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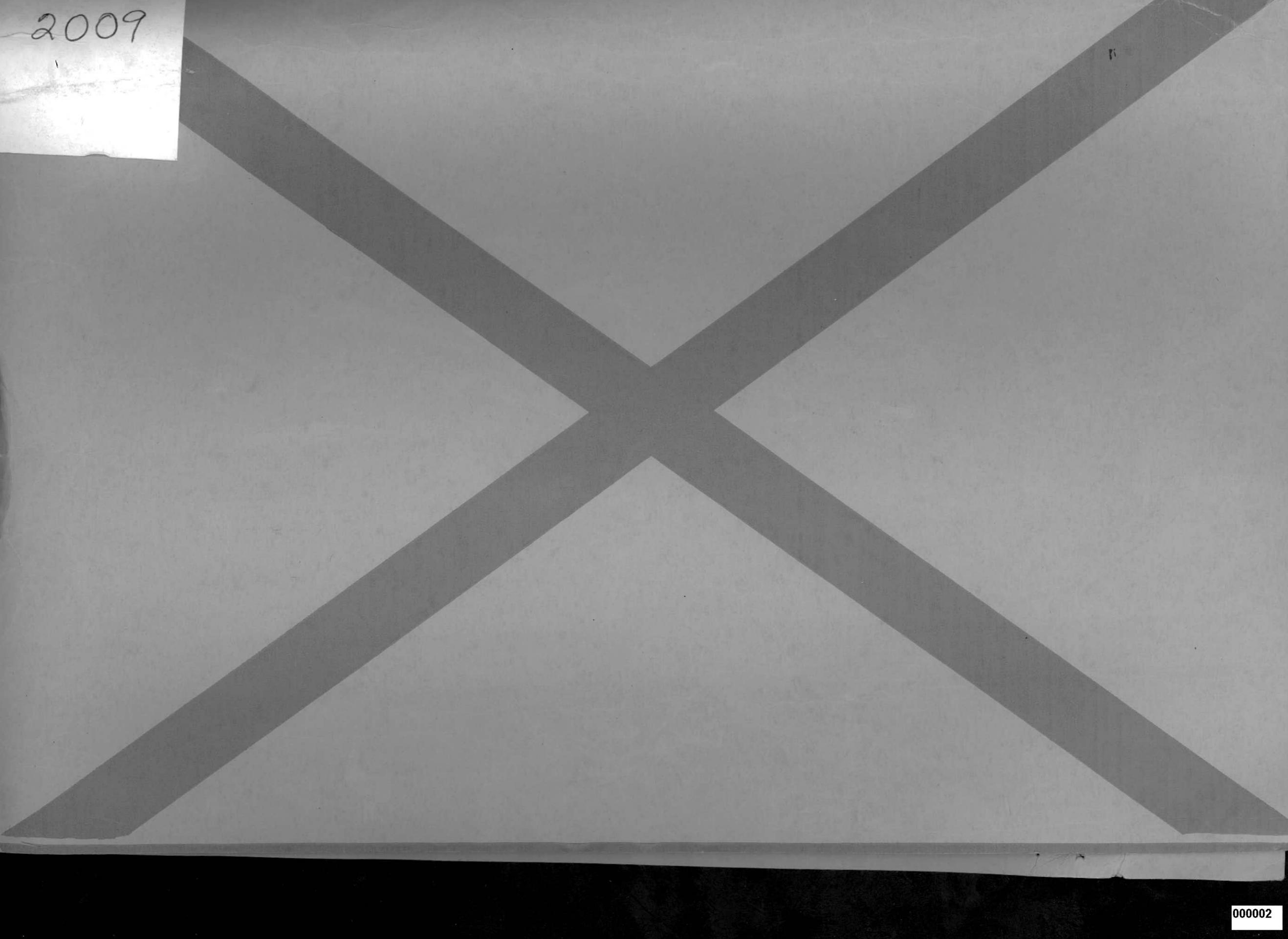
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2009



Canada



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TO The Under-Secretary of State
 for External Affairs, OTTAWA PNR

FROM The Canadian High Commission, SINGAPORE

REFERENCE
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SUBJECT PRC National Peoples Congress - a Singapore
 Sujet assessment

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ENCLOSURES
 Annexes

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The High Commission

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File

SECURITY
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---GODDESS OF DEMOCRACY

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SCM 4 May

GODDESS OF Democracy ship banned

By Staff Reporters

THE Governor, Sir David Wilson, says the Goddess of Democracy radio ship will not be allowed to dock in Hongkong.

Hours after the vessel left Singapore en route to the territory, Sir David said "it would not be given permission to come into Hongkong if they asked for it".

"We have a policy here of making sure that Hongkong is not used as a battlefield for other people's political battles, and it would be quite inconsistent with that policy to have a ship of that sort coming into Hongkong," Sir David said.

The Government has so far not received an application from the ship to enter territory waters.

The deputy secretary-general of the Federation for a Democratic China, Mr Hsu Tien-fang, yesterday condemned as inhumanitarian the Governor's decision not to allow the ship to pick up supplies.

He said the federation would apply to Taiwan authorities for permission for the Goddess of Democracy to call there.

In London, the Foreign Office made it clear the issue was a matter for Hongkong and not for Whitehall.

"It is a question for Hongkong harbour authorities. If there is a request to

enter Hongkong to refuel and resupply, then it is entirely up to them," a spokesman said yesterday.

The Foreign Office has denied any consultation with the Hongkong Government about the affair.

But the spokesman suggested that at the end of the day, one of the reasons which could be given in law for refusing to help the ship was that it plans to broadcast without a recognised "internationally-agreed frequency".

Sir David accused the ship's organisers of publicity-seeking. He said the Government had always made it clear to them they would not be welcome in Hongkong.

"It's slightly strange that it's said that it is going to come to Hongkong because as far as I know its intention was to go to Taiwan.

"Coming to Hongkong is a major diversion from that route - we're hardly on a direct route to Taiwan - and so it looks as though it's a search for publicity," Sir David said.

Mr Hsu said the federation would probably apply for the ship to dock at Keelung in northern Taiwan, but admitted the group had not contacted the Goddess of Democracy since it left Singapore yesterday morning.

French journalist, Christophe Nick, vice-president of the Paris-based Boat for China Foundation, said previously the ship was intend-

ing to come to Hongkong to obtain an additional transmitter, food, fuel and water because no shipping agency in Taiwan was willing to provide those services.

The ship is carrying 20 people; including 10 French journalists who boarded in Singapore. The French Consulate declined to comment yesterday.

The ship was due to reach Hongkong in 15 days, he said.

Under Hongkong marine law, the Director of Marine is allowed to refuse entry to any ship without providing a reason, while the Governor is entitled to instruct him to refuse entry.

The Shipping and Port Control Ordinance states that a ship entering Hongkong waters without permission has committed an offence which is punishable by a fine of \$20,000 and one year's imprisonment for which the owner and master are liable.

Marine Police are entitled to board such vessels and arrest guilty parties.

Director of Marine, Mr Michael Sze Cho-cheung, said yesterday: "The ordinance provides for the Governor to make directions. It is definitely within his power to instruct me and on receiving any instructions, I shall do so."

A lecturer in shipping law, Mr Robert Margolis, said, however, that the ship would be able to appeal

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act by HK, says NCI

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which are believed to have been stolen in Hongkong, and a locally registered tug which was towing the boat.

Officials have also asked for the local crew on board the vessel and the mainland security staff alleged to have been involved in the smuggling to be returned to the territory for a criminal investigation of the incident.

But local officials stress they have not made any accusations against the Chinese officials but simply called for an investigation.

"If they were doing their job then what on earth were they doing in Hongkong waters? If they weren't doing their job then we want to

know what they were doing," the official said.

The alleged smugglers are understood to have been ambushed by Marine police launch after the two undercover officers went on board as the vessel was moored along side a pier near Castle Peak.

Officers on board the Marine police launch took a number of photographs of the vessel when it began steaming into Chinese waters after it had been ordered to stop.

The series of photographs have been handed to the Chinese authorities as evidence that their own security staff were involved in the incident but Guangdong authorities have denied that the pictures provided evi-

dence of their staff's involvement.

Hongkong officials say the first photographs, taken in the early hours of the morning, show only dark figures in the water and wearing indistinguishable uniforms.

They say later pictures taken in daylight clearly showing the olive green uniforms of the Chinese security forces on the Hongkong registered vessel reveal the boat is in Chinese waters.

The Hongkong side has stressed they do not regard the incident as a political dispute but a matter of border management.

From time to time the Political Adviser's office has lodged complaints against incursions by Chinese security vessels which are allowed right of passage in Hongkong waters but have no authority beyond mainland waters.

But local officials say they appreciate most incidents are not intentional but the result of over-enthusiastic tactics by mainland vessels.

"On many occasions, there are two sides to the story - one can imagine situations when they (Chinese vessels) come across in flat pursuit. There will inevitably be a certain amount of incidents."

Hongkong officials say they are generally satisfied the Guangdong authorities do their best to prevent these incidents.

"China has assured us on numerous occasions of their policy which is crystal clear - they do not approve of these type of incidents."

Senior Legislative Councillor, Mr Allen Lee Peng-fei, said the incident was causing concern in Hongkong.

"That particular case is of concern to us now. It may have only been an isolated incident, and it is my hope that it was an isolated incident, but I will wait for a report from Government (before I make any comment)."



The Hong Kong Lotteries Board

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AT HKJC'S BETTING CENTRES AND TELEBET

TELEBET

1888

where in the South China Sea, the freighter Goddess of Democracy is steaming her way through what is now the most treacherous last leg of her journey from France.

The last leg is hazardous for more than one reason. The vessel, flying a Caribbean flag and carrying a 10-member all French crew plus nine journalists from Europe and Asia, is on a mission of freedom on behalf of the Chinese population. Its plan is to find a spot off the Chinese coast, in international waters, where it will convert to a radio station to beam pro-democracy news and information to China.

The Chinese Government, of course, stands in the way of this seemingly simple mission. It has said in no uncertain terms that it will "not tolerate" support for the ship and it has not ruled out the use of force to stop the vessel from broadcasting.

The journey so far has been beset with delays, frustrations and harassment with incidents along the way that may be construed as hints from Beijing. First Mate Cecile Corre said in Singapore, the ship's second and last port of call before leaving for Hongkong, that Chinese merchant boats had been harassing the ship in the Mediterranean by pulling up close, stalking and overtaking it, and in one incident earlier this week in the Straits of Malacca, she had to alter course to avoid a direct collision.

The democracy boat was going down the Straits of Malacca while the Chinese ship was going up when it came within half a nautical mile. Although she sent radio messages to the vessel, according to sea laws, to alter course, there was no answer.

"This is unusual," First Mate Corre said, referring to the radio blackout and added that if she had not altered course herself, there would most definitely have been a collision.

The ship, which left France on March 17, arrived in Singapore on May 2, an unusually long time for the journey. The reason: every time it communicated with France, it gave its position away and hence had to alter course. "We were going zigzag all the way."

Despite the incidents the crew remain confident that the vessel will make it to her destination although they have not ruled out the possibility of encountering what they describe (only half jokingly) as "fake pirates from a big country" along the way.

