form.

**4. To make a breakthrough in the development from the scattered and "small but all-inclusive" operation to specialization of the production setup.**

The development of the production setup toward specialization is an important symbol of rural modernization. The division of work in all fields is a result of the development of social productive forces, and development of the division of work can in turn greatly promote

the development of social productive forces. Judging from the overall rural situation, the change from the development of simple agricultural production to the simultaneous and overall development of the primary, secondary, and tertiary industries symbolizes a large leap forward in the production and setup and a big progress in the rural economy. However to realize rural modernization we need another leap forward and that is to make a new and specialized division of work among various industries so that some new industries may emerge in the wake of the new division of work. In the current rural economy, the problem of "being small but all-inclusive" widely exists in various production fields including crop growing, animal breeding, and the processing industry. There are some objective reasons for this, such as the low level of the productive forces, but there are also some subjective reasons. For example we have not attached sufficient importance to the establishment of a socialized service system. This has greatly restricted the specialized division of work. In the next step of our work we must make great efforts to solve the problem so that the production setup can be further improved. Readjusting the production setup and carrying out specialized division of work is a process of gradual advance. We cannot expect that everything will become perfect after one or two readjustments. On the contrary, our readjustments should be constantly deepened along with the development of economy. In readjusting the production setup it is first necessary to adhere to correct principles, especially the principle of market demand. In other words we must make production closely relate to demand under the guidance of the market. We have had quite a few lessons in this respect over the past few years. Phenomena such as having difficulty in buying or selling things have often appeared, and there have been continuous fluctuations in the market. Price fluctuations were part of the reason for this but the trend of blindly carrying out readjustment of the production setup also contributed. Therefore it is necessary to strengthen macroeconomic guidance and try our best to avoid mistakes. Second, it is necessary to give consideration to increasing both the peasants' income and employment opportunities. Although great development has been achieved by township and town enterprises in the suburban counties of our city and by all kinds of specialized households and peasant households engaging in two or more businesses concurrently, many industries have yet to be further developed and many surplus laborers have to be fully used. Therefore it is necessary to make continuous efforts to promote the shifting of labor forces to non-agricultural production. Our policy is that in the comparatively well-developed suburban counties township and town enterprises must further carry out technological transformation, but should not weaken their superiority in labor-intensive production; and in the underdeveloped counties more effort should be made to develop the building industry, animal breeding, and primary processing of agricultural products so that "labor force can be used to substitute capital." When shifting labor forces to nonagricultural production it is necessary to proceed from the economic strength and specific conditions of

the various localities, select a reasonable production setup, and ensure the continuous and steady growth of the peasants' income. Third, it is necessary to pay attention to the development of the extensive processing and multiple processing industries so that we can make full use of our resources and increase the values of agricultural products through more than one processing. This way we can solve the problem of low prices for elementary products and increase economic returns.

**5. To make a breakthrough in the development from natural villages to cities and towns.**

Small cities and towns are the political, economic, and cultural centers of their neighboring areas. They are "the tail of the city and head of the countryside," linking both the urban and rural areas and playing an important role in rural economic, social, and scientific and technological development. With the deepening of the second step of rural reforms the commodity economy has further developed, which has created an objective demand for multichannel circulation and multiple services. However, the old and dysfunctional natural villages and market towns, historically formed under poor conditions to suit the small peasant economy, are unable to match the demands of rural area development toward commercialization, socialization, and modernization. They are hampering the development of the rural economy. It is therefore necessary to emphasize the construction of villages and towns so that the roles of small cities and towns as links and bridges between the city and the countryside can be brought into better play. In the construction of villages and towns emphasis should be laid on improving their functions. At present, we should put our main strength on the construction of comprehensive and coordinated facilities such as production, circulation, consumption, science and technology, and educational facilities. It is necessary to work out feasible plans for the construction of small cities and towns and formulate concrete measures for implementing these plans in accordance with the overall plans for the city and for the construction of villages and towns in relevant districts and counties. It is necessary to mobilize the initiative of various sectors and carry out the construction step by step so that a rational network of well-distributed satellite cities and towns can be gradually established.

**6. To make a breakthrough in the development from looking down upon science and technology to relying on the progress of science and technology.**

In the final analysis rural modernization means to arm the rural areas, especially various rural economic sectors, with modern engineering, biological, and management technologies. Although we have stressed the importance of science and technology in rural modernization almost every year, and there are also some changes year by year, I still feel that some comrades do not regard it as a matter of urgency and have not grasped it in a concrete and

down-to-earth manner. Neither have they adopted effective measures. It may be appropriate to say that although we have stressed the matter for several years, judging from the overall situation in the suburban counties the backward situation in science and technology and management, and the poor quality of the labor force have not yet been fundamentally improved. This is a big problem that merits our serious attention. We should realize that the price of Tianjin's rural labor forces is relatively high compared with the interior parts of our country. This is an inferiority. To make up for this defect we should further give play to our superiority in science and technology, reduce production costs, and raise labor productivity. We hope that all of us will make a change in our thinking and work and really rely on science and technology in order to achieve a greater development in our rural economy. Whether or not we can realize this change will have a most important bearing on the development of our rural modernization. At present we must pay special attention to the following two aspects: First, it is necessary to forcefully spread and popularize advanced and applicable new technologies. All scientific research units and departments responsible for popularizing technologies should firmly grasp the major task of popularizing and applying suitable technologies and do a good job in implementing the "spark" plan. All units under the suburban county level should make further efforts to establish and perfect science and technological service organizations so that the applicable technologies needed by the peasants can be effectively and promptly spread and popularized in the rural areas. We should attach importance to the application of farm manure and carry out scientific research for its desiccation, concentration, storage, and application, so that farm manure can be applied in larger areas. In those areas where conditions allow it is necessary to develop no-pollution agriculture. While forcefully popularizing applicable technologies it is also necessary to seize the current opportunity of the worldwide new technological revolution to promote the study and application of modern advanced science and technology, so that it can become a reserve strength for our long-term development. Second, it is necessary to effectively solve the defects in the current study of agricultural science and technology such as the dilution of strength and funds in duplicated studies. It is necessary to make an overall arrangement for agricultural scientific research into various subjects in accordance with the principles of concentrating strength, offering guidance in light of different categories of science, and promoting construction at various levels. It is necessary to encourage transregional and transdepartmental association and encourage them to share out the work and cooperate with one another so that they can carry out all kinds of specialized and general scientific research and successfully tackle the key problems. We must make great changes in our city's backward rural science and technology situation in the next few years and advance with bigger strides toward rural modernization.

**How do we speed up the pace of our city's rural modernization? There are many things for us to do but in my opinion, the following three are the most important at present.**

**1. To make overall planning and rational arrangements.** There has been a great improvement in our rural work in many aspects. If we look at our achievements in various aspects in isolation we can be proud of them, but if we look at them comprehensively we will find that there is disharmony in quite a few aspects. We must clearly understand that in the course of realizing rural modernization a series of new changes will take place in various aspects and various spheres of the rural areas. If we do not pay attention to overall planning, not only will we be unable to solve the existing problem of disharmony, but there will also be some new problems, contradictions, and clashes. Therefore when speeding up the pace of rural modernization it is necessary to emphasize overall planning and rational arrangements. This is an important principle and a basic leadership method.

To work out an overall and long-term plan for the rural areas it is necessary to pay attention to making full use of local resources, developing advantages while correcting mistakes, making rational arrangements, and giving play to the specific strong points and superiority of various localities to the greatest possible extent. Our city's rural areas are not big compared with other cities. However, they are rich in natural resources and each has its own superiority. In the course of speeding up the pace of modernization all local areas must have a clear understanding of their own conditions and superiority and endeavor to give play to their superiority, so that the whole course of our development can be one of natural, appropriate, economic, and rational development with distinctive characteristics. It is also necessary to make certain forecasts on the development in the future and work out a comparatively long-term plan. The municipal authorities are responsible for working out a development plan for the rural areas, and all districts and counties must also work out their specific development plans in light of their actual situation, and must help townships and villages formulate their plans. Thus the rural development will have a definite objective and will be promoted continuously and steadily and in a systematic fashion.

**2. To advertise for qualified persons through various channels and improve the quality of personnel.** How do we advertise for qualified persons through various channels? In my opinion there are three main channels: to invite from outside, to recruit locally, and to train through our own efforts. Just as the peasants often say, we should invite "foreign gods of wealth" from outside, put "local gods of wealth" in important positions, and train our own "small gods of wealth." The first thing to do is to effectively relax the policy on personnel flow, and give the rural areas more preferential treatment in this respect, so that the suburban counties can become more attractive to all kinds of talented people both from



inside and outside the city, and from home and abroad. Our future policy must allow the flow of talented people into our rural areas so long as they are needed by these areas and their flow conforms with the policy on personnel flow. Preferential treatment should be given to them in respect of residence registration and pay. Within the scope of our municipality scientists, technicians, and technical workers must be allowed to resign their current posts, or have their posts retained while their pay is temporarily suspended, to engage in contracting or leasing technological projects in rural areas or to administer or contract enterprises there. Their original residence registration should not be changed. It is also necessary to allow the talented people at all levels and in all fields to do part-time jobs or provide compensated services in the countryside. The scientific and technological research institutes in the city can also contract, lease, or purchase all kinds of rural enterprises. At the same time, we must also take administrative measures to promote the interflow of talented people under leadership and in an organized manner. On the question of inviting talented people, it is important that the city should relax its policy on personnel flow, but more important is that the suburban counties should also have a series of policies and measures to attract talented people and make them stay. We must strive to make Tianjin's suburban counties very attractive to talented people within a short period of time.

While making positive efforts to invite talented people from outside it is also necessary to give full play to the roles of those who are now working in the countryside. Over the past few years, large numbers of entrepreneurs, capable and skilled workers, and scientists and technicians have emerged in the countryside. They represented the new productive forces and are the basic forces for speeding up rural modernization. To give full play to their roles is of great practical significance. All suburban counties should make a unified registration of these people with the help of the science and technological departments and work out a plan for using them in a reasonable way. They must also confer titles of technical or professional posts on them in accordance with relevant state stipulations. The methods of bidding and contract should be adopted and conditions should be created for the talented people in the countryside to give play to their roles. At the same time it is necessary to pay great attention to tapping intellectual resources among the peasants, strengthening their education, and improving their quality. Over the past 2 years or so there has been a trend to neglect education in rural areas. We must be on the alert against this trend. Leading comrades at all levels in the countryside must conscientiously put the development of education in an important strategic position and enthusiastically do a good job in tapping intellectual resources. First, it is necessary to effectively promote basic education in rural areas. In this regard we must be ready to spend some money and strength. Second, it is necessary to effectively promote spare-time education. We must run all kinds of short-term training classes and spare-time schools and make full use of radio

broadcasts, television, and correspondence to promote adult education. We must choose some people who have received a certain amount of education and send them to universities or technical secondary schools for further training, so that we can have more qualified technological cadres for township and town enterprises and agricultural production. Township and town enterprises must be willing to spend some money on this. We must continue to do a good job in eliminating illiteracy among young and middle-aged people. As for the broad masses of peasants engaged in crop growing and animal breeding, it is also necessary to continuously increase their scientific and cultural levels and their ideological and moral quality through running night schools and staging science and technology demonstrations.

**3. To deepen reforms and relax policies.** In the final analysis, to realize rural modernization we must rely on reforms. In rural reforms it is necessary to further consolidate the achievements we have made over the past few years and, on this basis, achieve greater successes through our concerted efforts to that we can shift our economic development to the new stage of seeking more economic reforms. At present it is necessary to pay great attention to dovetailing both urban and rural reforms. This is the key to deepening rural reforms. At the rural work conference 2 years ago I made a speech on this topic. Since then, certain headway and achievements have been made and there has been a breakthrough in the production, supply, and marketing of fish, milk, eggs, and other nonstaple foods. But judging from the overall situation, further efforts have yet to be made to solve the following three problems: 1) The content of making urban and rural reforms dovetail is not made clear. Over the past 2 years or so, our comrades both in the city and in the countryside have been stressing the question of making urban and rural reforms dovetail but they are still not clear about where they can do it, what they can do, and what their objectives are. 2) The policies on dovetailing have not been well implemented. Reform means the redistribution of power and interests. It will inevitably touch the original structure. However, the long-standing difficult problem of how to successfully regulate various relations by means of rational policies so that the interests of both the producers and consumers can be protected, and the bearing capacity of the state finance can also be taken into consideration, still remains unsolved. 3) There is no concrete method for dovetailing urban and rural reforms. The main purpose of making urban and rural reforms dovetail and merge into a whole is to strengthen the links between the city and the countryside and achieve a harmonious development in both by promoting commodity exchange. However, we have still not found a good way to realize this purpose. For this reason, whenever we come to a key moment we cannot help adopting administrative measures, changing "dovetailing" into "kneading." If these key problems are not properly solved we will never make urban and rural reforms dovetail. In the next step of rural reforms we must lay emphasis on studying and solving the above-mentioned three problems. For the

rest of this year and next year, on the question of making urban and rural reforms dovetail we must select some links that have greater influence and are easier to break through as our main targets, and strive for substantial progress through the common efforts of the city and the countryside.

**Correctly Handle the Relationship Between Industry and Agriculture, Promote a Steady Increase in Agricultural Production**

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[Article by Lei Xilu [7191 6932 4389]]

[Text] In his report at the 13th CPC National Congress, Comrade Zhao Ziyang pointed out: Agriculture is an extremely important problem which has a bearing on the overall situation of construction and reform and "the steady growth of agriculture and the improvement of the rural industry mix is the foundation of the long-term steady development of the national economy as a whole." Correctly understanding and handling well the relationship between agriculture and industry is an important problem which has a bearing on the continuous and steady development of the national economy and social stability and unity of our country.

I

Since the founding of our country, very great achievements have been scored in agricultural production in our country and this cannot be separated from the fact that relative importance has been attached to agroindustry. In the 34 years between 1952 and 1985, the investment in the capital construction of state agroindustry amounted to 35.4 billion yuan and some 3,000 chemical fertilizer industry enterprises, 440 agricultural chemical enterprises, and over 5,500 agricultural machinery manufacturing enterprises were built. Particularly over the past 9 years, the annual average increase in the gross agricultural output value is 6.5 percent, 2.2 times greater than the annual average increase in the previous 26 years which was 2.9 percent. One of the main reasons is that the amount of the farm-oriented material input has increased.

However, some circumstances which really warrant attention also exist in agricultural development. The main circumstance is that since 1984, farm production has developed slowly, the output of some main agricultural products has fluctuated and dropped, and the contradiction between production and demand has been great. The further development of the rural economy has been confronted with some new contradictions.

1. Agriculture is still fairly weak and the production of the main agricultural products still cannot meet the need of the development of industry and the national economy and of the enhancement of the people's livelihood. The output value in farm production in 1986 was 1.1

percent less than that in 1984. According to the Ministry of Commerce, in the winter of 1987, 147 kinds of agricultural and sideline products were arranged in order of importance and urgency, the varieties whose supply could not meet the demand accounted for 53 percent, and the important agricultural and sideline products, including grain, cotton, sugar, and pigs, which are of vital importance to the nation's economy and the people's livelihood, were generally in short supply. Due to the inflation of prices, the actual income level of the families of 21 percent of the staff members, workers, and other urban residents dropped.

2. The staying power of agricultural production is insufficient. It is mainly expressed in the facts that the role of the system of contracted responsibilities on the household basis in pushing forward agricultural production begins abating; agricultural production cannot suit the changes in the market supply and demand very well in the situation in which the commodity economy is developing while the information is inaccessible; as peasants' income from grain cultivation and pig-breeding is not as good as that from nonagricultural industry, their enthusiasm has tended to drop; some fundamental conditions for agricultural production are reduced, for example, the areas of arable land and irrigated fields are reduced, soil erosion is serious, the fertility of soil has dropped, pollution is serious, agricultural input has diminished, the excessive increase in population, and so on. All this will affect the further development of agricultural production in the future.

3. The supply of the main agroindustrial products is insufficient and the contradiction between production and demand very great. In recent years, the production of chemical fertilizers of good quality, of highly efficient agricultural chemicals with a low rate of poison and residues, and of plastic sheets for agricultural use has been unable to meet the need of agriculture and diesel oil, electric power, and building materials for agricultural use have been in short supply. For instance, in 1987, 94 million tons (quantity of goods produced) of chemical fertilizers were required for agricultural use but only some 70 million tons could be produced; plastic sheets for agricultural use were in shorter supply and 1 million tons were needed but less than 300,000 tons were produced. Not only the quantity was insufficient but also their varieties and quality failed to satisfy the actual agricultural need. For example, urea, whose quality was relatively good, compared with that of the other chemical fertilizers and which was greatly welcomed, only accounted for 30 percent of the amount of the chemical fertilizers and over half of the chemical fertilizers was ammonium acid-carbonate whose effectiveness of fertilizer was relatively poor and which was unsuitable for preservation. According to the soil of our country and the requirements for the growth of the crops, the ratio of the nitrogen-phosphate-potassium fertilizer is approximately 1:0.3:0.02 but the foregoing ratio in 1986 was 1:0.2:0.002 in the production of the chemical fertilizers.

4. Some contradictions exist between the development of the rural industry and the development of the city industry and agriculture. There are now contradictions between the development of the rural industry with agricultural products as raw materials and the agricultural and sideline product processing industry built in cities and towns in the past; over the past few years, the speed of the development of the township and town enterprises has recorded an increase of some 25 percent and the majority of the heavy industry and light industry with industrial products as raw materials have consumed many raw materials and much energy resources, resulting in the aggravation of the contradictions between production and demand; having compared different interests, a large able-bodied labor force with culture in the rural areas has been absorbed by township and town enterprises, thus affecting agricultural production; the development of the city and town industry and of the township and town enterprises in the rural areas has also polluted the environment.

One of the main reasons for the above-mentioned problems is that after the 1950's, in the light of the requirements of the international and domestic situation at that time, our country began embarking on industrialization in the situation of a very low level of economic development. It did not take the road of developing light industry first and developing heavy industry later which economically developed countries generally take but implemented the advance development strategy with heavy industry as the main work. In one aspect, this strategy was successful because it laid some foundation for state industrialization in a relatively short time but in the other aspect, some problems existed. Due to the vigorous development of heavy industry, a large amount of capital was needed. As it was mainly raised within the country, only the rate of accumulation was to be enhanced. The rate of accumulation from national income in 18 years out of 35 years from 1952 to 1986 exceeded 30 percent; the main source of the accumulation for the industrialization of our country was agriculture. In some 30 years after the founding of our country, through the "scissors difference" between industrial and agricultural product prices, agriculture provided industrialization with a capital of several 100 billion yuan. In this way, although the development of heavy industry was speeded up, the exorbitant demand on agriculture rendered agriculture short of ability to expand reproduction. Furthermore, the transformation of the rural production relations surpassed the actual level of the agricultural productive force and dampened the peasants' enthusiasm for production, thus putting agricultural production in a vicious circle.