In the absence of any accompa-

rule the w

The Goddess of Democracy, the ship that plans to broadcast news to China, is on the final leg of the journey from France, heading towards Taiwan. ANN PETERIS in Singapore reports on the aims and hopes of its crew.

their only shelter. Journalist Christophe Nick, vice-president of the Boat for China association, the organisers, said the French had previous experience of this sort with the Rainbow Warrior. "They thought they could do anything to it because nobody knew about it. But they know about us."

Nick, who is with the French magazine *Actuel*, which spearheaded the project, also does not think the Chinese would attempt to bring an end to the project when there are international journalists on board and with the timing so close to US President Mr George Bush's June 4 address in Washington on the Most Favoured Nation status issue.

The journalists on board representing some of the 19 magazines worldwide which contributed funds towards the project, echo his view. Karen Gahrn from *Press* in Denmark said if she had really thought it was dangerous she would not have boarded. And French journalist Genevieve Lamoureux from *L'Express* in Paris agreed. It is understood the only Asian journalist on board is a Taiwanese.

Money for the project was also collected by the Paris-based Chinese dissident group, the Federation for a Democratic China (FDC), a group Beijing has described in its latest communique by New China News Agency in Singapore as "criminals wanted by the Chinese Government".

So regardless of the lack of fear, sailor's caution is being employed. First Mate Corre would not confirm or deny whether the ship would go through or near the Spratley Islands - the shortest and best route. "There are many other routes. We will see." But the fact that the short journey from Singapore to Hongkong is estimated to take 15 days would suggest that it would be a longer route.

Taiwan was the original final port of call, where authorities were reported as saying that the vessel

prepared to protect it if it came under attack. But China's warning that this would be an act of "open provocation" to the Communist Government in Beijing and that it "cannot tolerate" support for the ship must have had something to do with a last minute change of plan when the vessel docked in Singapore to refuel on Wednesday.

Hongkong was then named as the port in which the ship would dock for fuel, water and food - and also to load its transmitter on board. At the moment the boat is just a boat like any other. "We will become a radio station when we load the transmitter and begin broadcasting," Nick said.

Aware that Hongkong might refuse entry, he said: "We understand that international sea regulations state that when a boat wants food, water and petrol, nobody can say no. It is the first law, the first regulation of the sea. If Hongkong forbids us to enter it will be a precedent."

Other options might be considered now the Governor, Sir David Wilson, had made it clear that the ship would not be welcome to dock in Hongkong.

WITHOUT divulging too much, Nick said one plan was perhaps to have a "friendly ship come in international waters with the transmitter". They have two transmitters standing by in Paris. "I don't know if they are still in Paris, but they were there when we left."

So far the boat has all the other equipment - studios, records, microphones and tapes. It plans to broadcast 24 hours, on medium and shortwave, news about the world and about China. The news programmes will be supplemented by other programmes which aim to tell the Chinese people "the truth about what is going on in China".

Nick said they planned to beam

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first hand reports from eye witnesses who escaped and told their stories in Paris. "They explained on tape what happened during those days."

He added they had prepared a programme similar to Amnesty International's on political prisoners in China. "There are at least 10 political prisoners in China. We will reveal who they are and tell their side of the story. We also know that many students were arrested, put in re-education camps and made to confess."

Fielding questions on the enormous problems involved in the operation, Nick quoted constantly from section 48 of the UN Declaration of Human Rights which provides for free access to information. His own feelings were fired when he was in Beijing last summer. When the first dissidents began to arrive in Paris they confirmed his own view that "everybody knew what was happening in China except the Chinese".

He said that in some countries people need food and medical assistance but in China they "need to keep their minds in the right way", and the only way to ensure this was by sending them information. "No doctor or Band Aid can do this. It's just us, journalists. It's our job. We have to guarantee everywhere in the world the free flow of information."

He says the world cannot ignore this. "The Chinese woke up the world. They woke up Europe and Africa. And now they are alone in Asia. We can't leave them alone. We are the only ones who can do something about it. It's our responsibility. We can't say now what we said 20 years ago about Mao's Cultural Revolution - that we did not move! Same with Stalin. We didn't know in the '30s. But now we know and it's our job to change that."

When Nick returned to Paris from Beijing his magazine started the fax operation whereby they encouraged other magazines to join them by buying articles on China (at high prices to collect funds) and then fax these articles to China. Overnight, hundreds of thousands of faxes, plus a fake issue of the *People's Daily*, arrived in China, explaining the crackdown

cept that in Asia, after requests were made everywhere including Hong-kong and Macau, the only two contributions were from two of Taiwan's largest newspapers - the *United Daily News* and the *China Times*.

They had to buy the boat in Britain and make the long journey, instead of hiring one in the Far East because of problems in finding a ship agency. "We found it impossible to find a ship agency. We inquired everywhere. And without a ship agency it was impossible to run the boat." The vessel carried a Caribbean flag because it would have taken three months to register a company to fly either the British flag or the French flag, he said.

They estimate that it will cost US\$200,000 a month to broadcast from a stationary point in the South China Sea. This works out to be about US\$12 per minute - the price of the Goddess of Democracy T-shirt and badge now being sold.

Of the possible threat of the Chinese jamming the broadcasts, Nick said: "It is very difficult to do this in the China area. You can jam in the city with powerful equipment, but five years ago the Soviets tried this. They tried to jam the Voice of America, BBC and broadcasts from Europe, but it didn't work. Everybody could still listen in."

And as to Chinese accusations that the station would be not only breaking maritime laws, but also regulations of the International Telecommunications Union (ITU), Nick replied that was untrue.

"Show me which laws. We have read the regulations again and again. We are not breaking any laws. Breaking the laws will apply only if the station is a commercial radio station and this is not."

As for the alleged Federation for Democracy in China (FDC) involvement, he said: "The FDC was not an organiser of the boat. One time we asked them to raise some money. And when they did, we said goodbye. They are all lies. When they speak about the FDC, they lie. When they speak about the ITU, they lie."

But despite the big "no" in the way of this very slow boat to China, hopes are high.

Nick said the Chinese dissidents who arrived in Paris told him that many people in China knew about the coming of the boat and the radio station.

"I don't know how they know. It is just incredible. But I do know that in a country like China, although there is no free flow of information, 000015

Mr Xu said the ship was keeping radio silence and would not reveal its next destination for security reasons.

"All communications with the boat have stopped. We have not talked with them since they left Singapore," Mr Xu said. "But we can get in contact immediately if necessary."

It is now sailing through a sensitive area of the South China Sea that includes reefs claimed by China near the disputed Spratley Islands.

Meanwhile, the official Chinese-language press acknowledged the Goddess of Democracy for the first time yesterday, and condemned it as a vehicle for "reactionary propaganda".

Agencies

Dissident ship seeks anchorage in Taiwan

THE dissident radio ship Goddess of Democracy will apply to dock in Taiwan after having been rejected by Hongkong authorities, organisers in Taiwan said yesterday.

Mr Xu Tian-fang, deputy director of the Boat for Democracy organisation, said the Taiwan branch of an international shipping company had agreed to serve as the boat's agent and would apply to the Ministry of Communications to allow it to dock in Keelung harbour in northern Taiwan.

"The boat is an international media project and Taiwan has no reason to reject it," Mr Xu said. "If it did, it would cause a scandal. The French crew and one Taiwan reporter travelled such a long distance. It is an issue of basic human rights."

Mr Xu said the ship would arrive in Taiwan around May 10 if its application to land was approved.

Mr Jasper Y. C. Chu, director of the Ministry of Communications' Department of Navigation and Aviation, said the ministry has not received any directives from the government and would process the Goddess of Democracy's application according to regulations.

The radio ship, which plans to broadcast pro-democracy messages to China, is sailing through the South China Sea while avoiding detection by Beijing, the organisers said yesterday.

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EW analysts were surprised when Mr Zhou Nan, the top Chinese representative in Hongkong, called on the Heung Yee Kuk to groom political leaders to run Hongkong. This is less because Mr Zhou has caught much of the political spotlight lately by frequently appearing in pro-Beijing groups, and more because there has been a history of cooperation between the rural representation body and the pro-China organisations in Hongkong.

With the introduction of direct elections from next year, and four of the Legislative Council constituencies situated in the New Territories, the Heung Yee Kuk as a political force should not be underestimated. The conventional conception that the Kuk's influence has been largely eroded as a result of new town development and Government introduction of other representation bodies in the New Territories is not entirely true.

To the extent that it commands a rural population in comparison with town population, the Kuk does not have a disadvantage. But when it comes to vote-casting in elections, a disadvantage could be compensated by the Kuk's extraordinary ability to mobilise the rural voters.

Recent elections have shown it could be a powerful alliance force as well. Its cooperation with pro-Beijing groups has enabled them to sometimes defeat the established democrat groups in the New Territories.

There is no official estimate of the size of the indigenous population. The Heung Yee Kuk has often put it

JOYCE NIP looks at the role of the pro-China rural representation body, the Heung Yee Kuk, which has shown in past Regional Council elections its extraordinary ability to mobilise voters.

at 50,000, which looks negligible among the estimated population of 1.97 million for the whole of the New Territories.

Concentration of the rural population in the North, Tai Po, and Yuen Long, however, focuses the Kuk's strength in the constituencies of New Territories North and West of the Legislative Council election. Past elections showed these two districts were where the traditional organisation maintained its stronghold, as found by Dr Stephen Tang Lung-wai, of the Chinese University of Hongkong.

In Sha Tin, Tsuen Wan, and Kwai Tsing, the rural population has been so definitely overwhelmed by the town population that the rural population in Sai Kung and the islands would prove quite ineffective in election contests in the New Territories East and South constituencies.

Dr Tang, who researched on all the district elections since 1982, found the Heung Yee Kuk exerted strong influence by "locking" votes among indigenous voters. Such "locked" votes, where they are cast, are not swayed by campaign publicity but only by the Kuk.

A pre-electoral counting system operated by the rural body has shown less than three per cent difference between the expected and the actual number of votes cast for a Tai Po rural candidate in the Regional Council election of 1986, reflecting the highly reliable nature of "locked" votes.

Direct mobilisation of the 731 New Territories villages under the Kuk is done through village "brokers", who may or may not be the village representatives. They are responsible not only for directing where the votes should go to but also the physical transportation of voters to the polling stations on election day.

The mobilisation power of the Kuk in elections is demonstrated where competition exists between rural and non-rural candidates. The rural voter turnout rate in the 1986 Legco election in the North and Tai Po, where rural and non-rural candidates competed, was more than 20 per cent higher than that of the town voter turnout.

Where rural candidates do not stand in an election, the Kuk is able to transfer its "locked" votes to an ally candidate. This happened in last year's Legco election, where a manager in a Chinese bank, Mr Ngan Kam-chuen, won his seat in Yuen Long by taking over the rural votes cast for his predecessor under the support of the Kuk.

How much power the Kuk will exert in next year's elections therefore depends heavily on the voter turnout rate. If the new town voters turn out in small numbers, the Kuk may fatal-

ly threaten the chances of non-rural candidates.

The continual growth of new towns over time has not brought about a corresponding decline in the Kuk. Comparing the Legco election in Tuen Mun, the total votes obtained by the two democrat candidates last year was down 40 per cent from what the democrats obtained in 1986. But the total votes of the Kuk candidates, of whom one is pro-Beijing, were up 40 per cent.