Generally speaking, the range of the dropping of the percentage of the agricultural output value basically synchronized with that of the dropping of the percentage of the agricultural labor force. For example, the ratio between the dropping of the proportion of the agricultural labor force in the urban and rural labor forces and the dropping of the proportion of the gross agricultural

output value in the gross social output value was 1:1.01 in Britain from 1801 to 1901, 1:1.06 in the United States from 1839 to 1965, 1:1.04 in Canada from 1870 to 1965, and 1:2.6 in our country from 1953 to 1978. This showed that the dropping of the proportion of the agricultural labor force in the urban and rural labor forces was far lower than the dropping of the proportion of the gross agricultural output value in the gross social output value so that a large amount of surplus labor force was held up in agriculture. The main reason was that as heavy industry was a capital-intensive industry, the number of the labor force arranged for it was far less than that for light industry. For instance, in 1986, the number of the labor force arranged for the fixed assets of every 1 billion yuan was 68 in heavy industry but 142 in light industry, 2.1 times greater than in heavy industry. According to the preliminary estimate, by the end of this century, a rural labor force of 100 million people will have been required to transfer to township and town enterprises and state-owned factories, mines, and enterprises. This is an important problem to which attention must be paid for a fairly long time in the future in handling the relations between industry and agriculture and cities and towns.

Since the 3d Plenary Session of the 11th CPC Central Committee, although there has been a relatively big change in the heavy industry inclining development strategy, the strategy has still had a restrictive role on the national economy.

## II

The fundamental way to ensure a steady increase in agricultural production is to speed up agricultural commercialization, socialization, and modernization and to vigorously develop the rural commodity economy. It is essential to adhere to and deepen reform, to guide the overall situation with reform, and to gradually change the present state of the dual structure in which the advanced industry and backward agriculture are coexisting.

First, it is imperative to further change the current heavy industry inclining development strategy in the national economy to the industry, agriculture, and other industries coordinated development strategy. Industrial development must be built on the foundation of steady agricultural development and the system of the aid-agriculture industries which meet the need of agricultural development must also be built; the elements of production must be rationally arranged for industry, agriculture, and the other industries and the returns on the use of funds and the resources utilization ratio must increase so that the primary, secondary, and tertiary industries can develop in a coordinated way.

Second, a certain proportionate relationship must be maintained in agricultural and industrial development. The ratio between the agricultural and industrial annual average increase was 1:4.3 from 1953 to 1971, 1:2.4 from

1972 to 1981, and 1:1.8 from 1982 to 1986. Judging from some countries, this ratio is, on the whole, 1:3 at the preliminary stage of industrialization, 1:2-1:2.5 at the intermediate stage of industrialization, and 1:1.5-1:2 at the final stage of industrialization. There is a certain law in this proportionate relationship for our reference. In the light of foreign experience, it is relatively appropriate that the ratio between the annual average increase in agricultural production and the annual average increase in industrial production in our country should be 1:2 for a fairly long time in the future, namely, an increase of 2 percent in industry with the support by an increase of 1 percent in agriculture. According to the strategic target of economic development up to the end of this century which was adopted by the 12th and 13th CPC National Congresses, it is appropriate that agricultural production should increase by an average of about 4 percent a year and industrial production by an average of about 8 percent in our country in the future. The ratio between the agricultural and industrial increase of our country in 1986 and 1987 was 1:3.4 and 1:3.5 respectively. It was very obvious that industrial and agricultural production in these 2 years did not develop in a sufficiently coordinated way.

Third, it is necessary to put the arming of agriculture in an important position in industry. Agricultural development at home and abroad shows that material input and agricultural increase form a direct proportion. In the present situation of our country, the quantity and quality of the material input determine the agricultural production level to a fairly large extent. According to the preliminary estimate, by the year 2000, output of grain of the whole country will have reached some 500 billion kilograms, about 150 million tons of chemical fertilizers will roughly have been needed for the production of the other agricultural and sideline products, and the gross motive force of the agricultural machinery will have been about 480 million h.p., an increase of 105 percent and 69 percent on 1985 respectively. To attain this target, it is essential to step up the building of the agroindustry. The state investment in the capital construction of the agroindustry from 1952 to 1980 accounted for 4.2 percent of the state investment in capital construction and it dropped to 1.3 percent in the Sixth 5-Year Plan period, thus weakening the agroindustry. In the future, this percentage must be gradually restored to 4.2 percent, a batch of agroindustrial items, including large and medium-sized chemical fertilizer plants, must be expanded and built in the final period of the Seventh 5-Year Plan, and this batch of enterprises must be completed and put into operation around 1995. It is also necessary to strengthen agroindustrial enterprise management, to readjust the product mix, to improve quality, and to lower the cost. Chemical fertilizers must increase the percentage of the phospho-potash fertilizer and complex fertilizer and the percentage of the fertilizers of good quality must also increase; the production of highly efficient agricultural chemicals with a low rate of poison and residues, agricultural machinery fit for use, and plastic sheets for agricultural use must increase and the

low efficiency products of poor quality must be gradually eliminated. The ex-factory prices of agroindustrial products must be properly raised and the income tax rate reduced so that agroindustrial production enterprises are profitable. It is suggested that a national corporation of the means of production for agricultural use should be set up, that the corporation should purchase agroindustrial products at their production costs plus the average profit and sell them to peasants at a price lower than the purchasing price, and that regarding the difference between the purchasing and selling prices, the corporation should be subsidized by the state revenue so that the operator has good prospects of gain and the peasants can get the material benefit of the state subsidies. Moreover, policies and measures must be implemented so that the utilization rate of input materials for agricultural use in the future will be 20 percent or so higher than the present one.

Fourth, it is imperative to correctly handle the relationship between the rural industry and agriculture and city and town industry. As there must be a solid foundation for the development of the township and town industry, 1) the development of the township and town industry must be built on the foundation of steady agricultural development, and 2) it must be built on the foundation of the state bearability, the speed must, therefore, be moderate. The ratio between the annual average increase in the city and town industry and that in township and town enterprises of our country during the Sixth 5-Year Plan period was 1:2.5. In the light of the situation of our country, the ratio between the increase in the development of both of them in a certain period of time in the future should preferably be 1:1.5-1:2. Work should be rationally divided in the city industry and township and town industry and the present city and town agricultural products processing enterprises with agricultural products as their raw materials must gradually develop toward the direction of "high-grade, precision, and advanced" and gradually hand over the production of the middle-grade and low-grade products which need technology and primary products to township and town enterprises in the raw material production areas; to reduce unnecessary transport and losses, newly increased ability to process agricultural and sideline products must be put in the raw material production areas as far as possible in the future and should not be built in large and medium-sized cities which are far from the raw material production areas. The township and town enterprises must put the improvement of the quality of products and of economic results above everything else. In view of this, it is imperative to vigorously carry out the "spark plan," to step up management, to speed up technical transformation, to continuously enhance the staff members' and workers' cultural, scientific, and technological level, and to train qualified personnel. At the same time, township and town enterprises must strengthen their lateral ties with cities and state-owned enterprises so as to enhance their management, scientific, and technological levels.

Finally, it is essential to properly solve the problems of funds for agricultural development and to strengthen the staying power for agricultural development. In the light of the experiences of all countries, in the preliminary period of industrialization, they mainly rely on agricultural accumulations for the construction funds; in the intermediate period of industrialization, industrial and agricultural accumulations are, for the most part, spent on their own development; in the final period of industrialization, the situation is that industry provides agricultural development with funds. As our country is in the transition process from the preliminary period of industrialization to the intermediate period, we must, therefore, raise our funds for agricultural development mainly on the foundation of the development of production by peasants and rural collectives and it is also necessary that local government must increase its investment in agriculture and the central authorities must give vigorous support with their revenue. The funds of other provinces (regions), industrial enterprises, and foreign countries can be introduced by way of replenishment. While deepening reform, the state, collectives, and individual peasants must increase agricultural input.

The scale of the peasants' investment in agriculture is determined by the level of the development of agricultural production and by the ratio between consumption and accumulations and is also determined by the peasants' enthusiasm for investment in agriculture. On this account, we must further reduce the "scissors difference" between the industrial and agricultural product prices and strive to basically eliminate it to strengthen the accumulative ability in agriculture itself, to suitably raise the percentage of the rural productive accumulation, and to increase the percentage of the investment in the fixed agricultural assets.

The percentage of the township and town enterprises' net profit spent on supporting agriculture must suitably increase and should generally not be 20 percent less than the level in 1980.

It is suggested that in the future, the proportion of the investment in the capital construction of the agricultural, forestry, water conservancy, and meteorological departments in the investment in the state budgetary capital construction should increase from 7.6 percent in 1985 (according to the departmental investment) to 14 percent in 1980 [as published]. The proportion of the investment in agricultural capital construction in the investment in local capital construction should be slightly bigger. At the same time, the funds for agricultural loans must increase.

It is necessary to gradually raise the economic results of industry and the other industries, to enhance their accumulative ability, to provide more capital for industrialization, to lighten the pressure of providing accumulations on agriculture, and to strengthen the development ability in agriculture itself.

In addition, it is imperative to continuously adhere to the principle of diligence, thrift, and practicing economy, to guide residents' consumption, to readjust the consumption pattern, to control advance consumption, and to reduce the pressure of demand on agricultural products.

### **Township and Town Enterprises**

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[Article by Zhang Gensheng [1728 2704 3932]]

[Text] The development of township and town enterprises in recent years not only reflects the change in the traditional economic structure and system, but also shows that the proportion of township and town enterprises in the national economy is growing. Under these new circumstances we need to renew our understanding of the position and role of the township and town enterprises in the overall national economy, and this is of great immediate and theoretical significance. I would like to express my opinion on this issue.

### **I**

The existence and development of township and town enterprises in our country's rural areas can be traced to the industrial and sideline enterprises run by communes or production brigades. However there are qualitative differences between these. The previous commune enterprises were merely part of the agricultural sidelines, and they developed very slowly over a long period due to the restrictions of the then rural and urban economic systems.

Only after the 3d Plenary Session of the 11th CPC Central Committee did the township and town enterprises really get the opportunity to develop substantially. The adoption of the output contract system greatly emancipated the agricultural productive forces, which had been depressed for a long time. The output of grain and other farm products increased rapidly, and agricultural productivity was demonstrably enhanced. A large quantity of surplus rural labor force and surplus funds thus appeared. This provided necessary material conditions for the emergence of nonfarming industries in rural areas. The further reform of the rural and urban economic systems gradually freed the peasants from various artificial restrictions that tied them to the land, and provided an unprecedented opportunity for the emergence of township and town enterprises. Particularly after the central authorities issued a document on developing township and town enterprises in 1984, such enterprises in various localities began to develop more rapidly and formed a new force in the national economy.

In the 8 years since the rural reforms began the output value of township and town enterprises grew at an average annual rate of 28 percent, and they provided employment for some 8 million each year. During the

last 10 years the growth in the rural industrial output value in our country was equal to 50 percent of the growth in national industrial output value during the previous 30 years. In 1987 the output value of township and town enterprises throughout the country accounted for 50.8 percent of the total social production in rural areas. In some developed coastal areas and in the suburban areas of such large cities as Beijing, Tianjin, and Shanghai, the output value of township and town enterprises accounted for about 70 percent of total social production in the countryside. This indicated a major structural change in the rural economy.

The proportion of township and town enterprises in the national economy is also increasing rapidly. In 1987 the output value of township and town enterprises was estimated at 450 billion yuan, accounting for 20.05 percent of the national social output value or 12.3 percentage points higher than in 1980. Industrial output value of township and town enterprises was estimated at 290 billion yuan, accounting for 21.05 percent of the national industrial output value or 14.4 percentage points higher than in 1980. Between 1978 and 1987, township and town enterprises contributed 26.45 percent of the net increase in the national social output value and contributed to 25.9 percent of the net increase in industrial output value. At present, the total output value and industrial output value of industrial enterprises were equal to the national social output value in 1972 and the national industrial output value in 1974 respectively. In 1986, township and town enterprises possessed fixed assets totaling 121.1 billion yuan, and employed a total of 79.45 million people, equivalent to the total fixed assets possessed by enterprises owned by the whole people in 1962 and to the total number of workers employed by these enterprises in 1978.

Although the development of township and town enterprises is still uneven and some enterprises are still not sufficiently stable, in general these enterprises have become a growing and increasingly important component part of the national economy, rather than merely being part of the rural economy, and they have held a weighty position in the overall development of the national economy. This is a basic fact that we must face when formulating our current policies.

## II

Ours is a large and developing socialist country. For a long time the fundamental interest of our nation laid in industrialization. For this fundamental interest we pursued the strategy of giving priority to the development of industry, especially heavy industry, in the early years of the People's Republic. The special historical conditions in our country determined the basic characteristics of the development mode of industrialization in the early period of the PRC: First, due to the weak industrial foundation in our country and the economic blockades imposed by the imperialist countries, we relied mainly on agriculture and rural accumulation to get the huge

funds that were needed for industrialization. Second, in order to ensure quick industrial development the state adopted a highly centralized economic system to distribute resources through administrative channels, and this economic system seriously restrained the movement of rural production factors. This gradually created a situation whereby people in rural areas could only engage in agriculture.

We cannot deny that the previous industrialization mode played a certain historical role. Through the diligent efforts of the people throughout the country we eventually built a rather integrated modern industrial system and made great achievements which were world famous. However this development mode also created some hidden contradictions in the national economic structure. As a result of the restraints of the movement of production factors, on the one hand peasants were tied to the land and could not be shifted to nonfarming industries, labor productivity in agriculture remained at a low level, the rural commodity economy could not develop; on the other hand, industrial development was confined to cities and the resources could not be reasonably distributed nor efficiently utilized.

The above-mentioned problems gradually led to the irrationality of our national economic structure. In other countries the process of industrialization was all based on the shift of labor force from agriculture to nonagricultural industries. Only thus can the level of productivity in agriculture, and in society as a whole, be raised continuously. In our country, farmland is insufficient in comparison to the large population, and this makes the shift of rural labor force to industry more urgent. However our previous practice went against this objective requirement. From the 1950's to the 1980's the proportion of agriculture in the national economy declined from 70 to 30 percent, but the rural population engaged in agriculture still accounted for 80 percent of the nation's total population. Compared with developing countries at a similar development level, the proportion of agricultural population was 6 to 16 percentage points higher. The proportion of rural population engaged in nonfarming industries was 15 to 40 percentage points lower than major Asian countries.

The irrational structure also found expression in the ill-coordinated relationship between the cities and countryside. In the past we prevented to a certain degree the so-called "urban diseases" of some developing countries in the process of industrialization, but while advancing industrial development in cities we did not correspondingly raise the income level of the peasants, and did not change the backward conditions in the countryside. As a result urban industrial development was also affected by the backwardness in agricultural production and the undeveloped conditions of the rural markets.

In short, the state of affairs was no longer suited to the needs of further industrialization development. In the new stage of industrialization we are facing the historical

task of carrying out all-round reforms from our development strategy to the economic structure. The report to the 13th party congress explicitly pointed out that during the initial stage of socialism, the basic change that we will realize is to turn our country from an agricultural country with farming being based on manual labor and with people engaged in agriculture constituting the majority of the population, into a modern industrial country with nonagricultural workers constituting the majority.

It was under these general circumstances that the rural and urban economic structural reforms promoted the shift of agricultural labor force and rural population into nonagricultural industries. At present, the populations of various cities are too large, and it is impossible to allow large numbers of peasants to enter the large- or medium-sized cities. The millions of peasants who obtained rights of self-determination in production through rural reform have become greatly enthusiastic about promoting the rapid development of rural industry. In a short period of a few years the old situation, in which urban industrial economies were separated from the rural economy, was completely changed and, through the initial adjustment of the national economic structure, a new situation in which industry, agriculture, and the urban and rural economies develop in a well-coordinated manner, has appeared.

### III

Since the emergence of township and town enterprises there have been various opinions and even debates. Facts in the past years fully show that the development of township and town enterprises can raise the general efficiency of the national economy. For example, the net annual output value produced by each agricultural laborer is nearly 2,000 yuan lower than that in other economic sectors. So if one laborer is shifted from agriculture to a nonagricultural trade, the national economy may increase the net output value by nearly 2,000 yuan. It should also be noticed that in recent years, with the rapid growth of the national economy and the substantial improvement in people's living standards, the people are now able to obtain the food and clothing they need and the consumption and production structures will evolve toward a higher level. That is, the national economy has entered a new stage of structural change. Because township and town enterprises have some advantages that cannot be substituted they will certainly play a more active role in this change.

First, the employment costs of township and town enterprises are rather low. The shortage of funds and the surplus of labor force in our country will be two long-standing factors that affect the development of the national economy. Especially in the period when the production structure is undergoing rapid changes, the contradiction in the supply and demand of funds will become more prominent. A realistic solution of this contradiction is to utilize the surplus labor force on a

large scale to substitute funds and to raise the efficiency of fund usage. The township and town enterprises precisely provide a good opportunity for such substitution and redevelopment of production factors. In the township and town enterprises 2.4 new jobs and 3,600 yuan of fixed assets can increase output value by 10,000 yuan. However, if the state-owned enterprises increase their output value by 10,000 yuan, they can only create 0.4 new jobs and require an increase of 7,500 yuan in fixed assets. That is to say, to produce 10,000 yuan of output value, township and town enterprises can use 2 laborers as substitute for 4,000 yuan of fixed assets. Moreover, the township and town enterprises basically do not require any state financial support or state investment, and their financial resources come mainly from their own accumulation or credit. This means that they can use funds at a higher efficiency. This is undoubtedly of great significance for our economic development under the conditions of labor surplus and fund shortage.

Second, township and town enterprises operate flexibly and are highly adaptable. In the stage of changing the production structure it is necessary to diversify and improve the industrial production structure, to expand the processing scope of various trades and industries, and to continuously adjust the industrial distribution. New investment opportunities will continuously appear. Under these circumstances not only advanced technologies, but also ordinary applicable technologies in large quantities even though some of them are rather backward, will acquire much room for development. Township and town enterprises normally operate on a small scale so they are more adaptable and flexible. This advantage enables them to better meet the market needs. They can develop various forms of economic association with large enterprises and function as assistants to the large enterprises. They can also independently develop products that large enterprises do not have the ability or interest to produce, thus meeting the overall needs in the development of productive forces at various levels in the course of the production structural adjustments. In recent years the development of township and town enterprises has greatly enriched product supply and has filled the gaps in our market demands. Moreover, they have exported more than 1,000 products. With the further development of the national economy township and town enterprises will play a greater role in this regard.

Third, township and town enterprises have close relations with agriculture. In the course of production structural changes it is particularly necessary to prudently handle and coordinate the relationship between agriculture and various nonagricultural trades, and to prevent the appearance of any "crevices" between different production fields. Township and town enterprises, as a major component part of the rural economy, play an important role in promoting agricultural development. On the one hand the development of township and town enterprises will separate more and more rural labor force from the land and thus raise the labor productivity in

agriculture and create the conditions for farming on a more economical scale; on the other hand they directly promote technological progress in agricultural production and provide large amounts of funds for rural construction in various fields. During the period of the Sixth 5-Year Plan township and town enterprises provided a total of more than 30 billion yuan in funds for agricultural production. Before the unreasonable price system is thoroughly changed township and town enterprises can play a major role in "using industry to subsidize and support agriculture" and in coordinating relations between agriculture and industry. This is of special significance for ensuring the sustained and steady development of the national economy.

In short, the development of township and town enterprises is in line with the objective economic law. In recent years the growth rate of township and town enterprises was about 2 to 2.5 times as high as the growth rate of state-owned industrial enterprises, or the former developed twice as quickly as the latter. In coming years, it is expected that township and town enterprises will continue to develop at a higher speed, and it is possible for them to grow by about 15 percent a year.

#### IV

The rapid development of township and town enterprises naturally created issues worthy of note. These were mainly as follows: First, some enterprises collectively run by townships and towns were still affiliated to the township or town administration. Their property relations were not clearly defined. The collectives could transfer the funds of the enterprises at any time for any purpose. The enterprises still lacked full power to determine their own business and production, and their management was rather disorderly. Second, many township and town enterprises were set up under simple and backward conditions. They lacked advanced technologies and qualified technical personnel, so their product quality was inferior and their economic efficiency was low. They could not survive against market competition. More than 70,000 small rural enterprises were closed each year. Third, the development of such enterprises was uneven and ill-coordinated. Many plants producing the same products were set up. Those in the developed coastal areas contended for raw materials and markets with those in the central and western regions, and this caused waste of resources, land, and labor. We must pay serious attention to these problems and carefully solve them. Only thus can we ensure the more healthy development of the township and town enterprises.

The further development of township and town enterprises will have to rely on in-depth enterprise reforms. In developed coastal areas the ownership of local enterprises by the community administration and the combination of the administrative and enterprise functions certainly played a positive role in promoting the development of rural enterprises in townships and towns and promoting the shift of labor force for a time. This should

be fully affirmed. However, at the present stage the enterprise management system must be further reformed in order to adapt the enterprises to the new situation of market competition. The township and town enterprises can operate vigorously only when they have self-determination power to handle their own business and production and bear sole responsibility for their own profits and losses. They should strike roots in the markets and grow in the markets, without being tied to the "big pot" and to the "iron rice bowl." Rural enterprises can be run by townships, towns, a number of households, or individual households. For some old enterprises, they must be separated from the local administrative structure. That is, ownership should be separated from the management power. The enterprises should be made independent legal entities and should be able to do business independently. Various forms of contract systems can be adopted. Enterprises can sign contracts with townships, towns, or households and turn over a reasonable percentage of profits. Then, they can use a large part of their profits to expand the scale of production. Enterprise management power should be strengthened; and the ownership of towns should be weakened. Enterprises should be encouraged to hold each other's shares and enter into various forms of economic association. The turnover of profits by the enterprises can be gradually turned into dividend distribution to the shareholders. Some enterprises which did not achieve good business results can be leased to individuals or to a group of peasant households for management. Henceforth, new enterprises should be set up on the basis of a joint-stock system as soon as they possibly can.

Township and town enterprises in developed coastal areas should mainly be oriented to export. This is a major development strategy. They should make full use of the advantage of abundant labor resources to develop labor-intensive processing enterprises. They can import raw materials and the export products in large quantities so as to earn foreign exchange income for the state and to involve their production activities in the great international circle. To integrate reform with opening up in this way will not only speed up the development pace in the coastal areas, but will also prevent the enterprises in these areas from contending for raw materials and markets with those in interior areas, thus bringing along the township and town enterprises in the central and western regions and in the whole country. This is favorable to the enhancement of the technological level of the township and town enterprises and favorable to the development of the rural commodity economy.

In the coming period, township and town enterprises will continue to develop rather rapidly but we must prevent and correct the guideline of merely seeking a high growth rate and neglecting product quality and economic results. In particular, the localities which are more economically developed and have a better foundation should pay more attention to enhancing the technological level, improving product quality, and achieving better economic results. It is necessary to actively promote



the "spark plan" and go all out to advance technological transformation so as to continuously raise the technological level of the township and town enterprises.

### **Several Considerations on the Strategy for Export-Oriented Development of the Coastal Areas**

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[Article by Wang Jian [3769 1696]]

[Text] Measures are being taken to speed up the implementation of the strategic policy decision on developing an export-oriented economy in the coastal areas. This strategic policy decision is an important turning point in the process of industrializing and modernizing our country. It marks important changes in the measures and pattern of the economic development of the coastal areas. In the meantime, it will produce a profound influence on economic development in China in the coming decades. With the implementation of this policy decision, we begin integrating the readjustment of China's economic pattern with the production setup of the world. This also marks an important change in our concept on formulating our strategy for economic development.

One of the characteristics of the new strategy is that proceeding from the particular contradictions in our country's production setup, we have devised a path of industrialization and modernization that conforms with the situation in our country. Some 30 years before the start of the reform, under the guidance of our traditional system and strategy for development, the road to changing China's production setup was completely different from that of industrially developed nations and regions. Our light industry was not fully developed, and our abundant labor force was held up in the rural areas. As a result, there occurred in China a heavy industry with a very large organic component [you ji gou cheng 2589 2623 2845 2052] and an agriculture with a very small organic component. This was a typical dualistic pattern. In the new stage of economic development, China's industrialization is facing the following difficulties. On the one hand, we should transform as early as possible our large and backward industrial and material foundation so that our technical level will be close to that of industrially developed countries. On the other hand, we should as early as possible end the situation of "800 million peasants among the 1 billion population" to fulfill the historical task of shifting the rural labor force. This is a matter that will inevitably occur in the process of promoting modernization. Our capital is limited. It is very difficult for us to solve this problem by seeking a way out at home alone. Only by making use of the great international circle and the transfer mechanism of the international market can we integrate the process of upgrading our production setup with that of transferring our rural labor force. In such a way, the conflict occurring in the process of accomplishing the two great

historical tasks will be turned into mutual promotion. The first step of this new strategy is to, first of all, enable our coastal areas, which have better foundation and external conditions, to participate in the great international circle. After that, China's economy will gradually embark on the path of export-oriented development.

Judging the matter from a higher theoretical plane and from a longer historical perspective, we know that the significance of developing China's export-oriented economy lies not only in solving a series of contradictions caused by the dualistic structure but also in the fact that the structure of China's resources supply will enable the country to develop its export-oriented economy. Judging from international experiences, we know that a country that can supply a limitless labor force in terms of its structure of resource supply can succeed only by developing an export-oriented economy. This is the case with Japan, West Germany, and the "four little dragons of Asia." Ours is a country with a vast territory and a large population. Our resource conditions on a per capita basis are similar to these countries and regions. This has determined that sooner or later China's economy must embark on a path similar to theirs. This is the path of a processing economy [jia gong jing ji 0502 1562 4842 3444] characterized by the large-scale export and import of resources and processed products. This is one way the makeup of the supply of a country's resources influences its selection of a production setup and is independent of man's will. The coastal areas in our country are populous areas with meager resources, and the processing industry is concentrated in these areas. Since the start of reforms, our coastal areas have been bogged down in a battle with the hinterland scrambling for resources. In the final analysis, this is because the amount of our resources on a per capita basis is limited. We have an abundant labor force, but our resources are meager. To accomplish something, various areas must scramble for resources. As a result, the prices of raw and processed materials soar. This will adversely affect not only the economic results of the processing industry in the coastal areas but also industrial development and the work of the transfer of the labor force in the hinterland. With the implementation of the strategy for the development of the coastal areas, we will "drive them to the sea." The policy of "large-scale exports and imports" of resources and of relying on the world market will significantly ease the conflict between the coastal areas and the interior. In the meantime, it will provide the hinterland with a new opportunity for development, and the coastal areas broader room for survival and development.

In a word, just as Comrade Zhao Ziyang has pointed out, the strategy for the development of the coastal areas is not an issue for the coastal areas alone. The profound significance of working out this strategic decision lies in the fact that it will produce a positive influence on the economic development of our country up to the end of this century, or even during the whole initial stage of socialism.

Since the CPC Central Committee and the State Council worked out the new strategy for development, relevant departments under the State Council, and various coastal provinces and cities, and some provinces, cities, and autonomous regions in the hinterland have taken positive moves. At present, a very great momentum has been built up. In a short period of time, the policy decision of the central authorities has been warmly supported and responded to by various areas, various departments, and people throughout the country. This shows that this strategic policy decision conforms with the interests of the Chinese people.

Under this situation, it is more important for us to keep a clear head and to judge the hour and size up the situation, so that we can devise a plan for development that is in accord with the development trends of the world economy and conforms with our specific national conditions. It is also important for us to turn the strategic policy decision of the CPC Central Committee and the State Council into a systematic plan for action. Practices since the implementation of the policy of reform and opening up have shown that even though we have worked out important strategic policy decisions, we still cannot avoid the blindness occurring in the course of reform and development if we fail to guide our work in an organized and planned way and step by step. In particular, under the conditions that foreign markets and our domestic resources are limited, if the coastal areas blindly go abroad without systematic planning and leadership, the situation of blind and acute competition in both domestic and foreign markets in the course of reforming our foreign trade system in 1979 will recur. This will throw us into confusion and enable foreign businessmen to avail themselves of loopholes. A good strategic policy decision will be changed into just the opposite.

With regard to our plan for strategic development, I think that we should, first of all, do well in working out a general plan for strategic development. We should solve the following problems well.

1. We should handle well the relations between the coastal areas that plan to go abroad and the development of the hinterland. The development of our several special economic zones since the implementation of the policy of opening up to the outside world has shown that in the initial period of embarking on the path of developing their export-oriented economy, they should rely on a strong economic support at home. Now the scope of development of the coastal areas aimed at going abroad is much greater than that of the special economic zones. Under the conditions that the supply of our capital, foreign exchange, energy, transportation capability, raw and processed materials, and so on is limited, we should ensure that during the initial stage of development, our priority should be given to the coastal areas in terms of the elements of production. In the meantime, efforts must be made to ensure that the overall operation of the national economy will not be disrupted. We can do so

only through a conscientious quantitative analysis and the work aimed at maintaining an overall balance of the national economy. In the long run, the international circle of the coastal areas cannot be separated from the internal circle in the central and western parts of China. The export-oriented development of the coastal areas must continue to rely on the support of the hinterland in terms of raw and processed materials, funds, and so on. In the meantime, they must undertake the responsibility for bringing along the economic development of the hinterland. For example, the coastal areas may support the hinterland in terms of technology, facilities, talented personnel, and so on. They may also offer certain resources and domestic markets for the hinterland. All this will speed up the economic development of the hinterland. By taking advantage of the export-oriented development of the coastal areas, how should the hinterland devise a new path for its economic development? With the westward shifting of the higher-quality elements of production of the coastal areas, how should we speed up the change in our production setup and the development of the national economy as a whole? This is an important issue that should be studied when we are considering the strategy for overall development.

2. We should consider the issue of linking the production setup with the regional structure. Since the economy of the coastal areas is being gradually integrated with the world, we should readjust and change China's production setup. This issue must be considered in the context of the world economy. As far as the change in the production setup is concerned, due to the fact that we can earn foreign exchange by exporting labor-intensive products, the needs for some products at home can be satisfied through the supplies of foreign countries. This will enable us to change our production setup and to skip certain stages of development needed by the development of traditional industries. In such a way, we will be fully benefited as a late developer. For example, in some developed countries, some traditional undertakings are on the decline, and many developed countries are facing the strenuous task of readjusting their production setup. In our country, priority should be given to the development of production urgently needed by society. Is it possible for us to shift abroad the production of certain goods which will consume a large quantity of funds, energy, and resources? If this can be done, we will be able to avoid the strenuous task of readjusting our production setup when the demand for such products declines. We are now living in an era characterized by the rapid development of the new industrial revolution, and the life span of traditional industries will be greatly shortened. We should make a correct policy decision in accordance with this situation. To solve these problems correctly, we should rely on our capability to export, the supply capability of the world market, the relative price level, and a comparatively scientific forecast.

Considering the new pattern of China's production setup from an angle of the world economy will inevitably involve the problem of regional layout. China is a

country with a vast territory and a large population. We need a large quantity of various kinds of products. After assessing our existing production capability at home and the supply and demand situation, we should make a decision on procuring certain kinds of products from abroad, on relying on certain foreign markets for the supply of certain kinds of products, and on selecting new sites and constructing factory buildings in certain areas. All these should be considered from an overall readjustment of the production setup and regional structure. They will have a great bearing on the changes in our country's existing production setup and regional layout, and involve the interests of various departments and regions. These problems can be solved only by making a well-conceived arrangement and working out an effective policy.

3. We should handle well the issues of the transfer of the rural labor force and urbanization. The implementation of the strategy for the coastal areas will create a good condition for the shifting of rural surplus labor force in the central and western parts of China. Generally speaking, it will also speed up the industrialization of the rural population. However, due to constraints imposed on domestic and external conditions, an excessive shift in the rural labor force will produce a negative effect. Therefore, in accordance with the conditions provided by the economic development, we should make a scientific plan for the speed of the industrialization of the rural population on the basis of macroscopic control. On the other hand, a large quantity of land will be occupied in the process of the industrialization of the rural population. Our country's land resources are limited. Excessive occupation of land will lead to a battle between industry and agriculture scrambling for land. This is a striking contradiction now and will increasingly become acute. The only way to solve this problem is that we should increase the industrial production rate [gong ye chan chu lu 1562 2814 3934 0427 3764] of the land. In other words, we should follow the path of urbanization. On what size of cities should our development be focused? What kind of city clusters [cheng shi qun ti 1004 1579 5028 7555] should we establish? Where should they be established? What kind of communications channels, or telecommunications methods, should be used to link them up? In the process of urbanization and shifting the agricultural population to cities, how should we prevent the decline of agriculture? All these issues should be included in the general strategy.

4. We should handle well the relations between overall balance and the readjustment of structure. At present, our total demands at home greatly exceed total supplies, and a large quantity of our products are absorbed by our domestic market. This has adversely affected the expansion of our exports. Due to their large demand at home and their limited supply, the prices of many of our products have increased continuously. The enterprises concerned find out the great disparity in profits between goods sold at home and abroad. Therefore, they lack a driving force, or do not feel the pressure of going abroad.

This problem can be solved only by macroscopically readjusting the income structure of our residents and their consumption structure, and the relations between the increase in their incomes and consumption on the basis of developing savings mechanisms. Unified arrangements are needed while working out our general planning.

While implementing the overall strategic plan, we should formulate well the strategy for the development of the coastal areas. Analysis must be made with regard to the prospects of the export-oriented development in each and every area, and the prospects of the exports of each and every kind of product. This work can be specifically done by various coastal provinces and cities, the Ministry of Foreign Economic Relations and Trade, and the Ministry of Light Industry. The State Planning Commission can do summing-up work. Unified action and planning are needed. In the meantime, the state should consider some specific policies for supporting the development of the coastal areas.

Put briefly, the formulation and implementation of the strategies for coastal development can be carried out only in a very short time. The opportunity for the readjustment of the pattern of the world economy will disappear very quickly. We are not allowed to take action only after working out a very careful plan. Our general strategies can be perfected during the course of implementation. This is also the case with the strategy for coastal development. While grasping the opportunity, we should also avoid blindness. This has demanded that we present a draft strategic plan within the shortest time. As long as we have taken into account some basic and main issues, we will be able to avoid gross mistakes, and our new strategic plan can be smoothly implemented. I suggest that the State Planning Commission take over the task of expounding the overall strategies and take the lead in helping various coastal provinces and cities, and that departments concerned formulate a comparatively perfect plan for coastal development.

**Strengthen the Building of Democracy in Enterprises, Ensure the Development of the Contracted Management Responsibility System**  
*40050221f Beijing HONGQI [RED FLAG] in Chinese No 7, 1 Apr 88 pp 27-31*

[Article by Shang Haitao [1424 3189 3447], chief of the Luan Mining Bureau]

[Text] Development of the various modernized enterprises of socialism "must all depend on the continued development of socialism democracy for assurance and support." Actual practices in recent years in our Luan Mining Bureau have amply shown that to vigorously push the contracted management responsibility system we must at the same time strengthen the building of democracy in enterprises and to fully display its role of assurance and support.

### **Enforcing Contracted Management Requires Building of Democracy**

Contracted management is an effective road to deepening the reform, invigorating the enterprises and developing the productive forces. It is a beneficial attempt to separate the two powers. After enforcement of contracted management, an enterprise gradually becomes an economic entity which is relatively independent, makes its own decisions in business, and is solely responsible for its own profits and losses; and the higher the degree of its "independence" and "self determination," the more urgent its demand for democracy.