The two appointments of the Kuk in the Legislative Council is expected to go with it becoming a functional constituency from next year. The other four Legco seats it gets will also go with the scrapping of district board representation in the legislature.

Mr Lau Wong-fat, the Kuk chairman, has said they would field members to contest the directly-elected seats of Legco next year.

The rural body had established a dialogue with Beijing from the early days of the Sino-British negotiations. The alliance with pro-Beijing groups would continue. Mr Lau said the two tended to be conservative and therefore had "better communication". A contest with democrats seemed inevitable, he said.

But to depict the Kuk as a body in diagonal opposition to the town population does not give a complete picture. It has worked hard to play down the difference in recent years and adopted an open door policy in 1988.

Eight of the nine district board chairmen in the New Territories are Kuk members.

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South China Morning Post

Founded in 1903

MONDAY, MAY 7, 1990

Publish the evidence on conflict of claims

WHEN is a protest letter not a protest letter? When it comes from the Hongkong Government and is received by the Chinese authorities, apparently. The mystery remains over last week's incident involving two plain-clothes Hongkong policemen, who were investigating a car smuggling case when they were abducted by a Chinese vessel carrying armed men. The versions of events issued by the two sides contain such significant differences that the public is left to wonder where the truth lies.

Yesterday the office of the Political Adviser, Mr William Ehrman, stood by its assertion that the letter sent to the New China News Agency (NCNA) expressed "very grave concern" about the incident "in the strongest terms". Yet on Friday night the NCNA claimed that the letter from Mr Ehrman thanked the Chinese authorities for their help in returning the undercover policemen after they had been held for some 16 hours on the mainland.

Apart from disagreeing on the tone of the letter, the two sides are also at odds on the circumstances of the episode. Hongkong police sources say their men boarded the Chinese vessel at a pier in a bay near Castle Peak, but found that there were four men on board who were uniformed Chinese security officials. The boat then made off into Chinese waters with the policemen on board. The Guangdong authorities tell a different story, saying that their patrol vessels intercepted a boat carrying cars in

scene and said that two of their undercover officers were among the crew of the suspicious vessel. This was verified when the vessel was escorted to Shekou, and the pair were returned.

There are such disparities between the two accounts that urgent clarification is needed. It is said that Marine Police have film of the incident, in which case it should be made available to the media. Likewise, the text of Mr Ehrman's letter could be published if the Government wants to prove its point about registering a protest. Last year the *South China Morning Post* was happy to publish the text of another letter to China from Mr Ehrman, and we can do it again to establish the facts.

If the Hongkong Government's version of events is true, the mainland authorities should explain why their vessel violated an agreement which only permits Chinese boats the right of passage through local waters. The Marine Police have reported four breaches of maritime boundaries this year. Only in March the Government protested to China after its customs officials seized a local fishing boat and tried to take it to the mainland. Smuggling is a serious problem shared by both sides, as evidenced by the visit to the mainland of the Commissioner for Customs and Excise, Mr Patrick Williamson, who returned to Hongkong yesterday. Greater co-operation is needed to halt gun-running, and the trade in drugs, cigarettes, antiques

A hands below deck as the Goddess

THE wise and venerable mandarins of Lower Albert Road have sat in judgement. As the Goddess of Democracy radio ship sails towards Hongkong, the rulers of the territory have delivered a clear message to it: Go away.

One of the best things that can be said about the Hongkong Government is that it is consistent. When it comes to giving China what it wants, Hongkong is largely happy to oblige.

Hence, the declaration by the Governor, Sir David Wilson, that the Goddess of Democracy would be welcome in Hongkong waters.

We have a policy here of making it clear that Hongkong is not used as a battlefield for other people's political battles," he said, pausing for breath, "and it would be quite inconsistent to have a ship of that kind coming into Hongkong."

It was partly the terribly polite tone that Sir David put it which made it sound so pathetic. The reference to "that sort" of ship sounded a rejection notice for membership of an exclusive club. After all, to maintain such a nice tone of polite activities in Hongkong, but delivery and selection of

words were only partly to blame. The whole "policy" is one to despair over. And perish the thought that this administration was ever found to be inconsistent.

Nothing else was expected, however. Following on from warnings about Hongkong being used as a base for subversion, officials of the New China News Agency privately voiced their concerns to the Government while the vessel was still being fitted out.

Sir David did make the valid point that the ship's organisers were simply seeking publicity by declaring a late change of course to Hongkong, knowing full well what the reaction would be.

From before the ship set sail from La Rochelle in March, it was made clear that Hongkong would not be a welcoming port. And while the ship's course has remained largely secret, Taiwan was always to be its port of call when it neared China.

But the ship's organisers have nevertheless highlighted the weakened attitude of Britain towards China, and at the same time, gained additional media attention.

Sir David and his Government



VIEWPOINT

will have plenty supporters, especially those who are riding the crest of a new and powerful wave of pragmatism that has swept Hongkong in its dealings with China.

As Beijing puts the pressure on, and Zhou Nan progressively redefines the Joint Declaration, the Jimmy McGregors and Martin Lees are made to feel even more uncomfortable.

For many influential figures in the territory, the whole Goddess of Democracy saga verges on the ridiculous, and the vessel nothing more than a Ship of Fools.

They see a small group of failed counter-revolutionaries with some vague notions about democracy, who have decided to broadcast their message to the oppressed billion of the People's Republic of China.

These rebels with a dubious cause find some sponsors, buy an old ship, and — wait for this — head towards the Chinese coast to beam in pro-democracy broadcasts from international waters. In Hongkong boardrooms, heads shake as one with despair, while the clicking on tongues echoes around Exchange Square.

It is wildly idealistic, with an accompanying naivety. Those characteristics were the hallmarks of the Beijing Spring which inspired Hongkong.

Add to it the possibility that China may exercise its itchy trigger finger to blow the ship out of the water and the backing becomes even more controversial.

The critics of the dissident Federation for Democratic China (FDC)

X.B.G. 20597

Address sails by

have maintained the ship is merely an attempt to renew flagging interest in the pro-democracy cause.

It is. Since going into exile, the dissidents have failed to produce a cohesive front, and maintain credibility.

But one must ask what is so terribly wrong with trying to revive support for the mainland pro-democracy movement. As the events since have shown, from Bucharest to Kathmandu, the taste of freedom is sweet.

China has been predictably virulent in its condemnation of the ship and any country which provides support for it, thus Hongkong's decision to turn off the lights and pretend we are not home.

It has also not ruled out the possibility of the use of force. Sir David's reference to a "battlefield" may yet prove prophetic. The risk is real.

Again, the FDC is hoping that international support and attention will prevent a PLA gunboat tearing through the white hull of the Goddess of Democracy.

Beijing has also tried to build a case against the ship by quoting in-

ternational law prohibiting unauthorised broadcasts.

The legal argument may be sound. But one must look at what the broadcasts are trying to achieve and what prompted them. Set against the massacre of last June, the breaking of vague international broadcast rules is not difficult to justify.

If the ship manages to begin broadcasts, its effectiveness is almost certainly to be limited.

The potential power of the Goddess of Democracy is the international publicity rather than the kilowatts it will generate.

By its angry posturings and threats, Beijing is doing nothing more than intensifying that interest. Should it let its paranoia run wild and attack or seize the ship, the pro-democracy movement will have a whole new set of martyrs.

While the Government's position on the ship won't be changed, Hongkong people are still able to express their support.

The radio ship remains the major event that will mark the first anniversary of the June 4 massacre.

In Hongkong, the passage of 12 months seems to have diluted those



Sir David Wilson

bloody images of repression. It has become fashionable in some quarters to euphemistically refer to the June 4 "event" or "incident", effectively cleansing the hands of the hard-liners who ordered the crack-down.

The memories of many have become conveniently short. Twelve months on, the Goddess of Democracy gives the opportunity for Hongkong people to let their feelings be known.

The Hongkong S

WITH HONGKONG

MONDAY, MAY 7, 1990

Wall of boats to protect dissiden

TAIWAN: Fishermen plan to form a "boat wall" to protect the dissident radio ship *Goddess of Democracy* from harassment by Chinese vessels after it calls in port, a newspaper here said yesterday.

Fishermen in the north-eastern port of Suao plan to welcome the radio ship when it calls at the port for fuel and supplies, the *United Daily News* reported.

The report said the fishermen would organise a fleet of about 15 fishing vessels to escort the 2,000-tonne ship to the East China Sea, where it plans to begin broadcasting pro-democracy mess-

ages to China later this month.

The escort fleet would form a "boat wall" to protect the *Goddess of Democracy* from Chinese vessels seeking to harass the radio ship, the report said.

The report came as authorities here were debating whether to let the ship dock at Keelung harbour in northern Taiwan.

The planned escort move won support from fishermen's groups in southern Kaohsiung, the newspaper said, adding that lawmaker Wang Hsih-hsiung would also join the effort and extend assistance to the vessel.

Since the Xinhua News Agency declared the *Goddess of Democracy* illegal and attacked the Nationalist government for supporting it, authorities here have been debating whether to allow the ship to berth in Taiwan's ports for provisions.

The broadcast project is backed by 19 international publications, including some in Taiwan, and the Paris-based Chinese dissident group, the Federation for Democracy in China.

"The Boat for China" project co-ordinator Xu Tianfan denied that the radio boat, named after the statue erected in

Tiananmen Square by pro-democracy students before their movement was crushed last June, would pick up supplies in waters off the Philippines to avoid fuelling tensions across the Taiwan Strait.

The ship was sailing through the South China Sea and heading for the island, Mr Xu said. He added that it would apply to anchor in Keelung through its shipping agent in Taiwan after Hongkong refused it docking permission.

Keelung Harbour Bureau officials said they had not yet received a berthing request from the radio ship, which left

Singapore on Thursday after a 10,000 kilometre voyage from the port of La Rochelle began in mid-March.

On Thursday Governor, Sir Wilson, stated categorically that the ship would not be allowed to dock in Hongkong.

He said Hongkong would not be used as a battlefield for people's political battles.

The project leader, board the ship, topped the list, had Hongkong would be the next port of call after leaving Singapore.

With more and more countries in the

XBER 0343

tandar^H

Ship in Taiwan

reported to be shunning the project, its future yesterday was unsure.

The ship's all-French crew, with a passenger list of international media representatives, reported that they had been interfered with by mainland Chinese merchant vessels on the journey to Singapore.

Mr Nick announced that it would take 15 days to reach Hongkong from Singapore, suggesting either that the ship would be taking a circuitous route to avoid tracking, or that more time was needed before the crew committed themselves to the next port of call.

Observers yesterday suggested the ship may wait until its supplies were low before approaching any country in the hope that they would be allowed in on humanitarian grounds to resupply and refuel.

Observers said the vessel's mission to broadcast pro-democracy propaganda into mainland China was likely to become more controversial as thoughts turned towards the first anniversary of the June 4 massacre, an unsettling prospect for the Chinese authorities

- AFP

XBER 0343

Beijing told to leave

By DAVID CHEN

THE United States has informally warned China not to touch the dissident Goddess of Democracy radio ship as it sails towards Taiwan, Chinese sources said yesterday.

The sources said they were informed that failure to comply would seriously jeopardise Washington extending Most Favoured Nation status to China for another year.