Undertaking by the plant head himself of the responsibility for contracted management itself demands enlarging and extending democracy. The plant head is the representative of the legal entity of an enterprise. He represents the entire staff in contracting management and does not himself contract the management. In delegating power to the enterprise, the state delegates it to the entire staff of members and workers and not to the plant head alone. Enforcement of the plant head responsibility system is to meet the demand of modernized large-scale production and to establish a highly centralized, powerful and unified directing system for production and management. The plant head's powers are endowed by the people, his relations with the staff members and workers are those of the public servant and the masters, and his management must rely on support from the entire staff members and workers. His decisions can only come from the source of the collective wisdom of the enterprise's organs at various levels and its vast number of staff members and workers. It is only proper that he must be skilled in centralizing the correct ideas and talents of the masses. His tenure of office and targets can only be realized through depending on the large number of staff members and workers doing creative labor in the stature of being masters of the house. Contracted management can be successfully carried out only through converting the plant head's contracting to the staff members and workers' contracting, through converting the plant head bearing the risks to the whole staff bearing the risks and only through converting the plant head's duties, power and interests into the wishes of the entire body of staff members and workers. In short, simultaneously with displaying the plant head's prestige and functions, the plant head must strenuously avoid acting arbitrarily, but must fully display the democratic spirit and arouse the enthusiasm of the masses of staff members and workers. In 1984, our bureau enforced the contracted method based on the coal-ton wages contracting, and in 1985 carried out the contracted management responsibility system and also the bureau chief responsibility system (now already developed to the mining-head, plant-head, department-head, institute-head and school-head responsibility system in the bureau's various subordinate units). In recent years, through our grasping on the one hand contracted management and on the other hand democracy building, we have formed the situation of the entire bureau's various production units wholly overfulfilling their contracted tasks.

To perfect the contracted management mechanism, it is necessary to vigorously raise the degree of democratic control. In enforcing contracted management, through formulating the post-economic responsibility system and building of an operation mechanism which highly unifies duties, power and interests, on the one hand it is itself raising the degree of the scientification and democratization of management, and, on the other hand, after the enterprise has become a relatively independent producer, it effects a close liaison between the enterprise's management conditions and the interests of the staff members and workers. With the continuous increase in the democratic ideas of the vast number of staff members and workers, there is an increasingly urgent demand for carrying out democratic control of production and management, for strengthening the democratic supervision of the leadership's decisionmaking and activities, and for ensuring the realization of their own legitimate interests, being particularly concerned with the problems of the use of money and employment of people. Therefore, internally in the enterprise it is necessary to achieve the democratization and scientification of the leadership's decisionmaking, and the democratization, in the organs at various levels, of political activities, economic control, technical control, and livelihood control and to protect the nonviolation of the democratic rights of the staff members and workers; otherwise the staff members and workers' enthusiasm cannot be aroused, the enterprise lacks vitality and a good job cannot be performed in the contracting.

With the separation of party and government functions, plant heads are duty-bound to perform the tasks of building democracy. In enforcing the plant head responsibility system, party and government functions are separated, the party committee performs the role of assurance and supervision, the plant head is in a central position and is fully responsible for the enterprise which means responsibility not only for building material civilization but also at the same time for building spiritual civilization and democracy. When we formulated the regulations for building a modernized mining bureau, we also formulated the regulations for building material civilization and the regulations for building spiritual civilization. Having full cognizance of the concrete tasks and measures for building democracy and working in coordination with the party, labor corps and the youth league, we led the entire staff in the struggle and as a result achieved success in the building of both civilizations. After being checked and accepted by the Ministry of Coal Industry, on 10 January 1987, we were named China's first modernized mining bureau.

Introducing the competition mechanism into contracting is equivalent to utilizing competition to display democracy. The key for us to create a higher speed and even better results than capitalism lies in the full display and exposition of man's enthusiasm and creativeness and drawing in the competition mechanism is a good method in this regard. After all competition is competition among people, between their talents and wisdom.

Displaying democracy before competition, everybody will be equal and with the talented ones going on top, progressing and performing the jobs, ideal and high speed as well as good effects will be created. In our coal picking teams we adopted the methods of displaying democracy in politics, in technology and in economics and organized the staff to develop competitive activities aiming at the target of each team producing 1 million tons of coal a year. The result was that the number of picking teams each producing 1 million tons of coal each year increased year after year. Last year six such teams appeared in the records and one of them turned out the world record of producing over 1.7 million tons of coal a year. All this amply illustrates that an enterprise which displays democracy and advocates competition can tap an enormous amount of potential power. In the future upbuilding of modernized mining bureaus of a high standard, we must from beginning to end consciously and firmly insist on this point so as to fully tap the hidden human and material strength inside the enterprise and to arouse to the maximum extent the staff members' enthusiasm to act as masters of the house and perform a good job of running the enterprise.

#### **Creating an Environment of Democracy and Coordinated Development of Contracting**

The deepening and development of contracted management creates the condition for building democracy in the enterprise and at the same time demonstrates that building of democracy is all the more urgent; strengthening the building of democracy provides assurance and support to contracted management and further pushes ahead contracting. Both have the purposes of arousing the socialist enthusiasm and creativeness of the staff members and workers and making the enterprise increase its vitality and develop its productive forces. Hence, we must create a good environment for building democracy and the coordinated development of contracting.

Strengthening ideological education forms a public opinion environment for democracy and the coordinated development of contracting. Social democracy and political democracy have corresponding relations with people's level of ideology and virtue. As people all know, a democratic political life must be based on a democratic social life and in the last analysis a democratic social life is manifested in the man-to-man relations. In social life, man-to-man relations demonstrate many and various kinds of situations, while organizing and regulating such relations, aside from improving and perfecting the system, are determined to a rather large extent by the condition of the standard of ideology and morality. For example, if the leadership cadres in their capacity as officials behave like overlords and seek private gains while the staff members serve for the sake of money and care not about morality in their business dealings, then surely they do not have any basis of democratic ideologies. Hence, strengthening ideological education and

education on professional morality constitute an important condition for building democracy in an enterprise. In recent years, among the CPC party members and the staff members and workers, we have developed, according to the demands of the different layers, communist ideological education and the common ideological education of the current stage, particularly educating the enterprises' leadership cadres at various levels on the need of firmly building a world outlook of wholeheartedly serving the people and on striving hard to basically solve the problems. With regard to the different work groups and different posts, we have developed educating on professional morals and the activities to "love Luan, to act as masters of the house, to make the utmost contributions and to act as pacesetters," thus training up the good moral atmosphere of the cadres and staff so that they could wholeheartedly devote themselves to perform a good job of contracting and to create business records of the first class. As a result, the contracting effects have improved year after year.

Strengthening cultural, scientific and technological education forms a wisdom environment for democracy and the coordinated development of contracting. Culture, science and technology are not directly equivalent to democracy but they determine man's democratic quality and are the foundation stone for developing democracy. For the sake of democracy and the coordinated development of contracting, in our building of the modernized mining bureau, we treated the cultural, scientific and technological education of the staff members and workers as a strategic task to grasp. The bureau has developed a sound educational system for its staff members and workers, it has organized a full-time college for the staff, a specialized middle school, a technical school and a correspondence college (also one for telecommunications and periodicals), and a correspondence specialized middle school. We advocated that middle-aged and young staff members and workers should take part in the self-learning courses and high-grade examinations of the various kinds of higher institutions of learning. We adopted the regular schooling method and a training system calling for the students to depart temporarily from production work. By so doing, we were able not only to remove illiteracy and to make the young workers complete their cultural making-up lessons of the primary school and senior high school grades and also their making-up lessons on technology but also to enable the coal picking workers, by means of taking part in over half a year's rotating training classes away from production, to better grasp the world's advanced techniques on comprehensive coal picking and comprehensive coal-pit digging. Each year we organized various kinds of technological training classes on safety protection and modern technology. We also paid great attention to improving the cultural and technological quality of the leadership cadres and engineers and technicians, by sending them on inspection trips abroad and organizing lectures and seminars on modern production and management technique so that the staff can renovate their

know-how. Improvement of the cultural and technological quality of the staff members and workers likewise brought about the corresponding advancement in their democratic quality and greatly raised their capacity in actually participating in the democratic management and control of the enterprise. For example, in the past in meetings of staff representatives congresses at various levels, when important policies were discussed what they usually did was to listen and to raise their hands in voting. Now they bring up their concrete views on various sides and truly display their functions of discussing and examining.

Strengthening legislative construction and creating a good legislative environment for democracy and the coordinated development of contracting. To perform a good job in contracted management, it is necessary to attach importance to legislative construction and we must greatly increase the legal knowledge of the staff members and workers and the leadership cadres. The development of the democratization of an enterprise's political life is determined to a large extent by whether the people's democratic and legal understanding is strong or weak. For this reason, we have paid great attention to enabling, by various means, the vast masses of cadres and staff members and workers to strengthen their legislative concepts, to improve their legal traits and to insist on doing things according to law. At the same time, we also paid attention to raising the law-enforcing consciousness of the leadership cadres and management personnel, and to stressing the need of administering according to law and of strictly abiding by law and the legal procedure in doing business. In order to realize legality in enterprise management, it is necessary to follow the state's statutes to achieve perfection in the enterprise's regulations, systems and various kinds of working procedures, and "the things that should be promoted or reformed should as far as possible be made clear by legal or institutional forms." In recent years, regarding the enterprise's production, management, day-to-day work and various other phases, we have formulated strict regulations, systems and management procedures governing them so as to make the enterprise's various activities become systematic, procedural and thus to promote the development of democracy and contracting.

#### **Devoting Efforts To Perfecting the Basic System of Democracy**

In his report to the 13th CPC National Congress, Comrade Zhao Ziyang pointed out: "The essence and core of socialist democracy consist of the people being masters of the house, truly enjoying various civic rights and possessing the power to manage the state and the enterprises. Building of socialist democracy at the present stage must place stress on actual results and on arousing the enthusiasm of the grass-roots level and masses. We must start with those things that can be done and devote efforts to perfecting the basic system." So far as an

enterprise is concerned, what basic systems should be grasped at the present stage of building democracy? To our knowledge, there are the following points:

The system of internal political activities of an enterprise must be perfected. Seen from the lateral side, the "three regulations" and the "regulations governing the work of youth league organs" must be observed and the relations between the party, government, workers, youth league and other public organs must be put in order, and systematized. The principal part of the work in smoothing out the relations lies in the administration. The plant head should of his own accord accept supervision from the party committee and the labor union, support the independent work of the party committee and the public organs like the labor union and the youth league, and cannot treat them as the administration's "appendices." We have successively formulated the detailed regulations covering the responsibility system applicable to the bureau chief, mining head, plant head, department head, institute head and school head, enforcement measures on regulations covering the work of the party committee and detailed regulations covering the work of the employees representatives congress, and, in addition, concretely specified the rules and work procedure in handling the relations between them. As a result, since the reform, our bureau's relationships with the party, government and the labor union have been coordinated and the plant head responsibility system has developed in an healthy manner. Seen from the vertical side, following government streamlining and delegating of power and reducing the size of accounting units, it is necessary to clearly fix the scope of functions and power and the work procedure of the four grades of organs such as the bureau, mines (plant and department), sections and teams (workshops) and squads and make them systematic. By so doing, on all sides the activities of the organs at various levels will become democratic. In the internal political activities of the enterprise, it is necessary to formulate a system on training, electing, selecting and employment of cadres, system on reform of personnel work, and system on party and youth league democracy building, and make them systematized so as to ensure democracy in the enterprise. In addition, for the sake of ensuring that the activities of the leadership cadres are democratic, our party and political organs at various levels have formulated "certain rules governing treatment of leadership cadres," "area responsibility [bao pian 3651 0545] system at grass-roots levels by leadership cadres," "system on posting and putting on duty of leadership cadres," and "system of leadership cadres insisting on participating in collective labor." This ensured that leadership cadres would go deep into reality, be closely in contact with the populace and display the air of democracy; it prevented the cropping up of ideas of special rights and privileges and of bureaucratism.

It is necessary to perfect the system of the leadership's democratic decisionmaking. One extremely important phase in political reform is to fully display socialist

democracy and truly enforce democratic and scientific policy-making. This is also an important matter with a bearing on whether or not contracted management can work out the best program and achieve the best results. The nucleus of this problem is to form a set of integrated and strict decisionmaking system, supplemented by a perfect decisionmaking supporting system, enquiry system, evaluation system, supervision system and anti-gift system. In recent years, we have formed various kinds of "brain corps" led by bureau chief and subchiefs, organized an enquiry and advisory structure comprising internally in the bureau principally scientific and technical personnel who have retired or been separated and externally relying on provincial and ministerial units on scientific research on coal, news and information, and education, established a spider-web type system of information transmission inside and outside the bureau and set up the following procedure for decisionmaking—leadership bringing up a problem—the masses discussing thereon—"brain corps" soliciting the public's views, carrying out study on feasibility and advocating several programs for comparison—meeting at bureau chief's office on decisionmaking—seeking the views of the party committee and other relevant departments—sending the decision to the employees representatives congress for examination—reaching the final verdict. Regarding big problems such as transfer and remuneration of staff members and workers, technical transformation of coal pits, building of a modernized mining bureau, contracted management and so forth, they have all been subjected to this procedure for decisionmaking. In fact, each year the contracted management programs have been handled by this decisionmaking procedure and by so doing it has been found that the programs had been well conceived, that the measures adopted were correct and definitely feasible, and that they reduced and avoided errors but produced good results.

It is necessary to perfect the system of supervision and criticism. Supervision and criticism are important measures to ensure that contracted management insists on the socialist direction, displays democracy, arouses the enthusiasm of the staff members and workers, and attains good effects. Positive supervision not only is passive prevention and prevents the cadres from committing errors but also makes use of the wisdom and experience of the populace to open up the leadership's vision to accept education by the masses, verifies and revises the leadership's decisionmaking, and prevents inadequacy, or insufficiency or error in enforcing the party's line, guidelines and policies and protecting the interests of the staff members and workers. In recent years we have perfected three supervision and criticism systems: One of them is the inside-party supervisory system in which committee members of the leadership team supervise the "team leader," reciprocal supervision is exercised by the higher and lower grades, the rank-and-file party members supervise the leadership cadres who are party members, party members are subjected to supervision by masses who are not party members, and there is a firm insistence on running well the subbranch

livelihood association and the leadership cadres' democratic living association and on democracy within the party propelling democracy in the enterprise. In the party committee's supervision over administration, the principal leadership person of the party committee takes part in the bureau chief's business meetings and does well the daily supervision work; administrative leadership party members must periodically report to the party committee; and the party committee is also required to periodically evaluate the administrative work. The second is a system of specially appointed supervisors, with the disciplinary committee supervising the party committee of the same rank and supplemented by a three-level supervisory network comprising and extending from the bureau to the mines (plants and departments) and the sections and teams (workshops) to which discipline-examiners are assigned. The third is a mass supervisory system, with the labor union supervising administration, the chairman of the labor union being in attendance at business meetings of the bureau chief, performing well the job of daily supervising decisionmaking and periodically carrying out supervision and comments on the administration. Mass organs such as youth league committees, armed units and militia units likewise perform the role of this system, supervising and commenting on the leadership cadres in improving their work. Furthermore, we have revised and improved the supervision forms: There is the commenting and evaluating supervision which makes use of the employees representatives congress to evaluate the leadership cadres, once a year in the case of those of ordinary bureau ranking, once every half year for those attached to mines (plants and departments), once every quarter for those attached to sections and teams, while in some cases the scheme is extended to cover squad leaders and unit leaders. There is also the checking and examining supervision whereby leading teams of grass-roots level units of the whole bureau are subjected to checking and examining three times upon the units having been established over a designated period such as half a year or a year while cadres and party members of the units are subjected to checking and examining once each year. We have also the auditing supervision according to which leadership teams of units at the grass-roots level, upon expiry of their term of office, and leadership cadres when being transferred are all subjected to the auditing procedure while in some cases the scheme is extended to apply to leadership of sections and teams. We have also developed the supervision of letters and visits and performed well the reception and handling work of correspondence and visits from the populace. Also, there is the public opinion supervision which employs the bureau's own television station, broadcasting station and the "Luan Mining News" to develop and carry out supervision, criticism and evaluation.

It is necessary to perfect the consultation and dialogue system. Consultation and dialogue constitute an effective form to perform well political ideological work and to correctly handle the internal contradictions of the people; they enable the leadership cadres to maintain a

close liaison with the populace and to make their decisionmaking democratic and scientific; and they make the staff members and workers become masters of the house, manage the enterprise and push forward democracy in the enterprise. In particular, after contracted management when a pluralistic phenomenon appears in the interests of the staff members and workers, it is all the more necessary to resort to consultation and dialogue to regulate and adjust the conflicts between the units and between the staff members and workers. The report to the 13th CPC National Congress pointed out: "The basic principle of building the social consultation and dialogue system is to display the superior tradition of 'coming from the masses and going to the masses,' to raise the liberalization degree of the activities of the leadership organs, and, regarding big and important problems, to let the populace know and to let them discuss." In other words, we must ensure that the staff members have the right to know and the right to discuss and we must firmly insist on the democratic principle of equality in politics; and so far as the enterprise is concerned, the staff members and workers should be allowed to take part in discussing and solving important problems. For the purpose of performing well the job of consultation and dialogue, we have demanded the formulation of relevant systems in accordance with the actual conditions of our bureau. We specified that the party, government and labor union leadership teams at the three levels of the bureau, the mines (plant and department) and sections and teams should all be governed by a system related to their own important problems which fixes the scope and at what level the dialogue should begin. Such dialogue activities should be frequently carried out, whether at fixed periods or not. The leadership cadres at the three levels of the bureau, mines (plant and department) and sections and teams (workshops) must adopt an attitude of mutual consultations with the staff members and workers on an entirely equal basis and must absolutely avoid being "arrogant." The dialogue channels must be widened, liaison with the staff members and workers must be maintained on all sides, and the dialogue should be carried out in various forms. Although we have not been long in carrying out this dialogue system, yet the results have been seen which clearly demonstrate its vitality. In the case of contracted management, due to the conditions of management being different one from the other, between the units, the type of work in production and the workers themselves, their incomes are different. Take for example the technicians in the same grade or class of type of work, the income of those working in the office radically differs from that of those assigned to the coal picking team or power generating team or other units. People are liable to breed the psychology of "catching up with others" and "all for money's sake" and thus a phenomenon has appeared of a dislike to work in the head office but a preference for assignment to the coal picking teams or tunnel digging teams. In order to solve this problem, leadership cadres of the bureau went deep into the grass-roots level to conduct dialogues, on the one hand making it clear that salaries and wages and distribution of bonuses must

break "egalitarianism," be linked with efficiency, benefits and contributions and implement the principle of "more work more pay." On the other hand, through the dialogues, the view of the staff members and workers on the various kinds of contracting unit price and on the distribution of bonuses were solicited. As a result of the analysis it was discovered that the contracting unit prices of certain types of work were definitely low and that in some departments the distribution of bonuses had not been rational. Accordingly, the low contracting unit prices were raised and the method of distribution of bonuses was revised. By so doing, not only were the people's feelings pacified and everybody's enthusiasm aroused but it also enabled the salaries, wages and distribution of bonuses to better illustrate the principle of seeking benefits as well as equity and to serve better the cause of contracted management.

It is necessary to perfect the system of the democratic management of enterprises. Democratic management of enterprises is a realistic form of direct democracy in our country, being the foundation of enterprise management structure. The real meaning and content of democratic management should be: The vast masses of staff members and workers, according to provisions of the state laws, participate in exercising the enterprise's political right, economic right and technological right, and taking part in deciding on big and important problems, and in the assessment, supervision, nomination, election and dismissal of the leadership cadres. In measuring whether the democratic management has been good or bad we must see whether or not the workers' status as masters of the house in the enterprise's various systems has been duly protected, whether or not the enthusiasm of the staff members and workers has been "fully displayed," and whether or not the enterprise possesses vitality. To carry out democratic management well we must perfect the organizational form of democratic management. Its basic form is the staff members and workers' representatives congress, its important form is democratic supervision and its general form is manifested in different kinds of mass autonomy. To perform democratic management well, we must perfect the democratic management structure which takes the staff members and workers' representatives congress as the basic form, enforce the democratic management system which takes the staff members and workers' representatives congress as the basic form, allow the labor union to better take part in the enterprise's operations and discussions, vigorously grasp the implementation of the "five powers" of the congress and put its functions, power and role into full play; and it is also necessary to perfect the system of protecting the legitimate rights and benefits of the staff members and workers and to ensure that their rights and interests will not be violated. In recent years, we have, taking the staff members and workers' representatives congress as the basic form, perfected the four-level democratic management structure of the bureau, mines (plant and department), sections and teams (workshops), and squads and units, formulated the three-level system staff members and workers' representatives congress



comprising the bureau, mines (plant and department) and sections and teams (workshops) as well as the democratic management system of the squads and units, and the systems for concretely protecting the legitimate rights and interests of the staff members and workers; we have perfected the democratic supervision system for the staff members and workers' representatives congress and have instituted the following: "two old-ages" (old-aged cadres and old-aged workers) advisory group; young workers' association for participation in political affairs; once a month democratic activities day, leadership cadres' reception day of the masses, youths' economic management unit, bureau chief's (mining and plant heads') post box, labor union chairman's post box, staff members and workers' intimate discussion meetings, announcement of the bureau chief's telephone number, and various kinds of awards for criticisms and recommendations. In addition, we have set up various kinds of democratic management forms and mass autonomy forms, and encouraged the staff members and workers to make rational proposals and recommendations.

In recent years, as a result of our attention to the building of democracy in the enterprise, we have been able to push the development of contracted management. Our bureau's various targets such as whole staff efficiency rate, unit production in coal picking, comprehensive coal picking efficiency rate have jumped from the whole country's advanced level to the world's advanced level. Through the years we have received some 20 advanced designations from the provinces, ministries and the state. Last year we were named the whole country's first modernized mining bureau and also the superior enterprise unit in national political ideological work. Attainment of these successes has been closely related to contracted management and building democracy. Democracy has been developing and contracting has been deepening. We intend to follow the deepening and development of contracted management and make democracy in the enterprises become gradually systematized so as to better protect the development of contracted management and we shall devote tireless efforts to build our bureau into the first class modernized enterprise of the age.

**Reviewing 'Research Into the Class Structure During the Initial Stage of Socialism in China'**  
*40050221g Beijing HONGQI [RED FLAG] in Chinese No 7, 1 Apr 88 pp 32-34*

[Article by Wang Zhengping [3769 2973 5493]]

[Text] The issue of the class structure during the initial stage of socialism involves the new situations and new questions which have appeared in our country's actual life and is an important theoretical question in the process of the historical development of the initial stage of socialism. After basically completing the socialist transformation of the private ownership of the means of production, our country entered the initial stage of socialism. Because of changes in the economic structure,

the class structure of our country's society underwent basic changes and following this, new relationships and contradictions appeared between the various classes, strata and groups. Finding how to correctly understand and handle these new relationships and contradictions and seriously exploring the innate patterns of their developmental evolution and thereby predicting their trend of development is not only of great theoretical significance, but also of direct practical significance.

In the past practice of our country's socialist revolution and construction, there occurred the expansion of class struggle and the mistake of being overanxious to complete the transition through the stages of socialist development. These situations are inseparable from the fact that we lacked a truly scientific analysis and correct assessment of the class structure and class contradictions during the initial stage of socialism.

In the new historical period at present, following the deep development of reform and opening up, the various classes and strata of society, including the working class, the peasant class, the intellectuals, individual laborers and so on, will inevitably see thoroughgoing changes. The development of the social forces of production and changes in the socioeconomic system will also inevitably lead to changes in labor modes, distribution modes, interest relationships and conceptual patterns. It will also require that our theory workers provide scientific theoretical summaries and answers. Thereby they will provide an objective basis for the party and the state in formulating correct principles, policies and social development strategies and tactics.

The book "Research Into the Class Structure During the Initial Stage of Socialism in China" which was edited by Comrades Gao Guang [7559 0342], Li Zhen [2621 4176], Ma Ming [7456 7686], and Wang Changyuan [3769 2490 6678] and published by the CPC Central Committee Party School Publishing House was written in response to the demands of this objective situation. This was a key project put into the scientific and technological research plans of the Sixth 5-Year Plan, and is a theoretical monograph geared to reality and with its own unique characteristics. This book proceeds from the initial stage of socialism in our country and employs a Marxist stand, viewpoint and methods. On the basis of a large volume of systematic research into relevant situations at home and abroad, it carries out systematic and beneficial exploration into the question of the class structure at the present stage in our country, makes a quite overall and realistic appraisal and puts forward opinions which are rich in inspiration.

The most obvious characteristic of this work is that, on the principle of fully integrating theory and practice, it makes innovative attempts to explain how to tightly combine historical materialist research with practice and to answer major theoretical questions put forward in practice.

The logical structure of the whole book is quite well-knit, it is rich in materials and these are full and accurate. Also the book's approach is interesting. In terms of the arrangement of the contents, a method which combines history and logic is adopted and, at the same time, attention is paid to the systematic nature and the integral nature of the questions.

In the first chapter of this book, the authors carry out a historical review and reappraisal of the basic theories of Marxism in respect of class and class struggle and their development in practice, and this is then used as the guiding thread for the whole book. They then quite systematically describe how Marx and Engels established a scientific theory of classes and class struggle, and describe their analysis of capitalist class structure and class contradictions. Thereby they reveal the objective law that socialism must inevitably replace capitalism and put forward scientific predictions about future society. The first chapter also discusses Lenin's new contributions to the theory of class structure and class struggle during the transitional period, and discusses Stalin's correct and wrong ideas in his understanding of the socialist class structure. They also look back on the major contributions and the mistakes made in the latter years by Comrade Mao Zedong, during the course of the Chinese revolution, in terms of the theory and practice of class and class struggle, and describe the class situation at the present stage of socialism and the new developments in our party's class theory since the 3d Plenary Session of the 11th CPC Central Committee.

At the same time, the authors also examine new explorations made in recent times by the various socialist countries in terms of the questions of the development stages of socialist society, and the class structure and class contradictions of socialist society, and use these as reference.

In the second and third chapters of this book, the authors use a large amount of text in carrying out a specific analysis of the class structure during the initial stage of socialism in our country, exploring the basic characteristics of our country's entry into the initial stage of socialism and put forward original ideas about the changes to the class structure which changes in the economic structure will inevitably give rise to. On the definition of the class structure of society, the authors hold: The theory of class structure is an important component of the Marxist theory of class and class struggle. What is referred to as the class structure is formed by the social classes (including the internal structure of each class) and is a sum total of the positions of the various classes and the relationships between the various classes. Research into the class structure of socialist society is certainly not differentiating classes anew, but researching the changes in the class structure of socialist society and new combinations. Scientifically analyzing the class structure of society provides an objective basis for the party's formulation of strategies and tactics.

The authors point out that the class structure in the initial stage of socialism in our country is constituted by three components—the basic classes, the special strata and the non-basic social groups. These are differentiated in accordance with the actual situation.

The basic classes include the two major major laboring classes—the workers and the collective peasants. They are no longer the proletariat and the peasant class which are in opposition to the bourgeoisie and the landlord class, and their economic positions have undergone a basic change. The working class and the collective peasant class are the main part of socialist society. Socialist intellectuals are, overall, a part of the working class. However, because of their special labor modes and social functions, socialist intellectuals also form a relatively independent special stratum in socialist society. The authors provide a thoroughgoing description of the historical changes experienced by our country's working class, peasant class and intellectuals since the founding of the PRC and make a detailed analysis of the various strata within their internal structure.

Apart from the basic classes, during the initial stage of socialism there exist, or are being formed, non-basic social groups. For example, there is the stratum of individual laborers. They constitute an economy of small private owners linked with the socialist public ownership economy, and constitute a social group with a different economic position.

One of the characteristics of this book as well as one of its strong points is that it carries out dynamic analysis of the class structure during the initial stage of socialism. Because of the complex nature of the economic activities of society, a complexity also appears in the social class structure. Socialist society is a society which is moving toward the complete elimination of classes. Thus the dividing of the basic components of the socialist class structure is not simple or absolute. By proceeding from the new situations which have occurred in reality, the authors put forward the concept of marginal strata (critical strata) and overlapping strata. This is a rational concept.

The authors believe that the marginal (critical) situation refers to a stratum in which a social group is in the process of changing to another social group. The stratum thus has a changing and transitional nature. For example, of those people who have split from the peasant class and become workers employed in township and small town enterprises, some have completely shed their links with agriculture and have become new components of the working class. However, a large number have not completely severed their links with agriculture and these people remain a part of the peasant class. However, they have obtained new characteristics and are in the process of becoming part of the working class. These people constitute a marginal stratum and can be called peasant-workers.

As to the question of overlapping strata, the authors refer to strata which in their economic position have two statuses and which straddle different social groups. Some of these strata have a long-term and stable nature. For example, intellectuals are a relatively independent special stratum and are also part of the working class. The end of this situation will have to wait until classes are finally eliminated and the differences between physical labor and mental labor disappear. Some other strata have a more temporary nature.

In socialist society, there also exists a small number of antisocialist hostile forces. Some are remnant elements of the old exploiting classes who were not transformed well. Others are new social dregs. They represent the hopes of the exploiting class and some have many links with international class struggle. Thus, the struggle of our country's vast number of people with the various types of antisocialist elements who are hostile to, oppose and damage the socialist system and seriously harm socialist construction is still a class struggle which cannot be overlooked. This is a vestige of the special form of class struggle under socialism. This type of class struggle will, because of domestic factors and international conditions, exist for a long period to come. This book devotes a chapter (Chapter 6) to a discussion of this issue.

The book also carries out a specialized discussion (Chapter 4) of various new situations and new questions in terms of class relations under the new historical conditions. This includes a theoretical inquiry into the question of hired labor under the socialist conditions at the present stage in our country, an inquiry into class relations in the special economic zones, open coastal cities and open areas, as well as discussion of the new characteristics of the future class structure under "one country, two systems."

The question of the nature of hired-labor operations under socialist conditions is a question with which everyone has been concerned in recent years and is also a hot topic in the debate among theoretical circles. On this quite complex question, the authors are not content to just carry out a qualitative analysis of overall hired-labor operations through the examples of several models, but also, by proceeding from a large volume of systematic actual materials, discuss quite completely the basic situations of hired-labor operations and the factors which produce them. They further historically examine the phenomenon of hired labor in its evolutionary course from ancient times to the present and the characteristics of its appearance under socialist conditions, and concretely analyze its various complex situations. Thereby they hold that we cannot simply say that all hired-labor operations are capitalist in nature, nor can we sweepingly say that all hired-labor operations have a socialist cooperative economy nature. Rather, it is necessary to carry out concrete analysis from the three angles of the relationship in terms of the use of the means of production, the relationship in the production process between the employees and the employer, and the relationship in

terms of the distribution of the enterprise's products. Some are under the category of labor exchange and labor cooperation, some are hired-labor operations of an individual economy nature, some are hired-labor operations involving contracts and leasing and some are hired-labor operations under the private-operations economy. Those hired-labor operations under the private-operations economy have an economic component involving a wage labor relationship. Also, in general they have a quite large scale of production, they employ quite a large number of workers, within the enterprise the combination of labor and the means of production is indirectly realized through the purchase and sale of labor, the employer owns the products produced through the surplus labor of the workers and there is a certain degree of exploitation. The authors hold that although this private-operations economy is a nonsocialist economic component, it has been brought into the socialist national economic system. We should, on the basis of the unevenness and many levels in the development of our country's productive forces, create a private-operations economy which accords with the development of the productive forces at the different stages and which is beneficial to promoting production and dealing with surplus labor. The authors also carry out an objective analysis of the benefits and drawbacks of hired-labor operations and suggest that our attitude should be: allowing them to exist, encouraging their development, strengthening management over them, promoting their advantages and curbing their drawbacks and gradually subjecting them to guidance. This suggestion in terms of the attitude to be adopted on this issue is a convincing one. In terms of the issue of the class structure and class contradictions at the initial stage of socialism, the book carries out an investigation into the entire contradictory system which is socialist society. It uses a chapter (Chapter 5) to discuss the role of class contradiction in the overall socialist system of contradictions, analyzes the relationship between class contradictions and other social contradictions and correctly differentiates and handles the issue of the two contradictions of different natures in socialist society. This is another characteristic of this book.

Finally, in Chapter 7, the book describes the path for completely eliminating classes and class differences and points out the historical inevitability and long-term nature of the elimination of classes. It also sums up the historical experiences of our country in eliminating the exploiting classes and transforming the individual peasants. Then it demonstrates the inevitable trend of the complete elimination of classes and the prospects for future society. This constitutes a summary of the whole book.

The study of the class structure in our country during the initial stage of socialism is a very complex task. In its theoretical contents, it includes historical materialism, sociology, economics and scientific socialism. In practice, new situations are produced unendingly. There are many important questions and all of these are being

explored. Thus, in this book's theoretical summing-up of the issues, it is difficult for it to avoid giving rise to different ideas and controversies, including controversies over some basic theoretical questions about classes. For example, questions such as whether class is a purely economic category and the final indicator of the elimination of the exploiting classes are questions which await further and deeper exploration. However, overall, the innovative and exploratory spirit of the authors is a valuable one. This book is a brand-new achievement in theoretical research into the initial stage of socialism in our country and is worth recommending to the broad numbers of readers.

**Understand the Ocean, Exploit the Ocean**  
*40050221h Beijing HONGQI [RED FLAG] in Chinese*  
*No 7, 1 Apr 88 pp 35-39*

[Article by Yang Jinsen [2799 6855 2773]; passages in boldface as published]

[Text] The vastness of the ocean is hard to imagine. The surface of the globe totals 510 million square kilometers, and of this 360 million square kilometers is ocean. The total volume of the ocean is 1.37 billion cubic kilometers, 14 times larger than the volume of the land which is higher than sea level. The importance of the ocean is extraordinary. It controls the water cycle of the natural world. Every year 447,900 cubic kilometers of fresh water evaporates, and this falls into the ocean and onto the land in the form of rain. It is a global store and regulator of solar energy, regulating the earth's climate. The rich biological, mineral and chemical resources of the ocean as well as its kinetic energy makes the ocean a vast storehouse of energy resources. In future social development, man's reliance on the ocean will gradually increase and the benefits man obtains from the ocean will also gradually increase. Deepening our understanding of the ocean, developing marine sciences and technologies and expanding the depth and breadth of the exploitation of the ocean is a historical task for mankind as we move toward the future.

## I

The history of man's study and exploitation of the ocean can be traced back to very ancient times. The earliest studies of the ocean were mainly descriptions of the waves, tides, currents and water depth. In the Spring and Autumn Period of our country's history, the states of Qi, Yue and Yan used the ocean's "rich fish and salt resources." In the Han, Tang, Song and Ming periods, navigation was quite developed. When Zheng He went to the Western Ocean seven times in the Ming Dynasty, he created a remarkable achievement in world navigation history. Throughout the world, many cultured and strong nations have originated in coastal regions. During the 19th century, marine science developed to a new stage, and became a science researching the various marine phenomena and their patterns. In the last 100 years, marine science has gradually developed to become

a comprehensive interlocking science which includes physical marine science, chemical marine science, biological marine science, geological marine science, marine engineering, maritime law and maritime economics. After World War II, and especially since the beginning of the 1960's, there has been great development in modern, large-scale exploitation of the oceans. An increasingly large number of countries are recognizing the importance of both the ocean and its exploitation, and are adopting various measures to actively develop maritime science and technology.

At present, space, oceans and the world of the atom are the important fields which mankind is exploring. In accordance with this, space science, marine science and atomic science have become major front-line sciences. Due to the great complexity of maritime phenomena, marine science must make use of the basic scientific knowledge of mathematics, mechanics, astronomy, physics, meteorology, chemistry, geology, and biology. Only thus will it be able to continually uncover the objective patterns of the ocean. In this sense, marine science is the crystallization of many modern sciences. On the one hand it requires that specialists of many sciences "go to sea" and make efforts together, while on the other hand it requires that marine scientists fully master the theoretical weapons provided by modern science and promote the development of marine science.

The advance of marine science can promote the development of other sciences and make contributions to the scientific progress of mankind. For example, the results of research in marine geology have powerfully promoted the progress of all earth sciences. The results of research in physical marine science has deepened people's understanding of the mutual roles of the ocean and the weather, and this has provided the possibility of being able to make highly accurate long-range weather forecasts so that shipping can select the best routes. In brief, the ocean has already become a testing ground for many modern discoveries. The exploitation of the ocean and research into the ocean has promoted the development of new sciences such as marine optics, marine electronics, marine satellite studies, maritime economics and maritime law, and thus made a contribution to the enriching and diversifying of science.

Although many achievements have been realized in marine science and great steps have been taken in exploiting the ocean, man's knowledge of the ocean is still very superficial, the area of the ocean floor which has been extensively studied constitutes only 3 to 5 percent of the total area of the ocean floor, and many maritime resources have not yet been discovered. Thus, in the process of understanding the ocean and exploiting the ocean, marine science faces many new tasks.

First, exploring new resources which can be exploited, and doing good preliminary resource research work for expanding the depth and breadth of maritime exploitation. In the waters of the ocean, there are dissolved

approximately 80 different substances, and it can be said to be a vast liquid mine. The energy resources and biological resources of the ocean are also very rich. However, not all of the ocean resources can be exploited, and under fixed conditions of the productive forces, the marine resources which can be exploited and utilized are limited. At present and for several decades to come, the prime task of marine science research will be to establish which of the resources can be exploited and to discover where they exist and the patterns of their distribution.