However, US officials denied any knowledge of the warning, which apparently went through unofficial channels.

However, other sources said organisers of the ship project could have had a hand in floating the warning in a bid to maintain international interest in the vessel which is believed to be incurring exorbitant costs, estimated at US\$40 (HK\$312) a minute.

"It is necessary for news about the ship to be on the front pages of most newspapers in order to draw sufficient attention and hopefully collect more donations for the project," said one source.

Even the Governor, Sir David Wilson, in categorically refusing to allow the ship port facilities

here, accused the organisers of publicity-seeking.

Analysts said it was most unlikely Chinese warships would interfere with the ship on its northern journey through what could be described as "dangerous waters". This would mean little by way of news in the press and interest in the vessel could dwindle just as it makes the final leg of its long journey to Taiwan.

On the Chinese side, some analysts believe the abduction by the Chinese of two Hongkong policemen may have had something to do with the democracy ship.

The two were abducted last

Thursday when the ship was reported to be heading for Hong Kong. While there is no confirmation of the true intentions behind the Chinese action, it is said the timing was more than coincidental - coming as it did when the vessel was reported to be heading for Hong Kong.

Sources also noted that the two policemen were released less than five hours after the Government equivocally announced that the ship would not be allowed to enter the harbour.

The last time a senior official was kidnapped was in October 1967, at the height of the Cultural Revolution when

ship alone

kong found itself fighting off an ultra-left onslaught. Inspector Frank Knight was kidnapped at the Man Kam To checkpoint while negotiating with farmers from across the border.

He spent five weeks in captivity before escaping to the New Territories.

Meanwhile, the arrival of a leading dissident, Mr Yan Jiaqi, in Taiwan is expected to provoke more condemnation by Beijing of the Kuomintang Government's alleged involvement in the democracy ship venture.

Taiwan sources said Mr Yan, chairman of the Paris-based Fed-

eration for a Democratic China (FDC) arrived in Taipei yesterday for a visit.

While Mr Yan's visit to Taipei had been arranged a long time ago, it is believed the political scientist, a former adviser to ousted Communist Party chief Mr Zhao Ziyang, will tape special broadcasts for the ship.

The radio ship is on its way to Taiwan and is expected to call at the northern port of Keelung later this week if the Government gives its approval, according to Mr Xu Tianfang, co-ordinator of the Boat for China project.

Associated Press

8 May

X BGR 0343

Top dissident in surprise trip to Taipei

15/24

By Fan Cheuk-wan
PROMINENT Chinese dissident Yan Jiaqi yesterday made an unprecedented visit to Taiwan at a moment when relations across the Taiwan Strait are strained by the row over the *Goddess of Democracy* radio ship project.

Analysts said Professor Yan is likely to meet leading officials of the ruling Kuomintang but is not expected to board the radio ship for security reasons.

Professor Yan, chairman of the Paris-based Federation of a Democratic China and a top fugitive wanted by the Chinese government, landed at Chiang Kai-shek International Airport yesterday.

His arrival shocked the Taiwanese press who were at the airport to greet Finance Minister Shirley Kuo, on her return from the Asian Development Bank annual meeting in New Delhi.

Prof Yan was met by the organisers of his trip and did not talk to the press. He was invited by Wang Shaw-lan, publisher of the *Min Sheng Pao* and the influential *United Daily News* group and is expected to stay for two weeks.

Observers in Taiwan expressed concern that the visit may further strain already tense relations between the mainland and Taiwan.

The official Xinhua News Agency has criticised the Taiwanese authorities, accusing them of supporting the *Goddess of Democracy*, in an "open provocation" against the mainland.

“
If Yan wishes to meet some of our officials or certain Taiwan officials want to see Yan, I am willing to help

— Wang Shaw-lan

Prof Yan's visit just before a series of commemorative activities of the first anniversary of the June 4 massacre may give Beijing a new stick with which to beat the Taiwan authorities.

Xu Tianfang, coordinator of the radio ship project and a leader of the federation in Taipei, said Prof Yan will not board the *Goddess of Democracy*.

"Yan's visit to Taiwan has nothing to do with the *Goddess of Democracy*. He won't get on to the ship under the current political situation."

Mr Xu said he will submit a formal application to allow the *Goddess* to dock at Keelung Port. It is expected to arrive in Taiwan on May 11.

Informed sources in Taipei said Prof Yan's visit was strongly advocated by the Grand Alliance for Reunification of China under the Three Principles of the People, headed by Mah Soo-lay, former secretary-general of the ruling Kuomintang.

Sources said it is highly likely that Prof Yan will meet senior Kuomintang officials, including John Chang, director of the Overseas Affairs Department; James Chu Chi-ying, director of the Cul-

and Ma Ying-jeou, chairman of the Research, Development and Evaluation Commission and executive secretary of the Mainland Affairs Council under the Executive Yuan.

When other federation members visited Taiwan late last year, they held meetings with the three senior Taiwan officials.

Federation secretary-general, Wan Runnan and Mr Xu the deputy secretary-general, held a public meeting with Mr Chang when they visited the island republic in December.

Mr Chang said Prof Yan's visit had been arranged by a civilian organisation which had nothing to do with the government.

Miss Wang said yesterday that she had invited Prof Yan to visit Taiwan in a move to promote mutual understanding across the Taiwan Strait.

"Many people from the federation have visited Taiwan before and I think it's good for Yan to have a look into various aspects of our country," she said.

When asked whether she will arrange meetings between Prof Yan and Taiwan officials, Miss Wang, who is a member of the Kuomintang's Central Committee, said: "If Yan wishes to meet some of our officials or certain Taiwan officials want to see Yan, I am willing to help."

She said Prof Yan did not plan to conduct any fund-raising activities in Taiwan although the federation was facing

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18/24

back over abduction

8 May
HKS

By Marçal Joanilho and Tammy Tam

CHINA yesterday condemned the Hongkong Government over its allegations about the abduction of two policemen to Shekou, saying it had "distorted the facts" and "misled the public".

The Government responded with a brief statement saying it stuck by its earlier stand.

In a strongly-worded statement, a spokesman for the Hongkong branch of the Xinhua News Agency said that for top Hongkong officials to accuse Chinese uniformed officers of involvement in the incident was a "very unfriendly action".

Xinhua also said photographs supplied by the Government as evidence did not prove anything.

Last Thursday two policemen on an anti-car smuggling operation were held at gunpoint and abducted from Hongkong waters to China. They were released 14 hours later.

A Hongkong Government spokesman said yesterday: "We have already made our position clear. The facts are as we have stated them."

WHAT THEY SAID

Xinhua News Agency

On May 5, the Hongkong Branch of Xinhua News Agency made a clarification over the car smuggling case which occurred on May 3, and relevant affairs. According to investigations by authorities in Guangdong, two Hongkong smuggling boats - *Borkeung 21540Y* and *Kongkin 3583* - were intercepted by China's No 116 border patrol boat in Chinese waters near the Inner Ling Ding Island. Eight people were on board the two boats. Besides the two Hongkong policemen who have been sent back to Hongkong the other five Hongkong residents and one mainland smuggler have all admitted that they entered Chinese waters when being chased by the Hongkong Marine Police and were intercepted by the No 116 border patrol boat. The involvement of Chinese police in the case is therefore out of the question. Senior officials in the Hongkong Government have seriously distorted the facts, misled the public and accused the Chinese side without reason. This is a very unfriendly action. We deeply regret this. On the Hongkong Government spokesman's claim that it has made a "strong protest" to the Hongkong branch of Xinhua News Agency, we would like to restate that Hongkong Government officials have never raised any "protest", either in verbal or in written form. We are shocked that such an action has been taken by the Hongkong Government's spokesman.

The Hongkong Government

We have already made our position clear. The facts are as we have stated them. We have expressed our grave concern to the NCNA (Xinhua) about this incident. We remain in touch with the NCNA and want to see the incident resolved as soon as possible.

China deepens

8 May
HK

from Page One

He said Chinese officers had the right to carry out investigations in Chinese waters:

The pictures gave the Hongkong Government no grounds to accuse Chinese officers of sailing into Hongkong, he said.

Mr Ji, who visited Shenzhen the day after the incident, expressed surprise at the Hongkong Government's handling of the case.

Referring to a Hongkong Government statement that it had made a strong protest to Xinhua, he said: "I have read all the written reports submitted to me by the Hongkong Government. But I just can not find the words 'strong protest'.

"Mr William Ehrman (Hongkong's political adviser) did not use such a term during our talks. All they used was 'serious concern'."

Mr Ji refuted reports in the Chinese press that the Hongkong Government had made an "informal strong protest".

He said the term strong protest had not been used either informally or formally.

Meanwhile, Legislative Councillor Mr Martin Lee has urged the Government to clarify the Shekou incident.

He said he was concerned about reports that the two policemen were seized by Chinese armed officers in Hongkong waters.

Mr Lee said the incident would also raise doubt over law and order in Hongkong after 1997.

He called on the the Government to give a full account of the incident.

Mr Lee said he was considering whether to raise the question in the

were boarded when berthed alongside a pier in Castle Peak by uniformed Chinese security officers who remained on board until the vessels reached China."

China has repeatedly insisted there were no Chinese uniformed officers involved in Hongkong waters and that the two local vessels were intercepted in Chinese waters off Inner Ling Ding Island.

The Xinhua spokesman said yesterday investigations in Guangdong had revealed the five Hongkong identity card holders and a mainland smuggler on board the vessels had confessed that they were chased into Chinese waters by Hongkong Marine Police.

The involvement of Chinese police in the case is therefore out of the question," said the spokesman.

"Senior officials in the Hongkong Government have seriously distorted the facts, misled the public and accused the Chinese side without reason. This is a very unfriendly action."

The Government spokesman last night refused to comment on the accusation. He said: "We have expressed our grave concern to the NCNA (Xinhua) about this incident. We remain in touch with NCNA and want to see the incident resolved as soon as possible."

Ji Shaoxiang, head of the Foreign Affairs Department of Xinhua, told

The Hongkong Standard last night that none of pictures provided by Hongkong Government showed Chinese security officers boarding vessels while in Hongkong waters.

Confirming that he received two sets of photographs, he said: "The first set were taken early in morning. The background was dark, so they showed nothing significant.

"The second set, though they showed Chinese security officers on board the vessels, clearly showed they were inside Chinese waters."

Mr Ji asked how the Hongkong Government could use the pictures as evidence.

Continued Page 3

XBGR 0343

17/

DAY, MAY 12, 1990

Democracy ship tailed

(Cont'd from Page 1)

But the Communications Minister, Mr Chang Chia-pang, said the ship would not be allowed back if it made unauthorised broadcasts violating international law.

Pascal Dupont, a journalist for the French news magazine *Actuel*, said Mr Chang's announcement came as a "big surprise" and could force the ship to drop the project.

"We came with a peaceful purpose," Dupont said. "We are legal and moral".

He said organisers "do not agree with the Taiwan Government's position but we respect it. We will try to convince the Government of our peaceful purpose and make it soften the position."

Dupont said the ship would have to take on provisions after a planned three-week broadcast mission.

There are few other viable ports in the region, since Hongkong has already ruled out allowing the vessel to dock.

Submarine tails democracy ship

By DAVID CHEN
and agencies

CHINA yesterday confirmed that one of its submarines had been tailing the radio ship, the *Goddess of Democracy*, as the ship made the final leg of its journey to Taiwan.

The submarine was spotted by Taiwanese patrol vessels in waters near the southern tip of the island late on Wednesday, but when a fighter plane was sent to the area, it disappeared.

As nationalist military intelligence was assessing the situation, China's Vice-Premier, Mr Wu Xueqian, admitted to a group of visiting Taiwan legislators that the submarine was Chinese and that it had been sent to check on the boat.

"The ship is engaged in subversive activities against China," he told them, "and Taiwan should not give it

appearance of the submarine was not meant to create tension in the Tai Strait.

But he said the activity of the democracy ship would be detrimental to the changes between the sides across the Strait.

Meanwhile, in Taiwan the Defence Minister, Han Pei-tsun, who is to succeed Mr Lee Huan as Prime Minister, expressed confidence that the democracy ship's activities would lead to rising tension between the two sides.

But he said the military would protect the ship came under attack within Taiwan's "defence zone".

Earlier, officials at a northern port of Keelung granted permission for the ship to dock to take on provisions before heading into international waters to resume broadcasting. The vessel is expected to arrive tomorrow.

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(Cont'd on Page 8. C)

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Associated Pr



A photographer hands drinks to journalists on the Goddess of Democracy as the vessel approaches Taiwanese waters

Taiwan ends agreement with Goddess

BOARD the Goddess of Democracy; Taiwan has barred this radio ship from beaming pro-democracy programmes to China via government transmitters, ending a secret agreement with the venture's organisers, sources close to the Taiwan Government said yesterday.

The sources said Taiwan authorities had had a private accord with the organisers of the radio ship, the Goddess of Democracy, to beam programmes from the boat to the huge transmitters

on the island and from there into China. The Taiwan Government's chief spokesman has repeatedly said it has nothing to do with the ship and cannot support it in any way.

A spokesman aboard the Goddess said the project would continue without the transmitters.

"We don't need Taiwan transmitters. We only need our own," said Christophe Nick, a reporter for the French magazine Actualite of the

The boat, named after a statue erected by pro-democracy student demonstrators in Beijing's Tiananmen Square last spring, is due to dock at Taiwan's Keelung port this morning.

Organisers hope to mount a 50 kilowatt medium-wave transmitter and a 10 kilowatt short-wave transmitter aboard the boat to send news, music, and interviews with Chinese dissident 000030 from international waters.

HMS

Celebration to welcome radio ship in Taiwan

From Bruce Shu in Taipei

FIREWORKS, flowers, balloons and brass bands are expected to greet the radio ship *Goddess of Democracy* when it docks in Taiwan today after a treacherous 56-day voyage from France.

The ship, which is to broadcast news, music and dissident messages to China, yesterday received final authorisation from the island's northern Keelung Harbor Bureau to dock at 8.30 am.

Carrying 11 crew and eight passengers, the ship will take on supplies, radio transmitting equipment and personnel before heading for international waters.

The ship's agent has told the harbour bureau it will leave Keelung by noon on Monday, a bureau official said, but leaders of A Boat for China Association have said the loading could take until Wednesday.

"We have had the solidarity of seamen all along the *Goddess'* voyage," association president Nicolas Druz said of commercial sailors and navies on the voyage dogged by official Chinese protest against its mission.

Beijing has said the radio ship was subversive and aimed at overturning its communist regime.

"We'll see tomorrow if we have the solidarity of the Chinese people," Mr

A Taiwan financier of the project said Taiwanese were arranging a heady welcome for the ship, and hundreds of people were expected to celebrate its arrival with fireworks, balloons and bands.

An on board press conference in Keelung is planned shortly after their arrival, they said.

Druz said yesterday that despite last-minute complications, the ship would continue through with its plans to "break mainland China's news blockade."

"We are not afraid. We will go to jail if need be," saying the ship would try to return to Keelung for supplies despite a government declaration on Thursday that it would not be welcome after it broadcast from international waters.

Beijing and Taipei have said such transmissions violate regulations of the International Telecommunications Union.

Taiwan has also failed to issue visas to technicians and Chinese dissidents from the United States and France who wanted to board the ship in Keelung, officials for the association said.

In the latest development, Taiwan fishermen have withdrawn their support for the radio ship due to concern over

and under government pressure, fishermen said.

Sponsors were going to depend on fishing boats to shuttle provisions, equipment and reporters between the port and the ship as it operated as a radio station.

"Let's see what happens tomorrow," Druz said, urging fishermen to support the radio ship.

The ship, sponsored by 19 news organisations, will take on board about 1,000 hours of radio programmes including messages from exiled Chinese dissidents and foreign politicians, music and news features.

New programmes are to be recorded in Taipei and on the ship to be beamed on strong medium- and short-wave signals that sponsors hoped would reach China's northern and western frontiers.

The organisers and the Kuomintang government have said they are unconcerned about a Chinese submarine sighted off southern Taiwan on Wednesday and interpreted as a warning to the ship.

"No need to worry," Defence Minister Kuo Pei-tsun said. "We have already taken all the necessary precautions."

Taipei would 000031 the ship if it was

Ship docks in Taiwan

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22/1

From Post Correspondent
JEFF HOFFMAN
in Keelung

AFTER an 11-day voyage from Singapore, the Chinese dissident radio ship, the Goddess of Democracy, arrived in Keelung yesterday on its final stopover before starting broadcasts to mainland China from the East China Sea.

The ship and its 11-member crew were welcomed by a local high-school marching band, girl students with garlands, and a crowd of more than 1,000 when it drew up to the dock shortly before 9 am.

A huge red balloon saying "freedom" was hoisted on the ship as the chairman of the Paris-based Federation for Democracy in China (FDC), Mr Yan Jiaqi, Kuomintang (KMT) legislator, Mr Yu Mo-ming, and the deputy director of the KMT Overseas Affairs' Department, Mr Chien Han-sheng, waited on the wharf.

The Taiwan authorities barred Mr Yan from boarding the ship along with two other Chinese dissidents, Mr Liu Yan and Mr Xu Tian-fang, but Mr Yan embraced the captain, Dominique Perreot, and other crew members as they disembarked.

Mr Nicolas Druz, the president of the Boat for China project, said of Mr Yan: "I don't know why the authorities won't let him come.

"Is he really a criminal?"

On Saturday, the Keelung Harbour Authority is-

sued the ship a 24-hour docking permit to take on fuel, provisions and radio transmission equipment. However, news agencies quoted sources close to Taiwan officials as saying the Government had cancelled a secret agreement to allow the ship to use government-owned transmitters on the island to boost its medium-wave signal to China.

Both the Government and organisers have denied reports that Taiwan's state radio network was involved with the project.

Radio experts said a radio-relay through Taiwan is crucial if the broadcasts are to reach a wide audience in China, where few people own short-wave radios.

The boat's own 10-kilowatt medium-wave transmitter can reach only 100 kilometres during the day.

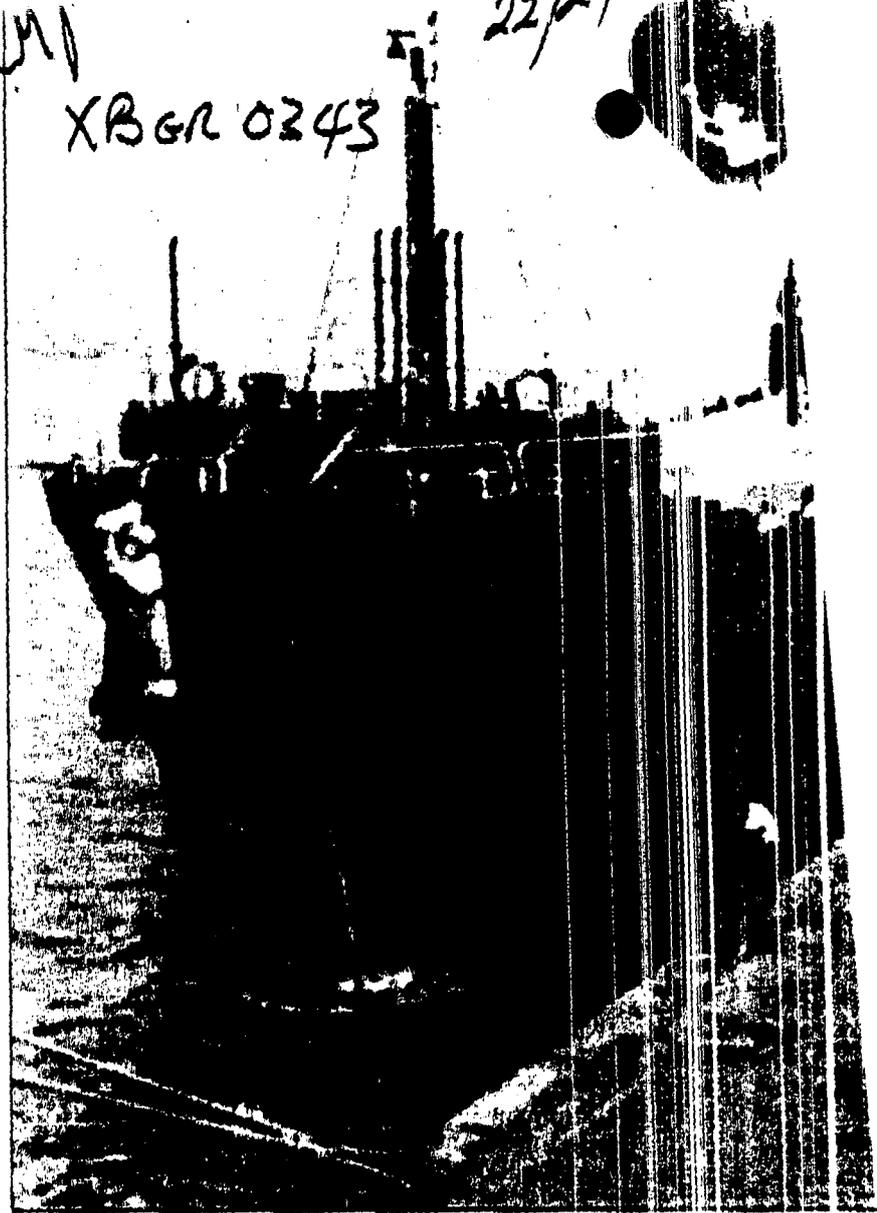
Organisers hope to mount one 50-kilowatt medium-wave transmitter on the boat to make round-the-clock broadcasts into China from international waters.

Taiwan has said the ship's plans to make unauthorised broadcasts from the open seas would violate international laws and agreements signed by Taipei.

Taipei has said it will ban the ship from returning to the island if it goes through with the broadcasts.

Taiwan's stance triggered concern that the Goddess, which can carry enough fuel to last only three weeks, would be unlikely to find an alternative port in the area.

Both Hongkong and the Philippines have refused it permission to berth.



The Taiwanese flag flutters on the dock where the Goddess of Democracy...

Captain Perreot denied news reports that the boat plans to go to Japan to refuel after it completes its broadcast project in three weeks.

"We will broadcast anyway," said Mr Druz.

"We hope to find a compromise with the Government. We don't want them to support us, we just want them to follow the law. A ship can't be refused fuel and water."

Shipboard sources said there was serious disagreement among the project's sponsors about whether Chinese dissidents should board

the ship to participate in the broadcasts.