Second, surveying the patterns of change in the marine environment and promoting oceanic forecasting and sea situation data and information service work. The ocean is in constant and unending motion. The tides, the waves, the temperature, the salinity and the marine climate are all constantly changing. The changes in these factors have a great influence on the cycles and changes of terrestrial water and on the various maritime activities of man. Thus, surveying the patterns of change in the marine environment and promoting oceanic forecasting and sea situation data and information service work are long-term tasks of marine science.

Third, thoroughly carrying out basic investigative research, and further deepening people's understanding of the oceans. In this respect, scientists face many arduous tasks. For example, the mutual roles played by the ocean and the atmosphere, the circulation of the ocean, the microstructure of the ocean, the process of change on the ocean floor and the reasons for mineralization, the primary productive forces of the ocean and so on are all issues which await investigative research.

Establishing a wide-ranging network of intellectual cooperation is a basic avenue for promoting the development of marine science and for completing the arduous tasks it shoulders. Modern marine science demands that many natural phenomena be studied and exploitation of the ocean puts forward many questions. Not only are these impossible for any single scientist to resolve, but also would be difficult for any single science to resolve. For example, the expanding center [kuo zhang zhong xin 2368 1728 0022 1800] discovered in the deep seas of the Pacific Ocean spurts out a metallic sulfide, forming a large area of black mist. If we are to comprehend and exploit this resource which has not as yet been fully understood, it will be necessary for geologists and chemists to cooperate in researching the process of exchange in chemical materials and the reasons for mineralization. It may even need biologists to go and study the patterns of existence of the living things in the warm current area. Further, there are some questions which one unit or even one country cannot answer by itself. For example, comprehensive research into the coastal belts, research into the mutual roles of ocean and atmosphere and deep-sea drilling all require intellectual cooperation on a wider scope. In brief, the research activities of modern marine science have moved from an individual to a collective

scope and from a national to an international scope, and its many tasks can only be completed through the comprehensive understanding which comes from intellectual cooperation.

## II

The exploitation of the ocean requires both guidance from scientific marine theory and also the capability to exploit as provided by marine technology. Thus, the exploitation of the ocean and scientific and technological progress are closely linked. In history, every major technological change has been able to promote the development of marine technology, and thereby has provided mankind with new breakthroughs in understanding and exploiting the coastal belt. The invention of the steam engine led to a revolution in the powering of maritime ships, resulting in the appearance of the motorized passenger-cargo ships and motorized fishing vessels. The development of modern technologies such as space flights, remote sensing and marine acoustics has promoted modern marine research and the exploitation of the oceans. For example, a geostationary satellite traveling 36,000 kilometers above the earth has a range of observation of 50 degrees of latitude and 110 degrees of longitude. Used in observing oceanic ice, waves, sea-surface winds, new data can be obtained every 20 seconds. The use of ships in carrying out oceanic investigation cannot compare with this. By using computer-controlled drilling ships, the position of a ship in seas where "even with no wind, the waves are 3 feet high" can be maintained, and it can carry out seabed drilling. In just a few decades, the various countries of the world have discovered over 1,600 oil and gas fields in the ocean, and this has resulted in the offshore oil industry becoming a major new industry.

At the same time as widely drawing in various modern technologies, marine technology is itself gradually being improved and forming a complete system. It is thus becoming an important field in the modern technological revolution. The marine technology system includes the three components of surveying technology, exploitation technology and general technology. Surveying technology is the technical tool in the early period of exploiting the ocean and its task is to probe the pattern of changes in the marine environment and to explore those marine resources which can be exploited. Surveying technology involves a whole network of technology including satellites, buoys, investigation ships, observation stations, submarine equipment and so on for carrying out three-dimensional surveying of the ocean. Exploitation technology is the production technology which every industrial sector puts its efforts into developing, and includes the fishing and aquatics technology of the fishing industry, seabed oil and hard metals exploitation technology, technology for the desalination of sea water and the extraction of chemical materials, and technology for the generation of electricity through ocean energy. General technology is the basic technology which is needed by all sorts of maritime activities. This

includes underwater technology, surface and underwater communications technology, and maritime civil engineering technology. The above-mentioned marine technology fields include many specific technological categories. Of these, the major ones which have good prospects and which can spur on the development of marine industries are:

1. Offshore oil exploitation technology. Through 30 years of development, offshore oil and exploitation has been expanded from a shallow-water undertaking to one which can be carried out in over 300 meters of water. According to statistics, the total area of the continental shelf and some deep water basins is approximately one-half that of the land surface. These are potential reserve areas and in recent years there have been major breakthroughs in the technology for prospecting and exploiting deep-sea oil and gas resources.

2. Marine breeding and aquatic farming technology. The shallow coastal water areas of the world are suited to the breeding of many types of marine products such as fish, prawns, shellfish and algae. This is an effective method for making up deficiencies in the natural sea product resources. Many countries in their research into breeding and farming technology have established artificial reefs for fish and other methods to improve the fish farming conditions. This has made the shallow coastal areas the "green fields" of maritime farming production. The scientists of many countries are also putting their efforts into using biological technology to promote the farming of the seas. For example, the United States has used the theories and methods of genetics to breed fish which grow quickly, are large in size and which swim only over a small range. Also, our country's experts have bred good strains of kelp. In the next few decades, biological technology will see great progress in areas such as the increasing of the resource volumes of marine animals and plants, the compounding of new maritime medicines, and the selection of animals and plants for food.

3. Deep-sea mining technology. Scientists have already discovered major mineral resources deep at the bottom of the ocean. Of these, the manganese nodules of the Pacific Ocean and the sulfide deposits in the rift valley expanding center of the Pacific Ocean are seen as replacement sources for strategic materials. According to statistics, the reserves of manganese nodules in the Pacific Ocean total 1,700 billion tons, and are thus extremely rich. The exploitation of these minerals requires extremely complex technology. In order to exploit these resources as early as possible, over 100 companies from the United States, Japan, France, the FRG and the Soviet Union have expended great amounts of funds in carrying out research into relevant technology. They have thereby developed three types of mining systems—the continuous chain form, the hydraulic-power lifting system and the air lifting system—and are carrying out trial mining with a daily output of from a few dozen tons to 300 tons. According to estimates, about the year 2000, deep-sea mining

technology will have gradually become mature and relevant legal systems will have been gradually perfected. This will provide the technological and material conditions and certain social and economic conditions for deep-sea mining.

4. Desalination and comprehensive utilization technology. Of the total water on the planet, fresh water constitutes only 3.5 percent, and 60 percent of the regions of the world lack fresh water. Thus, many countries pay great attention to developing technology which allows usage of sea water. The development of desalination technology has been very fast and now there are over 20 types of desalination methods. Since 1975, the productive capacity of installed desalinators around the world has doubled every 2 to 3 years. In 1975, the daily volume of water desalinated was 1.991 million tons. In 1977 this figure was 3.707 million tons and by 1980 had reached 7.276 million tons. At present, the main orientations in the use of sea water are: Building high-powered desalination facilities so as to produce industrial-use water and home-use water; researching technology for obtaining the edible salt, magnesium, bromine, potassium, uranium and other elements found in the enriched sea-water produced in the desalination process, and developing the marine chemical industry; cultivating salt-tolerant plants and directly using sea water to irrigate fields.

5. Ocean energy utilization technology. The energy reserve of the tides, waves, temperature differentials, currents and salinity differentials of the world's oceans is approximately 14.8 billion kilowatts. Thus, developing technology for utilizing ocean energy is of great importance. The development of technology for utilizing ocean energy has great prospects and we can look forward to major breakthroughs by the 21st century.

6. New technology for collecting information about the ocean. Information about the constantly changing ocean, including information about movement and changes in currents, waves, tides, temperature and oceanic climate is indispensable data for marine sea research and the exploitation of the oceans. It is necessary to develop new technology for collecting this information as only thus will it be possible to accord with the demands of modern marine science research and the exploitation of the oceans. Satellite remote sensing technology and remote control buoys are two prominent types of sea surface surveying technology. They enable a person to collect, within a few hours, information on the sea surface climate, waves, currents, water temperature, maritime ice and chlorophyll in a particular sea area. After processing, this information can be used in maritime environment forecasts and in guaranteeing the safety of maritime undertakings. Thus, it has great social benefits.

### III

Our country has over 18,000 kilometers of mainland coastline and several million square kilometers of administered sea area. Our country's sea area straddles

the tropics, the subtropical zone and the temperate zone. The environmental conditions are good, the resources are rich and there are many varieties of biological resources such as fish, prawns, shellfish, and algae. There are also 30 million mu of beaches and shallow sea suitable for developing aquatic product farming, and many areas are suitable for the production of sea salt. The annual output of aquatic products is over 5 million tons, 60 percent of the total national aquatic products output. The annual production of crude salt is over 12 million tons, constituting over 70 percent of the national output of crude salt. The annual cargo capacity of the coastal ports is over 300 million tons, of which ocean and coastal transport constitutes 150 million tons. The transport of foreign trade goods is mostly carried out through ocean transport. In the 30 years since the founding of the PRC, our country's research in marine science and technology and marine exploitation have seen certain achievements. Over 8 million mu of seashore has been reclaimed for cultivation while several million mu of seashore wasteland has been put under cultivation. Coastal mining, offshore oil exploitation, tidal generation of electricity and desalination of sea water have all seen a certain degree of development. However, overall, the scale of our research in marine science and technology and the scale of our exploitation of the sea is still quite small. In world terms we are in a backward position. For example, the annual output of our country's maritime fishing industry only constitutes 6 percent of the world total and our share of maritime transport constitutes only 2 percent of the world figure. Also, our offshore oil exploitation is still at an early stage. The level of our country's marine science and technology research and our marine engineering technology is not high and the scientific nature and efficiency of our operations management is also quite low. These are far from able to satisfy the demands made by the development of the situation and by the four modernizations. Understanding the ocean and exploiting the ocean have become arduous and pressing tasks facing us.

In future economic and social development, the strong development of the exploitation of ocean resources will indeed create great wealth and make contributions to the realization of our country's strategic economic and social development goals. First, the exploitation of the oceans can strengthen the economic power of the country. According to initial estimates, by the year 2000, the output value of marine exploitation will constitute over 2 percent of the gross industrial and agricultural output value at that time, and will be able to spur on the development of shipbuilding, the iron and steel industry and the electronics industry. Second, it can provide over 50 percent of aquatic products, over 70 percent of crude salt and tens of millions of tons of oil. Also, it is able to provide coastal regions with some of their fresh water and electricity. Third, it can successively provide employment for hundreds of thousands of people and provide new avenues for surplus labor.

In recent years, many countries have been engaged in researching long-term strategies and plans for ocean

exploitation. In this new situation, our country should also make the exploitation of the ocean a strategic undertaking, formulate correct policies and establish a coordinated work system so as to promote the development of maritime science and technology and speed the pace of exploitation of the ocean. This includes:

**Changing the state of mind of "looking at the ocean and heaving a sigh" and strengthening a consciousness of exploiting the ocean.** Some people always feel that it will be difficult for ocean technology to achieve major breakthroughs and that while the investment in maritime exploitation is great, the benefits are small. Actually, this is but one side of the question. The exploitation of the ocean has a difficult side but also has a beneficial side. The history of the exploitation of the ocean shows that marine science and technology are constantly advancing and thereby man continually obtains new exploitation capabilities. This makes it possible for exploitation activities to have an economic rationality, and even for there to be established new industries with high economic efficiency. Offshore oil exploitation has already become a very high-profit industry, and desalination of salt water has in many regions made contributions to resolving the problem of insufficiency of water resources. Strengthening a consciousness of exploiting the ocean and paying attention to developing marine science and technology will lay a base for the next generation to exploit the oceans on a large scale, and is a responsibility of this generation.

**Establishing a correct exploitation strategy and establishing an industrial echelon of sustained development.** Modern maritime industry can be said to be an echelon of different time levels; traditional maritime industries, newly emerging maritime industries and future maritime industries. Traditional maritime industries include the marine fishing industry, the transport industry and the salt industry; the newly emerging maritime industries have the offshore oil industry as their main symbol, and include desalination, the marine tourist industry and tidal generation of power; while the future maritime industries refer to the industries which may have been formed by the 21st century, including deep-sea mining, the generation of electricity through ocean energy and a comprehensive ocean chemical industry for obtaining bromine, magnesium, potassium, uranium, heavy water and other elements. The stage at which each country develops particular industries and the particular industrial structure established will be determined by many factors including the economic and technological conditions, the characteristics of their sea area and so on. Our country must also, in accordance with its characteristics, establish a maritime industry echelon of sustained development. Within this century, we must use modern science and technology to transform the three traditional maritime industries comprising the maritime fishing industry, the maritime transport industry and the production of salt from sea water. At the same time, the four new industries of offshore oil, marine tourism, desalination of salt water and water processing, as well as tidal

generation of power should be developed. By the 21st century, we should have developed deep-sea mining, the comprehensive use of sea water and the generation of power by ocean temperature differentials and wave power. Thereby we will form an industrial echelon which continually expands the degree and scope of the exploitation of the ocean.

**Changing the situation where work is scattered and establishing a system of coordinated work.** Research in marine science and technology and exploitation activities involve over 10 departments and dozens of schools and research organs. Between these organs there exists a close internal relationship and there should be a system for coordinating work. This system of coordination should put stress on resolving the following problems: 1) Coordinating the policies and plans relating to marine science, promoting intellectual cooperation between different sciences and promoting cooperative research between different units; 2) establishing and perfecting a system by which marine science and technology can be applied in resolving the real problems faced by the country, so that scientific and technological research work and resource exploitation work form a tightly combined system; 3) finding solutions for the contradictions between different marine exploitation departments in the use of sea areas and formulating marine exploitation policies and plans so as to guarantee the coordinated development of the different marine industries; 4) coordinating maritime legislation and management work so as to safeguard maritime rights and interests and guarantee the marine environment and resources; 5) establishing regional coordination centers so as to unify the development of regional research work.

**Readjusting the skilled manpower structure and training more marine technology experts.** The exploitation of the ocean is an undertaking which is both technologically-intensive and knowledge-intensive, and requires a large number of skilled scientists and technicians. At present our country has over 20,000 marine scientists and technicians. Their specialities are quite all-encompassing and they are quite rich in experience. However, the skilled manpower structure and distribution is not rational. The majority of our country's high-level marine scientists and technicians work in institutes, schools and research units and very few work in production units. At the same time, the vast majority of the scientists and technicians are engaged in basic theoretical research while engineering, technological and management personnel are few in number. This situation is not in accord with the needs of modern marine exploitation. At present, there is a pressing need for a large number of marine technology experts, as well as for some people trained in economics, law and management. Thus, for quite a while to come, we should strengthen the training of marine technologists and appropriately arrange the training of people skilled in other areas. The practice of our country and other countries has shown that only by strengthening and improving the scientific and technical research organs of the various exploitation departments and strengthening

scientific and technological research work in the front line of production will it be possible to effectively raise the scientific and technical level of marine exploitation.

### **Delegate Power To Strengthen the Work of Townships and Towns**

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[Article by Du Wuan [2629 0063 1344], secretary of the Linfeng Prefectural CPC Committee of Shanxi Province]

[Text] Delegating power is an important content in the reform of the political structure. Summing up the actual facts of several years of work in our district and learning from the relevant discussions in the report to the 13th CPC National Congress, we have come to understand: that so far as the party committees of first-grade districts is concerned, it is necessary not only to continue to streamline structure and delegate power to the first-grade counties and cities but also to delegate power to the townships and towns and to strengthen the work of the townships and towns. This carries an important significance in arousing the enthusiasm of the grass-roots levels and of the vast masses of the populace and in speeding up the modernization program.

Linfeng is one of the prefectures in Shanxi Province with many poverty-stricken counties. In recent years, in the actual practices in speeding up the rural villages removing their poverty and becoming fairly well off and the development of the commodity economy, we have discovered that work on the first-level townships and towns had played a specially important role in developing the rural economy. Hence, we have taken delegating power to townships and towns and strengthening work in townships and towns as important stages for grasping in streamlining structure and delegating power at the two levels of the district and the county, thus to make the first-level townships and towns possess definite manpower, financial power and the autonomous power in economic development. In order to ensure that the power delegated to the townships and towns can be correctly employed, we have, on the one hand, readjusted the structure, filled in and strengthened the leadership strength of first-level townships and towns and pushed the advanced persons who had surged forth in the development of commodity production to the first line in the leadership work of the townships and towns; on the other hand, by means of various forms we have generally subjected the cadres of townships and towns to training lessons on the basic theories of Marxism, the party's guidelines and policies, and knowledge in law, management and control, science and technology and other fields, and established and perfected the post responsibility system, carrying out the assessment, award and/or punishment of the township and town cadres according to the results of their work. At the same time, the two levels of the district and the county have strengthened their guidance, inspection and supervision



of the work of the townships and towns. Since 1984, the district committee has organized five large-scale surveys of the work conditions in the townships and towns throughout the entire district. Throughout the year there are regularly some 2,000 cadres from organs of the district and county grades stationed in the first-level townships and towns, mapping out plans and policies for the economic development of the townships and towns. Given proper concern by the townships and towns to whom power has been delegated and by the district and county committees, township and town work has effected a radical change in its appearance and this has helped to push the deepening of reform of the rural areas and the development of economic and cultural construction. From 1984 to 1987, the whole district's social gross output value averaged an annual growth of 14.2 percent and the economic gross income of the rural villages has averaged an annual growth of 16.2 percent, with poverty diminishing yearly.

1. Delegating power and strengthening township and town work are the objective demands in further invigorating the rural economy.