Organisers say they have dozens of hours of taped interviews with dissidents.

One group of sponsors has determined not to let the dissidents aboard the ship for fear of antagonising China and has threatened to stop the two transmitters going on board, the sources said.

The Goddess is expected to leave Taiwan's territorial waters on Wednesday morning, at which time it will publicly announce its broadcasting frequency.

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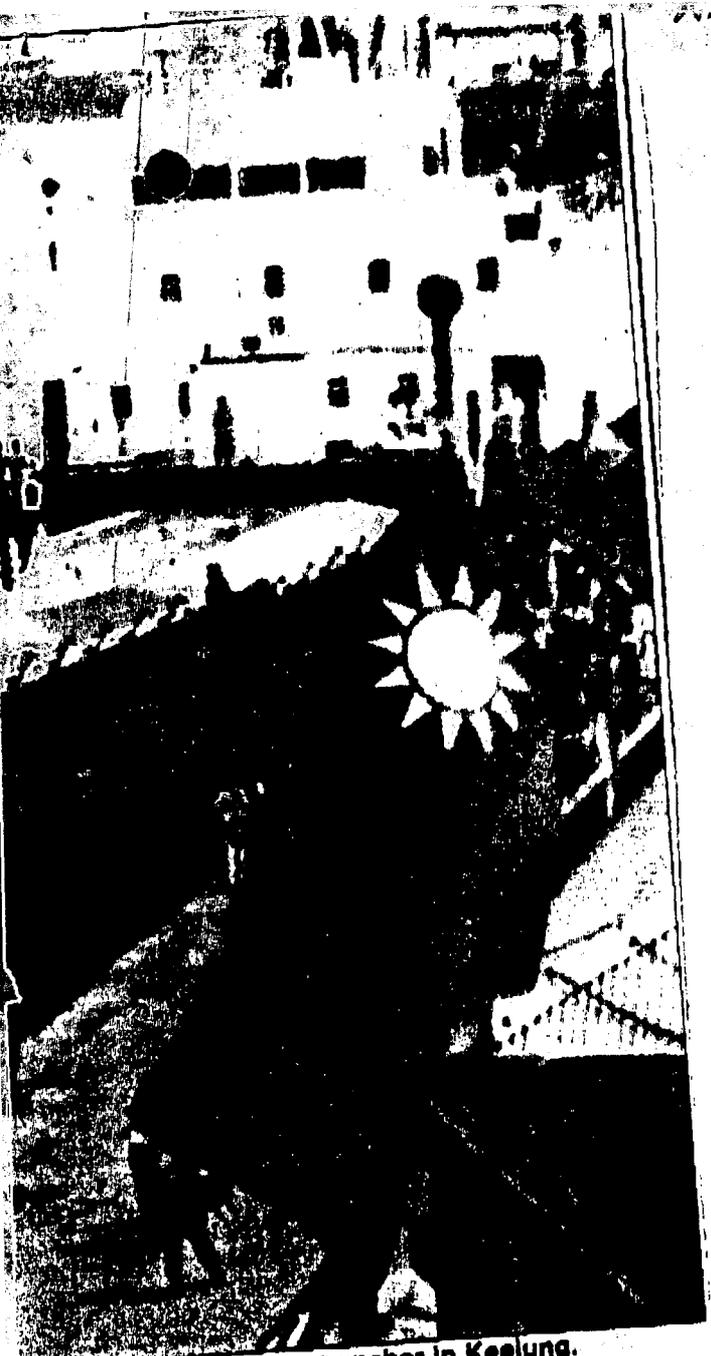
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Ship of Democracy lies at anchor in Keelung.

The Government issued no formal statement on the ship's arrival.

However, the Communications Minister, Mr Chang Chien-pang, in a report carried by the *United Evening News*, yesterday reiterated a government announcement on Friday that it does not support the ship's broadcasting from international waters.

Mr Chien said once the ship initiates transmissions it will not be permitted to return to Taiwan.

The ship will broadcast news and music pro-

grammes, and information on the overseas dissident movement to China on a 24-hour basis.

News organisations throughout the world have provided the bulk of the ship's costs of US\$1.5 million (HK\$11.7 million).

Project organisers say "Taiwan's two largest newspapers" have offered substantial financial support.

China claims that broadcasts by the ship would violate international law.

(Cont'd on Page 8, Col 3)

to call a news page 11
 However, Mr William Bourdon, a French lawyer advising the Association for a Free China which is sponsoring the ship in conjunction with the FCC, said no existing international conventions prohibit radio broadcasts from international waters.
 "China is trying to create a juridical appearance to give legitimacy to its threats to take action," Mr Bourdon said.
 Association vice-president, Christophe Nick, who boarded the ship in Singapore on May 2, said the ship had not seen Chinese submarines during its voyage to Taiwan.

If there were submarines, he said, they were intended [as a threat] for Taiwan, not for us."
 Mr Nick said it is possible anything would be done against a boat operating legally in international waters... We're not taking the boat to Tainanmen Square."
 He said, further, with international attention focused on the ship's every move, it is very unlikely Beijing would take any action against it.
 Mr Nick said the association does not intend to use the ship to revive China's quashed democracy movement.

"We're not trying to interfere in anything," he said, "we're merely seeking to inform the Chinese public."
 Hongkong Government's recent refusal to allow the ship to enter the territory, "a violation of international law."
 "No government can refuse a boat the right to take on supplies. The only authorities which decided to break these international laws was Hongkong. It's a scandal. It's like the Rainbow Warrior, you can understand it, but you can't accept it."
 Mr Nick said the association had cancelled its invita-

tion to dissident leader and FIC vice-chairman, Mr Wu'erkaixi, to board the ship.
 Recently denied Mr Wu'erkaixi an entry visa.
 In Beijing before he set off on a Latin American trip, President Mr Yang Shangkun restated China's strong opposition to the ship, labelling its goal of broadcasting to the mainland subversive and illegal.
 "We have always been opposed to these kind of subversive activities... organised as a means of propaganda aimed at overthrowing the Chinese Government," Mr Yang said.

X B 66 034

Beijing steps up attacks

TAIPEI: The radio ship *Goddess of Democracy* docked in Keelung, Taiwan yesterday and came in for immediate criticism from China's president Yang Shangkun and the official Xinhua News Agency.

The 1,200 tonne vessel arrived to a boisterous welcome with fire-crackers, bands and flowers and began taking on supplies before starting its broadcasts to China from the high seas.

The project's organisers said they would invite Chinese dissident Yan Jiaqi, president of the Paris-based Federation for Democracy in China, on board to take part in the round-the-clock programming, scheduled to last until at least June 4, the first anniversary of the Tiananmen Square crackdown on pro-democracy students.

The Taiwan authorities barred Mr Yan from boarding the ship but he embraced Captain Dominique Perrot and other crew members as they disembarked.

"Many different people are welcome to come on board to take part in the broadcasts," said Christophe Nick, a reporter for *Actual* magazine who made the 56-day, 20,000-kilometre journey from France.

"This includes the Chinese government and Chinese dissidents," he said.

In Beijing, President Yang Shangkun strongly attacked the mission but refused to say if China would take any action against it.

"We have always been opposed to this kind of



■ *Goddess of Democracy* Captain Dominique Perrot is greeted by dissident leader Yan Jiaqi at Keelung yesterday. Picture: Associated Press

subversive activities ... organised as a means of propaganda aimed at overthrowing the Chinese government," Mr Yang said.

Asked about possible Chinese attacks on the radio ship, Mr Nick said: "Our only protection is you - public opinion. You put pressure on those authorities who would like to see us in the deep sea."

The Xinhua News Agency accused Taiwan yesterday of covertly helping the radio ship. "The Taiwan authorities that have been active in supporting the *Goddess of Democracy* in its illegal activities have to, under the pressure of international public opinion, assume some deceptive postures," the agency said.

"Chang Hsiao-yen, Taiwan's director of the Department of Overseas Affairs, lied in saying that the Taiwan authorities did not get involved.

"In fact, Taiwan is the base for the ship," the agency said.

However, Taiwanese officials reiterated their opposition to the ship's plans to broadcast into China from the high seas, and insisted that they would have nothing to do with the ship.

They have said it cannot return to Taiwan to refuel if it goes ahead with the broadcasts.

The technical coordinator of the project said yesterday a special television receiver would be hidden in the mountains of Taiwan as

part of the ship's complex communications system.

Yves Cresson said that the receiver would receive television news footage from the radio ship around the clock.

It was the only one of its kind in the world and would be capable of tracking a signal from a moving ship, he added.

"The receiver will guarantee the safety of the ship by making sure the world knows what's happening on board all the time," he said.

He said the receiver would be used to fulfill commercial obligations to two Taiwan television networks and that its location was being kept secret to prevent disclosure of the exact position of the *Goddess of Democracy*. - Agencies

P R O T E C T E D

FM PEKIN WJGR3425 12MAY89

TO EXTOTT BCM DELIVER BY 120900

DISTR PNR PNC PGP

---MEDIA INTEREST IN SINO-SOVIET SUMMIT, STUDENT DEMOS

WE ARE RECEIVING CALLS FROM CDN PRESS TV STATIONS REQUESTING
ON RECORD TAPED INTERVIEW ON SINO-SOVIET SUMMIT AND STUDENT
DEMOS.

2. WE ARE TAKING LINE THAT WE ARE WILLING TO RESPOND FACTUALLY TO
FACTUAL QUESTIONS (IE, ARE THERE STUDENT DEMOS NOW, WHAT CHINESE
PRONOUNCEMENTS ON SUMMIT ARE, ETC) BUT NOT/NOT GIVE INTERPRETATION OF
OR JUDGEMENT ON FACTS. OUR ARGUMENT IS THAT IT WOULD NOT/NOT BE
APPROPRIATE TO MAKE JUDGEMENT OR COMMENT ON VISIT BY LEADER
OR THIRD COUNTRY TO HOST COUNTRY.

3. WE WILL MAINTAIN THIS LINE UNLESS WE HEAR OTHERWISE FROM YOU.
DURING WEEKEND, YOU CAN CONTACT DHAVERNAS AT HOME (532-2672) IF YOU
HAVE COMMENTS/ADVICE ON ABOVE.

4. INCIDENTALLY, WE HAVE ASKED MFA DATE/TIME OF GORBACHEV ARRIVAL,
PRES CONF ARRANGEMENTS, PROGRAMME ELEMENTS (WHETHER HE WILL TRAVEL
OUT OF PEKIN ETC). WE HAVE BEEN TOLD IT IS QUOTE NOT/NOT CONVENIENT
UNQUOTE TO GIVE US SUCH INFO.

CCC/078 120445Z WJGR3425

B1W

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FILE 20- <i>China</i> -1-4	DOSSIER
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C O N F I D E N T I A L

FM PEKIN WJGR3416 11MAY89

TO EXTOTT (PNR)

*rec'd in BICO
 June 13, 1991*

**ACTION
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INFO HKONG TOKYO SEOUL SPORE BNGKK KLMPR DELHI ISPAD-JKRTA MANIL

BNATO GENEV PARIS LDN MOSCO WSAW PRGUE BUCST BGRAD CIDA HULL BSC

PCOOTT/IAC TT NDHQOTT/DIPOL/DIS/CIS ADM/ DE CAF

BAG SHNGI DE PEK

DISTR USS PGB PND PNC PGP INP INE CPP CPE CPD BKR ISE ISS JIS

REF O'RTTEL WJGR3395 04MAY

---A CHANGE OF ATMOSPHERE HERALDS POST-DENG ERA

SUMMARY: PARTY WAS CAUGHT OFF GUARD BY UNPRECEDENTED STUDENT PROTESTS DIRECTLY CRITICIZING CHINESE LEADERSHIP. WHILE PARTY AS A WHOLE HAS PROJECTED AN IMAGE OF VACILLATION AND WEAKNESS, GEN SEC ZHAO ZIYANGS MORE LIBERAL FACTION HAS BEEN GIVEN A BOOST. POLITICAL REFORM HAS NOW BEEN FORCED SQUARELY ON NATL AGENDA. ZHAOS MORE MODERATE APPROACH TO STUDENTS HAS BEEN SEEN TO BE MORE EFFECTIVE THAN PREMIER LI PENG'S IN CONTROLLING PROTESTS. THIS COULD INCREASE FACTIONAL TENSION IN LEADERSHIP AS MORE LIBERAL-MINDED LEADERS SEEK TO EXPLICIT NEW OPPORTUNITIES CREATED BY STUDENT UNREST. FEARS OF FURTHER UNREST, PARTICULARLY AMONGST WORKERS, MAY LIMIT GOVTS WILL TO IMPOSE AUSTERITY MEASURES ON OVERHEATED ECONOMY. STUDENTS THEMSELVES HAVE BECOME POLITICAL FORCE AND THEIR MOVEMENT HAS SUCCEEDED IN BREAKING THROUGH ACCEPTED BARRIERS OF POLITICAL

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PAGE TWO WJGR3416 CONF

DISCOURSE. POST-DENG ERA IS BEING USHERED IN, WITH MUCH UNCERTAINTY AS TO HOW LEADERSHIP WILL MANAGE GROWING ECON AND POLITICAL CHALLENGES.

2. REPORT

A NEW POLITICAL DISCOURSE: IN MERE THREE WEEKS, STUDENT PROTEST MOVEMENT HAS SUCCEEDED IN BREAKING THROUGH ACCEPTED BARRIERS OF POLITICAL DISCOURSE. MOURNING FOR HU YAOBANG PROVIDED OPPORTUNITY FOR STUDENTS TO DIRECTLY CRITICIZE ALL PARTY LEADERS INCLUDING DENG XIAOPING. POSTERS EVEN LISTED HIGH GOVT POSTS HELD BY SONS AND DAUGHTERS OF TOP LEADERS. EXTENT OF POPULAR SUPPORT FOR STUDENTS HAS FORCED LEADERSHIP TO GRANT CONCESSION AFTER CONCESSION. DEMOS THAT WERE ILLEGAL TOOK PLACE WITH ONLY TOKEN RESISTANCE FROM AUTHORITIES, IMPLICITLY ESTABLISHING STUDENTS RIGHT TO MARCH THROUGH STREETS. WHILE 27 APR MARCH WAS HELD IN ATMOSPHERE OF FEAR, 04 MAY DEMO HAD MATTER OF FACTNESS ABOUT IT THAT ILLUSTRATED HOW MUCH GOVT LIMITS HAD BEEN PUSHED BACK. LOCAL MEDIA, WHICH AT FIRST HAD BLACKED OUT ALL MENTION OF STUDENT ACTIVITIES, WAS FINALLY OBLIGED, UNDER PRESSURE FM BOTH STUDENTS AND JOURNALISTS, TO REPORT IN UNPRECEDENTED DETAIL ACTIONS AND DEMANDS OF POLITICAL PROTESTERS. FOR THE MOMENT, A NEW ATMOSPHERE HAS BEEN CREATED IN WHICH NOT/NOT ONLY STUDENTS, BUT ALSO WORKERS, ARE NOT/NOT AFRAID TO DISCUSS PUBLICLY ISSUES SUCH AS DEMOCRACY, NEPOTISM, CORRUPTION ...3

PAGE THREE WJGR3416 CONFID

AND FREEDOM OF PRESS. STUDENTS HAVE BECOME POLITICAL FORCE. THEY HAVE NOW GAINED EXPERIENCE IN PUTTING ACROSS THEIR VIEWS AND GAINING POPULAR SYMPATHY THAT MAY BE USED WITH MORE TELLING EFFECT IN FUTURE.

3. PARTY: CCP HAS BEEN SEEN TO BE UNABLE TO PREDICT OR EVEN CONTROL POTENTIALLY VOLATILE SITUATION. ONCE POWERFUL PARTY OF MAO IS NOW REACTING TO EVENTS, RATHER THAN INITIATING THEM. ITS LEADERSHIP HAS HAD TO MAKE AN ABOUT-FACE, FROM THREATENING STUDENT PROTESTERS TO AGREEING TO DIALOGUE (EVEN IF IT HAS NOT/NOT YET BEEN EXACTLY IN FORM HOPED FOR BY STUDENTS). IN RESPONSE TO FURTHER STUDENT PETITIONS, LEADERSHIP HAS NOW ANNOUNCED NEW PROCESS OF DIALOGUE WHICH WILL TAKE PLACE BETWEEN PARTY CENTRAL COTTEE AND STATE COUNCIL LEADERS AND WORKERS, PEASANTS, INTELLECTUALS, STUDENTS, TEACHERS AND NON-PARTY MEMBERS. NECESSITY OF RESPONDING TO STUDENT DEMANDS REFLECTS TACIT RECOGNITION THAT PARTY MUST DEAL WITH PHENOMENON IT HAS ALWAYS REFUSED TO ADMIT EXISTS: ALIENATION. DISSIDENT LIU BINYAN, EXPELLED FM PARTY IN 1987 AND NOW LIVING IN USA, COMMENTED LAST WEEK THAT OF FOUR FACTORS THAT ONCE GAVE CCP HIGHEST PRESTIGE OF ANY RULERS IN CHINESE HISTORY-MAOIST IDEOLOGY, CLEAN GOVT, IRON PARTY DISCIPLINE AND MILITARY POWER-ALL BUT LAST HAVE EVAPORATED.

4. LEADERSHIP: REMARKABLE ASPECT OF STUDENTS CRITICISM IS THAT NO/NO
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PAGE FOUR WJGR3416 CONFID

POLITICAL LEADER HAS BEEN SPARED, ALTHOUGH DENG XIAOPING AND PREMIER LI PENG WERE FAVOURITE TARGETS. LEADERSHIP RESPONSE, WHICH HAD BEEN RHETORICALLY HARSH AT FIRST, CHANGED MARKEDLY AFTER RETURN OF ZHAO ZIYANG FROM N KOREA VISIT (24-30 APR). IN MAJOR SPEECH 24 MAY TO ADB GOVERNORS IN PEKIN, HE STRESSED QUOTE THE REASONABLE DEMANDS FROM THE STUDENTS SHOULD BE MET THROUGH DEMOCRATIC AND LEGAL MEANS UNQUOTE. ZHAOS WORDS STRUCK A MORE MORE CONCILIATORY NOTE THAN PREVIOUS LEADERSHIP STATEMENTS AND WHEN MOST STUDENTS DECIDED THAT DAY TO RETURN TO CLASSES, ZHAOS MORE MODERATE APPROACH WAS SEEN TO BE THE MORE EFFECTIVE VOICE IN LEADERSHIP. ON 28 MAY, HE FURTHER EMPHASIZED THAT QUOTE CHINA WILL NOT/NOT ONLY PUSH FORWARD WITH ITS ECON REFORMS BUT WILL ALSO CARRY FORWARD POLITICAL RESTRUCTURING, TO ALLOW THE TWO CONCEPTS TO SUPPORT EACH OTHER UNQUOTE - A STATEMENT HE WOULD NOT/NOT HAVE BEEN ABLE TO MAKE ONE MONTH AGO. FOLLOWING INCREASED CONSERVATIVE INFLUENCE IN POLICY MAKING OVER LAST YEAR, STUDENT DEMOS THUS APPEAR TO HAVE PROVIDED ZHAOS LIBERAL FACTION WITH MUCH NEEDED OPPORTUNITY TO BOOST ITS SAGGING POLITICAL FORTUNES. THIS COULD INCREASE FACTIONAL TENSION WITHIN LEADERSHIP AS LIBERALS SEEK TO EXPLOIT NEW OPPORTUNITIES CREATED BY STUDENT DEMOS AND CONSERVATIVE FACTIONS PERCEIVED FAILURE TO DEAL WITH THEM.

5. TRENDS TO WATCH: STUDENTS HAVE NOW ESTABLISHED THEMSELVES AS

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PAGE FIVE WJGR3416 CONF

CREDIBLE POLITICAL FORCE. THEY ARE NO LONGER ISOLATED FROM SOCIETY AND THEIR MOVEMENT IS WATCHED WITH CONSIDERABLE SYMPATHY BY MOST URBAN CHINESE. IF LEADERSHIP DEMONSTRATES LACK OF GOOD FAITH IN DIALOGUE PROCESS NOW PROMISED TO STUDENTS AND OTHERS, FURTHER PUBLIC DEMOS ARE LIKELY. ALREADY JOURNALISTS HAVE PETITIONED GOVT FOR DIALOGUE ON PRESS FREEDOM. GOVT RESPONSE ON THIS ISSUE MAY BE KEY INDICATOR OF WHETHER RECENT GAINS BY PROTFSTERS ARE PERMANENT OR TEMPORARY. EVEN IF PROTESTERS DEMANDS ARE NOT/NOT FULLY MET, IT IS CLEAR THAT POLITICAL REFORM CANNOT/NOT NOW BE REMOVED FROM NATL AGENDA. PARADOXICALLY, ECON SITU MAY BE ADVERSELY AFFECTED. FEARS OF UNREST, PARTICULARLY AMONGST WORKERS, MAY LIMIT STATES WILL TO IMPOSE AUSTERITY MEASURES ON OVERHEATED ECONOMY. CUTTING WAGES, BONUSES AND FIRING OF WORKERS ARE NOW UNLIKELY.

6. IT IS STILL TOO EARLY TO PREDICT CONFIDENTLY LONG-TERM EFFECTS OF LAST THREE WEEKS EVENTS, BUT THERE HAS CERTAINLY BEEN A CHANGE IN POLITICAL ATMOSPHERE THAT PRESAGES MORE CHANGE FOR THE FUTURE. PARTY HAS BEEN SEEN AS VACILLATING AND WEAK. VARIOUS FACTIONS WILL DRAW DIFFERENT LESSONS FROM THIS SOBERING FACT AS THEY SPEK MEANS TO PREVENT RECURRENCE AND TO RESTORE PRESTIGE OF A HUMILIATED AND CONFUSED COMMUNIST PARTY.