After the 3d Plenary Session of the 11th CPC Central Committee, following the deepening of the reform, the rural economy has daily presented a new pattern in diversified shapes. This is mainly illustrated in the following: Regarding the relations of the ownership system, a shift has been made from the past people's communes' unitary collective economy which was "large in size and possessed a high degree of public ownership" to the joint development of various economic constituents including the township and town or rural village-run collective economy, peasants' joint-household cooperative economy, urban-rural joint economy and individual economy; with regard to the control of production and management, a shift has been made from the past unified control under the mandatory plans of the governments at various levels to the enforcement of regulation by market mechanism under the guidance of the state plan; the scope of production and management has also been extended from such sectors as planting and breeding to various phases such as farming, forestry, animal husbandry, subsidiary production and fisheries and the field has been further extended to industry, commerce, transportation, construction and rendering of services. In particular, the development of the relations between commodities and money and the display of the role of regulation by market mechanism have rendered the interest relations of the various sides complex and made them "rise to the surface." All these have brought new demands on township and town work. At the initial stage of the enforcement of the separation of the functions of the government and society, due to our lack of an intensive understanding of the new demands posed on rural work by the reform, and failure to promptly delegate power to the townships and towns, there was no clear distinction between the party and government organs in the districts and counties and in the townships and towns, the role of the first-level

townships and towns could hardly be fully displayed. Under such conditions, the old methods of work and the demands in economic demand became increasingly unsuited to each other. When it was hoped to do something for the economic development of the locality, restrictions from the old structure could be genuinely felt because of the lack of the much needed decisionmaking power. As a result, the people were frustrated by the difficulties. Some of the peasants found that the townships and towns lacked money, had little power and could not provide any effective help and service to developing production. When confronted with problems they would not contact the township and town organs. The work of individual townships and towns virtually came to a paralyzed state.

Countering the above-mentioned conditions, beginning from 1984, we have gradually delegated to the townships and towns the following powers: power of formulating and managing the agricultural production plans, part of the power of distribution of the financial income of the town level, and power of examining and approving the establishment of township and town enterprises. Furthermore, we have led the township and town cadres, based on the new conditions appearing after the reform, to put the major points of work on perfecting the double-layer management system of a combination of unification and division and the organization of an economic service structure. Simultaneously, we have delegated the management and control right of township and town enterprises from the township and town organs to the enterprises themselves, and changed the practice of enterprise leadership cadres being appointed or designated by higher-level organs to one calling for their democratic election or by invitation of tenders or applications. As for the staff members and workers, the enterprises themselves would do the assessment and enrollment work by themselves. In addition, preferential policies were formulated on various sides such as industrial and commercial management, credit and loan funds, supply of materials and distribution of income, to create for the township and town enterprises' development a relatively liberal economic environment and to enable the townships and towns of the first level to clearly augment their economic strength. Enlargement of the control power of the first-level townships and towns and strengthening of their self-controlled financial power have enabled the townships and towns to play an increasingly significant role in such directions as improving their rural industrial structure, bettering their production and circulation environment, facilitating urban-rural economic interflow, and ensuring social stability. Township and town cadres have generally reflected that through power delegating to townships and towns their own burden has become heavier and it would be possible for them to do something. As for the peasant masses, having seen that the townships and towns had power and could do much for them, they have rendered even greater support to the work of the townships and towns.

2. Delegating power and strengthening township and town work answer the needs of liberating organs from

routinism, arousing the enthusiasm of the grass-roots levels and the people's masses, and ensuring the thorough implementation of the party's line, guidelines and policies.

First-level townships and towns form the bridges connecting the urban and rural areas. The spirit of the various directives on rural work issued by the central authorities and the higher-level party and government departments must be implemented and carried out through the first-level townships and towns. Only through fully arousing the initiative, enthusiasm and creativeness of the first-level townships and towns and putting their role into full play is it possible for the party's line, guidelines and policies to be thoroughly implemented in the extensive rural areas. However, just as the report to the 13th CPC National Congress pointed out, in the past the party and government organs at the two levels of district and county "controlled many affairs which they should not have controlled, or which they could not control well or they could not control at all." Many matters, originally happening at or below the township or town level, if attended to and handled by the first-level township or town, not only could be handled according to the actual conditions which they grasped, but also could be attended to promptly, correctly and to the benefit of prestige to the township and town organs in the eyes of the masses. Unfortunately, due to the effects of the highly centralized old structure of many years' standing, much power was centralized in the county at an even higher level with the result that many problems which the townships and towns could have readily solved and attended to were relegated to the authority of the county or a higher level whereas eventually handling of the matters had still to be concretely done by the township or town. Results of so doing: First, after the merry-go-round the matter could hardly be truly and correctly understood and errors in handling could hardly be avoided; second, sending of the relevant documents to and from one organ to another not only wasted time and people's energy but also interfered with regular work; and third, this could easily help the growth of bureaucratism, shirking of responsibility and even might cause conflicts between the upper and higher levels. Furthermore, there are many grass-roots-level units set up in the townships and towns, such as grain station, credit society, supply store, tax bureau and so forth. Their business and personnel relations are under the control of relevant departments above the county level. It is only when they have tasks in their hands or when they meet with difficult problems that they come to the township and town party or government departments to ask for support. They have little consideration for the display of the functions of the departments or for contributing to the economic prosperity of the localities. In addition, township and town enterprises are scattered in the individual townships and towns and in the extensive rural villages whereas the supply companies serving them are usually located in the county town and when a township or town enterprise has any business dealings with the supply company, its employees must travel a

long distance, say 60 to 70 li and sometimes over 100 li, in order to make the contact. Many of such affairs are under the control of the above who cannot control well or cannot control at all whereas the lower level has no power to control and no way to control. This makes the leadership organ fall into the trap of routinism, hampers the initiative and enthusiasm of the grass-roots level and the populace at large and becomes an important factor restricting the rural economy from being further invigorated and prosperous.

Since 1984, we have gradually earmarked the scope of the functions of party and government organs in townships and towns, and gradually assigned to the townships and towns the concrete business affairs and daily work of the grass-roots-level units originally under the charge of higher government levels. In some of the counties and cities we have abolished the county first-level township and town supply companies and set up the latter in the townships and towns. Over the past 2 years, relegating power to the townships and towns has resulted in the district and county levels being able to extricate themselves from the burden of daily concrete affairs, possible to grasp more correctly the whole macroeconomic conditions and to reduce or minimize errors in guidance and policy-making. Concurrently, the enthusiasm of the first-level townships and towns has been better aroused and displayed. In the second half year of 1986, the district committee, on the basis of the actual conditions of the territory formulated a "seventh 5-year" plan which had the main contents of opening up the hilly regions and developing the flat land and additionally advocated that simultaneously with further grasping well the planting and breeding trades and the farm products processing industries, the more intensive development and conversion of the coal, coking and iron industries should be taken as the main points of the work of developing the economy of the townships and towns in the whole district. A 3-year program was formulated to deliver the impoverished hilly regions from poverty and to a state of being fairly well off. The first-level townships and towns, in implementing the district committee's program, closely united the realities of the localities with the wishes of the populace and realistically set to work to fix the major points of work with the result that very soon the district committee's program was implemented throughout the district.

3. Delegating power to the lower levels and strengthening township and town work are advantageous to further solving the defects of the structure of certain organs in the district and county being inflated, redundant, having too many employees and generally lacking in efficiency.

Since the 3d plenary session of the 11th CPC Central Committee, we have several times tried to solve the problems of certain district and county organs being ponderous and bulky in size and having too many layers. Unfortunately, we failed to basically solve the problem of changing the functions of the organs, and were unable to delegate to the lower level power that should be

delegated while in fact the establishment, organizational structure and expenditures of the organs all lacked strict legal, systematic and economic control and restriction. As a result, certain organizations, shortly after retrenchment, frequently would, because of the difficulty to tackle the many and busy affairs, become inflated once again. On the other hand, through delegating power to townships and towns, much of the concrete work of the Party and government departments at the two levels of the district and county will be transferred to the townships and towns and thereby the business volume of certain departments of the district and county organs will be greatly reduced. At the same time, many of the working personnel, seeing the inevitable trend of retrenchment of the structure and readjustment of the work of the personnel, will of their own accord ask for transfer to those comprehensive and legal departments which need strengthening or to those grass-roots-level units where they can have a better opportunity to display their talents. This will greatly reduce the difficulties facing retrenchment of the structure and readjustment of the personnel. Since 1984, following the gradual deepening of the work of delegating power to townships and towns and strengthening the townships and towns, we have successively abolished and amalgamated 43 bureaus, committees, offices and temporary organs of the district committee and principal administrative organ. Of the county-grade organs in the whole area, over 170 units of the grade of bureau, commission and office were abolished. Some 2,000 administrative personnel were transferred to posts in the economic departments, thus making the beginning of resolving the inflated status of the district and county-grade organs. In the course of streamlining the structures, we carried out on the one hand a rigid and universal assessment of the working personnel and on the other made good arrangements for those personnel whose work needed to be readjusted. By so doing we achieved the objective of making the best use of people's talents and generally managed to raise the caliber of the working personnel and the efficiency of work in the various departments. In addition, we frequently organized cadres of the district and county-grade organizations to visit townships and towns to conduct research and investigation and to help in work. Thus, this not only helped in strengthening the ability in work of the townships and towns and rectifying the state of over-employment in the district and county organs but also enabled the cadres to know more about the realities and build a foundation for doing a good job in macroeconomic management. At the same time, this provided the conditions for them and the township and town cadres to learn from each other and to exchange knowledge and understanding, helping in building up the organizations' ideologies, structure and behavior.

Since delegating power to townships and towns touches on a series of problems such as people's ideological concepts, management structure, establishment of organs, arrangements for personnel, and so forth, and the rather great effects of the first-level townships and towns having to directly face realities, we have felt that in the

course of work we must insist on a guideline that calls for firmness and safety. In the course of concrete work, first we must pay attention to doing well the political ideological work in delegating power and readjusting the organization structure and personnel so that the vast masses of cadres can really understand the important significance of delegating power to townships and towns and strengthening township and town work and thus of their own accord support this reform. Second, it is necessary to start from the demands of changing functions and what power should be delegated should be firmly so delegated. The two levels of the district and county should never intercede or retain the delegated power midway; at the same time the district and county must retain the portion of power that they should retain and by no means should allow it to happen that once delegating power is mentioned the district and county departments will give up everything and abandon the responsibilities of making macroeconomic guidance. Simultaneously, the power that should be delegated to the grass-roots-level rural villagers' committee or township or the enterprises cannot stop short at the townships and towns, in turn making the latter become new "mothers-in-law" in the eyes of the peasants and enterprises. Third, the concrete contents of power delegating should be earnestly studied; the content items should be carried out one by one following the order after they have been perceived clearly and in the case of comparatively complex problems, piloting work should be done first following the maturing of which extension may gradually proceed. Fourth, it is necessary to strengthen the building of systems. Following the continuous deepening of power-delegating we should set out promptly and clearly in the systems the functions, power and scope of work at the various levels; the systems should ensure that power-delegating is surely carried out and that the various kinds of work should proceed in an orderly manner. Fifth, we should augment the supervision, inspection and assessment of the township and town work; aside from continuing to strengthen the work in this connection of the related departments of the district and county, we should also firmly insist on the principle of democracy and gradually build up a mass supervisory network to the end that the power delegated to the first-level townships and towns can truly display its role of developing economy and benefiting the people.

**17th Lecture of Forum on Socialist Commodity Economy: Planned Regulation and Market Regulation**

40050221j Beijing HONGQI [RED FLAG] in Chinese  
No 7, 1 Apr 88 pp 43-46

[Article by Huang Zhenqi [7806 2182 1142]]

[Text] In the light of the requirements for implementing a planned commodity economy on the basis of socialist public ownership, we must, in the management of a socialist economy, adopt the principle of combining planned regulation with market regulation. The existing economic system excessively stresses on the role played

by planned regulation and discriminates against those played by market regulation. By adopting this practice, not only do we carry out the work at the expense of vitality of microeconomics, but it also adversely affects the rational distribution of resources at macroeconomic level. We must therefore reform this practice. Following the 3d Plenary Session of the 11th CPC Central Committee, we have gradually got a deeper theoretical understanding of the significant role played by market regulation in the socialist economic operations, and have promoted an extensive and intensive development of the functions of market regulation in our economic work. This thus brought energy and vitality to people's economic life as a whole, which was a gratifying achievement. Of course, we cannot neglect or deny the role of planned regulation while emphasizing on those of market regulation. This is because planned regulation and market regulation in the planned commodity economy are, in the final analysis, a combination of contradictions, each of which acts in different economic mechanism. They are supported by different conditions and their roles are mutually exclusive. Only when we put these two together in a flexible way can we ensure that China's reform of its economic structure will be conducted in an intensive and healthy manner and that the development of socialist modernizations will achieve a long-term stability.

### **I. The Basis and Role of Market Regulation**

The basis of market regulation is the existence of commodity production and commodity exchange, that is, the existence of commodity economy. The so-called market is the collective relationship of exchanges among producers. Changes in the market supply and demand of commodities, as well as the fluctuations of market prices, regulate the production and circulation of commodities. Therefore, the market regulation is essentially the regulation by the law of value. It can be said that market regulation emerged at the time when human society developed commodity production, commodity exchange and the law of value. However, the feudal society and its preceding societies practicing commodity economies were just simple commodity economies. It was impossible for them to be developed into a nationwide unified market. Their role of market regulation was therefore highly restricted. If they developed themselves into capitalist societies and their commodity economies were highly developed, China would have a unified domestic market and a share in a developed international market in which the principle of market competition played a dominant role. Only thus could the market become the chief regulator of economic life in society. Judging from this viewpoint, the capitalist economy was part of the market economy. After the replacement of capitalist society by socialist society, the development of commodity economy remains unchanged and continues to make progress. We must not ignore the significant role of market regulation. In particular, China won its revolutionary victory when it was a semicolonial and semi-feudal society. Though China has carried out socialist

construction for more than 30 years, it made little progress in the development of commodity economy because of historical reasons and restrictions by the old economic system. Its market system and market mechanism were imperfect. The scope and extent subject to the influence of market regulation were very much restricted. The resolution of the 3d Plenary Session of the 12th CPC Central Committee on reform of the economic structure explicitly put forward that China practiced the planned commodity economy on the basis of socialist public ownership. From now on, in the wake of reform of the economic structure, the socialist commodity economy will certainly experience a rapid development. The role of market regulation will also become more important. Under no circumstances do we mean that to make market regulation is to practice capitalism. We must correctly understand the objective necessity of this development, and master the skills of practicing socialist economic management under the conditions of market competition.

The role of market regulation in a planned socialist commodity economy is mainly manifested in the following points:

First, it strikes an individual balance and achieves a rational distribution of short-term resources. The individual balance and short-term resources mainly involve the routine economic activities of production by enterprises, as well as small-scale general activities of investment in fixed assets and activities of commodity exchange. These activities are so active, extensive and complicated that the state plans cannot precisely and promptly regulate them. The market, however, is the best place for expressing the wishes of consumers and promptly reflecting the needs of society. By arranging their economic activities on the basis of information provided by the market, the management of various production and construction units can make the supply and demand dovetail with each other in a better way. Therefore, the resources in terms of manpower, financial and material resources will be distributed in a more rational manner.

Second, it promotes technological progress among enterprises. The market regulation acts like a choosy judge in an environment of free competition. It encourages the advanced ones while spurring on the backward ones. Any enterprise which adopts advanced technology, develops new products and new variety, and manufactures products with good quality and limited cost will earn more profits, and will have its market share expanded. Enterprises which lag behind others in terms of adoption of new technology and development of new products will suffer losses or even will be eliminated in a highly competitive market. It is just because of this effect of market regulation, that is, the survival of the fittest, that all enterprises are stimulated to strive for existence and development. Generally, the enterprises pay much attention to the technological advancement and the development of new products. Through practices such as

the transfer of, consultation on, and services relating to scientific and technological achievements with valuable consideration, the development of science and technology market, which occupies a prominent position in the market system, will expedite the process of transforming such scientific and technological achievements from laboratory to production factory.

Third, it regulates the economic benefits earned by commodity producers. Being a producer of commodities, each of the enterprises creates value by laboring. Their labor will be compensated once the value of their commodities is realized. Therefore, the benefits of enterprises are guaranteed and only thus can they continue to adopt the practice of reproduction. The value of commodities may be realized only through a market in which commodities are sold, so that enterprises may recoup their cost and may earn their proper profits. Only when the money derived from the sale of commodities in the market is spent on the purchase of means of production and on the employment of necessary laborers can the production process start again. Through the involuntary selection by the market, enterprises which are good at production and operations management will earn more profits; and their scale of reproduction will be expanded. But enterprises which are poor in production and operations management will make little profits or even suffer losses; and their scale of reproduction will be restricted, or they may even become bankrupt. Therefore, we can see that a highly developed and perfect market regulation may create for enterprises an environment of fair competition, which is a must in order to promote competition among enterprises and improve their vitality.

## II. The Basis and Role of Planned Regulation

The reason that we must implement planned regulation on all aspects of economic activities in society is mainly because a socialized mass production requires a constantly rational proportion of, and effectively distributed, resources of society. The socialized mass production, that is the extensive machine production, was established in the early 19th century. Therefore, not only did the feudal society and its preceding societies practicing commodity economies fail to put forward the need for planned regulation, but also did the capitalist society in its development of productive forces, which was at the lengthy stage of simple cooperation and in the hand-labor period. Lenin pointed out: "The extensive machine production industry, unlike its preceding stages, strongly requires a systematic regulation and production, and its production needs to be supervised by society." ("Collected Works of Lenin," Vol 3, p 500) Compared to the small-scale production on the basis of hand labor, the socialized mass production, which bases on an extensive machine production system, is marked by the following points: The social division of labor is highly developed. Not only are there independent sectors dealing in the production of means of consumption, but also many independent sectors dealing in the production of means of production. There are numerous categories under the

national economy. The relationship between departments and enterprises are so closed that they are interdependent and cooperate with each other. Under these circumstances, we must maintain a generally rational proportion between all departments in order to ensure a smooth reproduction in society. It is impossible to achieve this simply by relying on the "invisible hand," that is, the involuntary regulation by the market. Instead, we need assistance from the "visible hand" to make voluntary arrangements on the basis of the market, that is, to conduct planned regulation. Otherwise, the reproduction of society will suffer from serious dislocation of proportion and chronic economic crisis. It was just because of the requirements of socialized mass production and the pressure of disintegration exerted by economic crisis that the developed capitalist countries and some developing countries have generally adopted the policy of macroscopic intervention since the end of the World War II. They adopted in varying degrees the planned regulation, and made remarkable achievements in alleviating the pressure of disintegration by economic crisis and in promoting a normal economic development. However, as the mechanism of economic operations cannot be completely free from the influence of an economic system, the existence of capitalist private ownership intensively and extensively restricts to a considerable extent the role played by planned regulation. This thus makes it impossible to settle once and for all the problem of dislocation of proportion and that of economic crisis.

China is at present at the preliminary stage of socialism. Its degree of socialization is much lower than that of developed capitalist countries. However, in the final analysis, its socialized mass production occupies a dominant position in the national economy, which objectively requires us to practice planned regulation. At the same time, China's public ownership of the means of production has become the principal component in the ownership structure. Various departments and enterprises in the socialist economy owned by the public share the same basic interests, thereby creating the preconditions for further promoting the role played by planned regulation. In an economic system marked by the socialist public ownership, to correctly handle the relations among the interests of the state, collectives and individuals, and the relations between their long-term interests and their short-term interests, as well as to solve various conflicts of interests developed in the economic development and distribution of resources have become the major task for maintaining normal economic operations. The role played by market regulation is limited in this respect, and we should rely more on the planned regulation. In other words, in China's socialist economy, it is objectively necessary that we should keep the planned regulation. Furthermore, the role played by it should be much greater than that in a capitalist economy.

The role of planned regulation in China's planned commodity economy is marked by the following points:

First, it maintains an overall balance of macroeconomics. The overall macroeconomic supply refers to the GNP in the current year; whereas the overall macroeconomic demand refers to the investment demand formed by the distribution of GNP, as well as the demand of consumption, in the form of currency. To basically maintain a balance between the overall supply and overall demand of society is a precondition for a stable socioeconomic development. Economic stagnation will develop whenever the overall supply in society exceeds its overall demand; whereas inflation and economic instability will develop whenever the overall demand in society exceeds its overall supply. Proceeding from our history, the capitalist economy tends to develop gluts and production stagnation; whereas the socialist economy tends to develop shortages and inflation. However, problems of "stagnation" and "inflation" also haunted the capitalist economy. It is certain that the balance between macroeconomic supply and demand will be upset whenever we solely depend on the involuntary market regulation. Under the precondition of planned regulation, only when we depend on a scientific approach of planned regulation can we basically maintain a balance between the overall supply and overall demand. In the wake of China's present situation where the macroeconomic supply and demand are inflating, the main goal of planned regulation is, on the one hand, to regulate the scale of investment and the growth rate of consumption funds in order to control the overall demand of society. On the other, it aims at increasing and improving the overall supply and demand of society, as well as promoting a steady economic growth in society, by arranging well the current production and construction.

Second, it regulates the structure of industry and realizes a rational distribution of long-term resources. The rationalization and upgrade of structure of industry is another precondition for promoting a cooperative and steady economic development in society. The main task of regulation of the structure of industry is to select the key industries and to handle well the development relationship between traditional industries and new ones, and between key industries and general ones. The main task of regulation of local structure of industry is to give play to local advantages in terms of resources, and to handle well the relations between division of labor and lateral combination among regions. In order to achieve comparative economic results, we must prevent from happening the phenomenon of unnecessary duplication of construction and industries. Aiming at realizing the benefits of the economics of scale, the main task of regulation of enterprise organizations' structure is to develop the division of labor among enterprises in a trade, and to handle well the development relations among large, medium-sized and small enterprises. Essentially, the regulation, rationalization and upgrade of structure of industry is to realize a rational distribution of long-term resources. In the light of China's problems concerning the structure of industry at the present stage, the scope of regulation includes basic facilities, basic

industry, high technology industry, construction of advanced industry and approaches for tackling major scientific and technological problems in the economic and social development. This kind of construction and approaches for tackling these problems requires a large amount of capital and a long cycle. If we let various departments and enterprises regulate on their own accord by entirely basing on the information fed back from the market and without a unified plan and guidance, it will take a long time before they can accomplish the task. Moreover, this will waste a large amount of resources. The need for promoting a steady and coordinated development of the national economy can be met only when the state conducts economic projections on the basis of economic information reflected by various sectors, formulates medium- and long-term plans for economic and social development, works out industrial policies, science and technology development outline and policies for economic regulation, and makes advance arrangements for the basic proportion and key projects of the socialist construction.

Third, it regulates the relations of interests among various sectors, realizes the combination of interests among the state, collectives and individuals, as well as between long-term and short-term interests. The existence of multiple economic components, which focuses on the economy owned by the public, at the preliminary stage of socialism will certainly develop a multitude of sectors holding economic interests. Even each member of the economy owned by the public, of the economy owned by collectives and of enterprises has its own economic interests. If it were not for the planned guidance and regulations for society as a whole, and if we solely depend on each enterprise's individual moves, which serve the purpose of protecting its own interests, and the free competition in the market, it is impossible for society to develop involuntarily an overall rational structure of interests. Under these circumstances, it is often the interests of the state and the long-term interests that suffer first. At the same time, the interests among enterprises and individual laborers are also different in varying degrees, which are unfavorable to the work of handling the relations between "fairness" and "efficiency" under the socialist system.

### **III. To Realize the Correct Integration of Planned Regulation and Market Regulation**

Theoretically, the planned regulation and market regulation can be analyzed respectively. But they are combined into one rather than isolated from each other in the objective economic operations. Therefore, in order to establish the socialist macroeconomic control system and management system, we must realize a correct integration of planned regulation and market regulation.

First, the scope of planning and market covers society as a whole. Judging from the above function, the two are different only in terms of level of regulation. Planned regulation mainly aims at regulation at macroscopic

level; whereas market regulation mainly aims at regulation at microscopic level. Therefore, in the overall economic operations, the integration of planned regulation and market regulation should be the "regulation of the market by the state, and the guidance of enterprises by the market." In other words, the supervision of enterprises by state planning will mainly be direct management, and this will gradually be switched onto indirect management that takes the market as the medium.

Second, the work of planning must be based on commodity exchange and the law of value. The approach of direct management, which is marked by mandatory planning, does not conform to the requirements of socialist commodity economic development. It should be gradually replaced by approaches such as the execution of contracts for purchase orders basing on the principle of exchange at equal value between the state and enterprises, and among enterprises. Moreover, through the formulation of economic and social development strategies, industrial policies and the application of means of economic regulation, we should practice guidance planning and switch our focal point of planning from assigning targets onto formulating policies.

Third, the whole market system must be subject to the control of state plans. Being part of the general commodity economy, the market tends to act blindly and involuntarily. However, China's commodity economy is a planned one based on the public ownership. This thus makes it possible for us to maintain a coordinated development of national economy in society as a whole. In order to turn this into reality, we must be good at applying the forms and means of planned regulation and market regulation. On the one hand, we must greatly develop commodity market and perfect the market mechanism. On the other, we should place the market regulation completely subject to the regulation and control of state plans, apply economic means, legal means and necessary administrative means to regulate the relations between market supply and demand, to create the suitable economic and social environment, and to achieve a coordinated and steady socioeconomic growth. dd

### **Regrets at 'Embracing a Tree To Cry'**

*40050221k Beijing HONGQI [RED FLAG] in Chinese No 7, 1 Apr 88 p 47*

[Article by Jin Ge [6855 2047]]

[Text] A scientific person who just returned from the rural areas after helping the poverty-stricken households told me a real story which made me sigh with emotion.

There was a village in the Mt. Taihang area. Though the area was liberated decades ago, problems of having insufficient food and clothes still haunted the area, and one could hardly believe its state of poverty without being personally on the scene.

Was it because the area was a devastated and barren land? No. It was covered by a vast and dense forest that one could see and touch in addition to the mineral deposits hidden underground. The people living there would probably have their food and clothing problems solved if they developed and utilized these treasures rationally. However, the people did not benefit from these precious endowments of nature. There were a large number of fruit trees growing in the area, but these grown trees could only bear few fruits for the past year. Why? It was because the people did not have relevant scientific knowledge and knew nothing about the management of fruit trees.

Originally, the arrival of a scientific team to help poverty-stricken households in the area was an important event. But it was the time when the story took place. A fruit tree expert held after investigation that the fruit trees bore only few fruits mainly because the branches were not sheared. Therefore, he decided to start the work from shearing. But he never thought that his rational suggestions would meet strong opposition from some old peasants, instead of evoking an enthusiastic response. An old man even embraced a tree and wailed, and simply did not let the tree "undergo the operation." When asked why he did so, he replied plausibly and at length: "Fruits grow on branches. Where shall we find the fruits if we shear the branches off?" This caught the expert between laughters and tears.

Normally, one should not laugh while somebody else is crying. Though the response of this old man was simply ridiculous, how could one laugh under these circumstances? Such a ridiculous situation in which one was caught between laughters and tears would be very common if it took place before and shortly after liberation. Soon after the area was liberated, the response of many devout believers could be likened to that when doomsday had come when they heard that their temples were to be demolished. The situation was more serious than the demolition of their houses. When they saw an unpainted image of a god in a broken temple, they were so sad that some wailed and some sacrificed themselves to save their "gods." However, how could such a foolish act take place in the 1980's? This could not but make us surprised.

The rural areas in contemporary China generally lack scientific and technological knowledge. Though some areas are more developed when compared to the "slash-and-burn cultivation," their pace of progress is so slow that their cultivation methods remain the same after decades have elapsed. There is no great difference between the methods used by these people and those by their grandparents. Furthermore, a wealth of science and technology knowledge applicable to agriculture is not popularized in these areas. According to the statistics of relevant departments, 80 percent of new agricultural technology can be quickly popularized in the developed countries; whereas the percentage is below 30 in China. Why is it that we cannot popularize knowledge which is needed? One of the reasons for this is that quite a

number of peasants are still illiterate and are "blind" to science. Some of their outdated concepts hinder the popularization of culture and science, which is characterized by the reaction of that old man who embraced the tree and wailed. A person knowing no knowledge will inevitably become ignorant, and ignorance will in turn reject knowledge. These two further react on each other, so that this thus eventually develops a vicious cycle of poverty and the lack of knowledge.

In his report delivered at the 13th CPC Congress, Comrade Zhao Ziyang pointed out: "Prime priority should be placed on the development of science and technology, as well as the undertaking of education, so that our economic construction will be switched onto the track of relying on scientific advancement and the improvement of laborers' quality." This is a strategic ideology for our economic development. I believe that the "poverty-stricken" state of China's rural areas is closely related to their "ignorance," and we shall be unable to put an end to the "poverty-stricken" state without dealing with their "ignorance." Even when we deal with their "ignorance," we must first change their attitude of rejecting scientific knowledge, which requires us to do a lot in this respect.

### **'The Star of Military Art' Shines With Dazzling Splendor**

400502211 Beijing HONGQI [RED FLAG] in Chinese  
No 7, 1 Apr 88 p 48

[Article by Wang Shi [3769 4258]]

[Text] A song and dance program played by the students of the PLA Academy of Arts provoked enthusiastic response from the arts circles, in addition to winning praise from the audience in Beijing.

This song and dance program, like a pattern of color patches of a modern painting, was composed of several works whose themes were separated and whose styles were different. It impressed its audience in each of its parts with a distinctive feeling of viewing. Moreover, the whole program was colorful and entertaining, presenting to us a peculiar military style. The dancing scenes "When I Become a Fighter" and "Little Seamen," which were about the activities of PLA units, often drew prolonged applause every time they were played. This was because the audience saw the honor and splendor of fighters through the refined and proud but unskilled acts of a group of young actors who wore particularly small size military uniforms. Furthermore, the dancing scene "Streams, Rivers, Seas" created by the academy brought to the audience a certain kind of philosophic and poetic enlightenment through the change of formation, the elegant postures of the dancers, and the majestic scene.

This show was also a gathering of outstanding young actors in the army. Each of the renowned actors such as Dong Wenhua, Zhengli, Ba Har Gu Li and Wang Jing sang a song in the show. They tried their best to sing it vigorously and perfectly. On the part of music, there

were military songs as well as nationality songs and foreign songs. Some of the audience said happily: "What a deal it is when one can enjoy such a good show played by the good actors and enjoy so many good songs just with the cost of a ticket!"

Presently, some people complain that "it is difficult to find a good show and it is difficult for a theater to have a full house" for a particular performance. Needless to say, the times that we could talk stiffly like preaching have already gone. However, the so-called shows of soft music and graceful dances, or those of heavy music and energetic dances have been gradually losing their attraction in recent years. Therefore, some people said that the audience now loved neither soft nor heavy ones. What is the audience demanding? What shall we give to them? Artists are puzzling and pondering about.... But the success of "The Star of Military Art" was an enlightenment to us.

It was said that "The Star of Military Art" was an orthodox program. It was also said that before the show was performed, some reporters with good intention were worried about the result of the performance. But the result was unexpected. The Beizhan Theater had a full house, with some 3,000 seats fully occupied by audience. It seems that the key to whether or not a show could win the support of many audiences does not rest with "soft" or "heavy," the superficial arrangement of sound, light and color, or the beaten drums' sound and rhythm that made people physically move their bodies. Being a kind of collective experience, the performance arts are a kind of direct exchange, which chiefly aims at stimulating responses such as spirit, feelings, temperament and interests between the performers on the stage and the audience. The applause stimulated by "The Star of Military Art" showed that it had spread across an energetic spirit, a fearless and militant posture and enthusiastic feelings which is consistent with the tides of our real life. These are just the things which are particularly needed by the nationalities, nation, army and people of China.

Moreover, I am afraid that the key to whether or not a show could convince the audience rests with its artistic quality and its creative attitude, rather than the issues of whether it is "orthodox" or not, or whether it is created by local or foreign artists. While the show was still on the stage, Dong Wenhua said: "The audience will respect you only when you respect them." What is respect? I think it is simply a never satisfied pursuance of artistic quality and a sincere emotional exchange with the audience. Otherwise, it is impossible for one to win support from the audience, which gives the performers in return for what they have received.

Besides, the solid and systematic education on arts also contributed to the success of "The Star of Military Art." Presently, many literary and art workers are under a pressure. This is because the people's cultural knowledge and their level of appreciation have been greatly improved. It is a natural phenomenon that when the



water rises the boat goes up. No matter in our undertaking of arts or among our artists, however, the "ship's position" in our sociocultural life does not go up naturally. The key to really improving the quality of arts circles rests with a systematic education on arts that can conform to the needs of the times. Leaders of the PLA units have understood this point. They instructed the PLA Academy of Arts to recruit and train the in-service PLA servicemen. It is certainly an attitude with foresight. Originally, the army had a fine tradition of arts training. The "Golgi Drama School" at the time of the Red Army, the "Troop Arts" in the Yanan period, the "Lu Arts" of the New 4th Army, the "School of Arts" in southern China and the present "military academy of arts" all come down in a continuous line. This has exerted extensive and profound influences on the improvement of the cultural and artistic level of the PLA units. It seems that the "stars" of this show, "The Star of Military Art," have pinned their hope on the future.

### **Public Accumulation in Agriculture Should Not Be Overlooked**

40050221m Beijing HONGQI [RED FLAG] in Chinese  
No 7, 1 Apr 88 inside back cover

[Article by Zhi Xiao [1807 2556]]

[Text] After agriculture has implemented the dual-level management system, which is based on household contracts, the peasant households are largely responsible for the function of accumulation and expanded reproduction. But this does not mean that the agricultural public accumulation is no longer needed. This is because the peasants of some localities are not interested in investing in land. In particular, they are not keen on long-term investment. Moreover, most of China's peasants have a very limited scale of individual accumulation. Some 50 percent of the peasants still lack the capability of expanded reproduction. Therefore, we must pay attention to the roles played by agricultural public accumulation when we guide the peasants to expand their production accumulation. The experience gained by many localities which have long been doing a good job in agricultural production shows that a continuous expansion and rational utilization of public accumulation is favorable to the macroscopic control by cooperative organizations through economic means. This will in turn promote a coordinated overall development of agricultural production and the rural commodity economy.

Over the years, some peasants no longer delivered money to their collectives. According to the statistics of the relevant departments, the amount of money actually delivered in accordance with the provisions provided in agricultural contracts was only 82 percent in 1986. The percentage in some provinces and regions was just about 60. This is of course because of external factors such as natural disasters. But the main reason is that the peasants had a weakened sense of being a member of a collective. Some cadres in the rural areas took the public

accumulation as conflicting with household management. They held that public accumulation was no longer needed so long as household accumulation was adopted. They neither collected the money which should be delivered nor managed the agricultural public undertakings. As a result, no one cared about the capital construction on farmland, and damages sustained by agricultural production facilities were very serious.

Are there any positive factors for practicing public accumulation in China's rural areas? Yes, there are. First, the overall income of peasants is increased, which provides a material condition for practicing public accumulation. Second, most towns and villages have, through reform of the rural economic structure, established combines or cooperatives and financial societies, as well as perfected their management organizations, which provides a guarantee for the organization of public accumulation. Third, the public accumulation can be realized by replacing the previous practice of simply relying on agricultural accumulation with a multichannel and diversified approach of accumulation by agriculture, forestry, animal husbandry, industry and commerce. Fourth, most peasants have, through their participation in household management, personally felt that without public accumulation, they could not do well in agricultural production and in some public undertakings which affect their daily life. Therefore, most peasants have demanded the development of public accumulation. Of course, the basis of public accumulation and the requirements for such accumulation by the peasants are different because the agricultural development in various localities is not the same. We must make full use of the local advantages, and in order to deal with the local problems and to meet the requirements of peasants, we must do well in public accumulation.

In order to do well in the work, we must seriously handle well the following tasks.

First, we must make cadres and people of the rural areas really understand that the expansion of public accumulation will not affect the current policy which is based on household management. In addition, it is favorable to further develop the practice of household management. This will thus make them consciously care about the development of cooperative economy, as well as the growth of public accumulation, in the rural areas.

Second, we must perfect the cooperative economic organizations in towns and villages. Otherwise, it will be very difficult to expand the public accumulation, and even some of the accumulation which has been done may also be destroyed.

Third, we must actively develop channels for accumulation. We must make a clear distinction between rational acts of retaining profits and those of apportioning by force. The cooperative economic organizations in towns and villages should increase the income of peasants and boost their agricultural public accumulation mainly by

developing the production of various trades and by providing services. The abundant labor force is an advantage in many places in China. To organize more work on labor accumulation is an appropriate approach for solving some agricultural problems concerning the public interests, and for boosting the public accumulation. For example, some villages mobilized peasants to repair drainage and dig wells. They later levied water rate and rational charges on the drainage. This thus helped peasants who took part in the work gain the benefit and helped the cooperative economic organization of these villages gradually accumulate their funds.

Fourth, we must do well in the management and utilization of public accumulation. The public accumulation must be used to solve urgent problems that adversely affect the agricultural production of peasants, and to undertake the public welfare undertakings urged and badly needed by them. We must set a strict financial system and make the books available for public inspection so as to prevent from happening the situation where the public accumulation is embezzled by some people.

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**END**



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