CCC/078 110700Z WJGR3416

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FM PEKIN WJGR3422 11MAY89

TO EXTOTT PNR DELIVER BY 110900

INFO HKONG SHNGI

DISTR PGB PND PNC PGP CPP INP INE

---PRC WEEKLY NEWS SUMMARY:04-10MAY

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POLITICAL

-SECGEN ZHAO SAID QUOTE MANY DIFFICULTIES THAT HAVE CROPPED UP IN COURSE OF REFORM OF ECON SET-UP CANNOT/NOT POSSIBLY BE OVERCOME WITHOUT REFORM OF POLITICAL SET-UP BUT REFORM OF POL SET-UP MUST GO GRADUALLY UNQUOTE. BLDG OF LEGAL SYSTEM AND DEVELOPMENT OF DEMOCRACY CONSTITUTE CENTRAL TASK FOR POL REFORM, HE SAID. (CHINA DAILY 11MAY)

-IN LARGEST STUDENT DEMO SINCE 04MAY THOUSANDS OF COLLEGE STUDENTS TOOK TO THEIR BICYCLES 10MAY CALLING FOR PRESS FREEDOM AND IMMEDIATE DIALOGUE WITH GOVT AND PARTY OFFICIALS. OUTSIDE OFFICES OF RADIO AND TV STATIONS, XINHUA, PEOPLES DAILY, GUANGMING DAILY, BEIJING DAILY AND PROPOGANDA DEPT OF CCP, THEY CHANTED SLOGANS AGAINST UNOBJECTIVE REPORTING AND CALLED FOR DIALOGUE WITH GOVT. (CHINA DAILY 11MAY)

-DELEGATION OF JOURNALISTS HANDED OVER PETITION SIGNED BY OVER 1,000 COLLEAGUES TO SECRETARIAT OF ALL-CHINA JOURNALISTS ASSN. PETITION CALLED FOR TALKS WITH GOVT ON (A) SUSPENSION OF WORLD

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PAGE TWO WJGR3422 UNCLAS

ECON HERLAD. EDITOR QIN BINLI; (B) FAILURE OF OFFICIAL PRESS TO REPORT OBJECTIVELY, FAIR MINDEDLY AND COMPREHENSIVELY ON RECENT STUDENT STRIKES; AND (C) REFORM OF NEWS REPORTING SYSTEM.

PETITION BORE SIGNATURES OF JOURNALISTS FROM OVER 30 NEWS ORGANS INCLUDING PEOPLES DAILY AND XINHUA. (XINHUA 09MAY)

-SPOKESMAN FOR CCP CENTRAL CTTEE TOLD STUDENTS WHO HAD EARLIER SUBMITTED PETITION DEMANDING DIALOGUE THAT PARTY AND GOVT OFFICIALS WILL HAVE BROAD CONTACTS AND DIALOGUES WITH WORKERS, PEASANTS, INTELLECTUALS, STUDENTS, TEACHERS AND PEOPLE WITH NON-PARTY AFFILIATION. ON 06MAY STUDENTS FROM 24 PEKIN COLLEGES AND UNIVS HANDED IN PETITION CALLING FOR QUOTE SINCERE, CONSTRUCTIVE AND OPEN DIALOGUES ON ISSUES INCLUDING CURRENT STUDENTS PATRIOTIC MOVEMENT FOR DEMOCRACY, FURTHERING POLITICAL AND ECONOMIC RESTRUCTURING AND PROMOTING DEMOCRACY AND LEGISLATION UNQUOTE. (XINHUA 08MAY)

-ZHAO ZIYANG, SPEAKING TO GOVERNORS OF ADB IN PEKIN SAID THAT RECENT STUDENT DEMOS DO NOT/NOT INDICATE POL INSTABILITY AND DEMOSTRATORS IN NO/NO WAY OPPOSE FUNDAMENTAL COMMUNIST SYSTEM OF CHINA. THEY SIMPLY WANT TO HELP CORRECT ERRORS IN WORK OF PARTY AND GOVT, HE SAID. ZHAO ADDED THAT REASONABLE DEMANDS OF STUDENTS SHOUDL BE MET BY REFORMS AND EQUALLY REASONABLE DEMOCRATIC AND LEGAL MEASURES. BUT AT MOMENT, HE SAID, COUNTRYS MOST IMPORTANT

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PAGE THREE WJG43422 UNCLAS

NEEDS ARE CALM, REASON, RESTRAINT AND ORDER. (XINHUA 05MAY)

-CHINA HAS REOPENED TIBET TO FOREIGN TOUR GROUPS ENTERING FROM CHENGDU. (REUTERS 09MAY)

TAIWAN

-QIU QING, VICE GOVERNOR OF PEOPLES BANK OF CHINA EXPRESSED WELCOME AND GLADNESS FOR ATTENDANCE AT 22ND ANNUAL MTG OF ASIA DEVELOPMENT BANK OF SHIRLEY KUO, AND QUOTE TAIPEI CHINA UNQUOTE DELEGATION. QIU SAID THAT WHEN SHE CALLED ON KUO, THEY TALKED ABOUT THEIR EXPERIENCES, ATTITUDES TOWARDS STUDY AND PRACTICAL WORK AND OBVIOUS WEATHER DIFFERENCES BETWEEN PEKIN AND TAIPEI. SHE ADDED THAT IT IS NORMAL FOR COMPATRIOTS TO MEET EACH OTHER. (XINHUA 05MAY) REPORT TO FOLLOW.

-CHENG XIYUN, VICE CHAIRMAN OF CPPCC, SAID CHINA WELCOMES TAIWAN INVESTMENT. QUOTE IT ENJOYS PREFERENTIAL TREATMENT UNQUOTE. (XINHUA 08MAY).

ECONOMY

-CHINAS INDUSTRIAL OUTPUT VALUE REACHED YUAN 1136.6 BILLION IN APR, 13.7 PERCENT MORE THAN APR88. THOUGH ENERGY PRODUCTION IS UP 7.5 PERCENT AND BASIC MATERIALS PRODUCTION HAS ALSO INCREASED, ENERGY AND BASIC MATERIALS PRODUCTION CANNOT/NOT KEEP PACE WITH GROWTH OF COUNTRYS INDUSTRIAL PRODUCTION AS A WHOLE ACCORDING TO STATE STATISTICS BUREAU. (XINHUA 08MAY)

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PAGE FOUR WJGR3422 UNCLAS

NORTH CHINA EXPECTS GOOD WHEAT HARVEST THIS YEAR BUT IN HENAN AND SHANDONG, CHINAS LEADING WHEAT PRODUCERS, PESTS ARE REPORTED TO BE SERIOUS. (PEOPLES DAILY 08MAY)

-OFFICIAL UNEMPLOYMENT RATE WILL RISE FROM 2 PERCENT LAST YEAR TO 3.5 PERCENT THIS YEAR. (XINHUA 08MAY)

FOREIGN AFFAIRS

-IRANIAN PRESIDENT KHAMENEYI ON SIX-DAY OFFICIAL VISIT TO CHINA MET CHINESE LEADERS (EXCLUDING DENG) AND STRESSED THAT IRAN AND CHINA (IRANS 6TH LARGEST TRADING PARTNER) SHOULD FURTHER DEVELOP ECON, TRADE, TECHNOLOGICAL AND CULTURAL RELNS. PRES YANG SHANGKUN SAID CHINA WOULD CONTINUE TO PROMOTE RECONCILIATION BETWEEN IRAN AND IRAQ AND URGED BOTH COUNTRIES TO ADOPT MORE FLEXIBLE ATTITUDES TO FULLY CARRY OUT UN RESLN 598. (XINHUA 09MAY)

-NEW USA AMB JAMES LILLEY HAS TAKEN UP OFFICE IN PEKIN. (XINHUA 08MAY)

-NPC CHAIRMAN WAN LI MET WITH CDN AMB DRAKE BEFORE HIS CDN VISIT (12-21MAY). (XINHUA 09MAY)

UUU/078 110630Z WJGR3422



9 May 1989

Distribution: MINA/A-10 (original + 10 copies)
MINP/A-10 (1)
USS/A-8 (1)
DMC/A-8 (1)
DMT/A-8 (1)
BMD/A-6 (1)
BMM/C-5 (1)
BFD/C-2 (1)

HOUSE OF COMMONS BOOK — BRIEFING NOTE

LIVRE DE LA CHAMBRE DES COMMUNES — NOTES D'INFORMATION

Section
North Asia Relations

Subject/Highlights / Sujet/Points saillants

Student Demonstrations in China (touched-off by the death of Political Bureau Member Hu Yaobang)

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Source
Telegrams from our Embassy in Beijing, and press reports

Assessment / Évaluation

Classification

CONFIDENTIAL

Following the death on April 15 of Political Bureau Member Hu Yaobang, Secretary General of the Chinese Communist Party (CCP) until 1987, there have been repeated demonstrations by large numbers of Chinese university students in support of further political liberalization. (Hu Yaobang was unseated as Secretary General of the CCP in 1987 in large measure due to the perception of more conservative party leaders that the economic reforms launched by Deng Xiaoping had caused a degree of instability in Chinese society.) The students, who have organized in massive demonstrations over the past three weeks, have taken advantage of official fears of a repeat of the violent suppression of unsanctioned mourning for Zhou Enlai in 1975. The authorities have met with some student leaders, but have not agreed to recognize the new student organizations which have been formed. The students have also been warned not to continue with demonstrations, but there has been surprising restraint to date on the part of senior Party leaders in their management of the situation. It is however, by no means certain that the authorities patience will last if the demonstrations continue.

Suggested Reply / Réponse suggérée

- We are not aware of any Canadians who have been endangered by the recent unrest in China.
- We are well aware of the continued demonstrations in China in the wake of the death of Political Bureau Member Hu Yaobang, and continue to receive detailed reports from our Embassy in Beijing.
- The authorities, to date, have shown moderation in their response to the public demonstrations to date.

Prepared by / Préparé par
GORDON HOULDEN

Division / Direction
PNR

Date
09 MAY 89

Tel. no. / N° de tél.
996-0980 00045

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**ACTION
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FM PEKIN WJGR3392 04MAY89
TO EXTOTT (PNR DELIVER BY 040900
INFO HKONG SHNGI

DISTR PGB PND PNC PGP CPP INP INE

---PRC WEEKLY NEWS SUMMARY:27APR-03MAY

POLITICAL

-THE QUOTE COLLEGE STUDENTS FEDERATION,UNITY STUDENTS ASSOCIATION AND STUDENTS AUTONOMOUS ASSOCIATION UNQUOTE HAVE BEEN DECLARED ILLEGAL BY THE BEIJING MUNICIPAL STUDENTS FEDERATION.26APR BEIJING DAILY.

-STATE COUNCIL SPOKESMAN YUAN MU SAID THE GOVT WAS READY TO HOLD TALKS WITH STUDENTS AT ANY TIME...BUT STUDENTS SHOULD CREATE A SUITABLE ATMOSPHERE FOR SUCH A DIALOGUE AND ALL TALKS MUST BE CONDUCTED THROUGH APPROPRIATE CHANNELS.HE ADDED THAT THE STATE COUNCIL HAS ENTRUSTED THE ALL-CHINA AND BEIJING MUNICIPAL STUDENTS FEDERATIONS TO FORWARD THE STUDENTS DEMANDS AND SPONSOR TALKS WITH THE APPROPRIATE AUTHORITIES IN GOOD TIME.27APR XINHUA.

-DOZENS OF COLLEGE STUDENTS SUBMITTED COPIES OF A PETITION TO THE STANDING CTTEE OF THE NATL PEOPLES CONGRESS,THE STATE COUNCIL AND THE CENTRAL CTTEE OF THE CHINESE COMMUNIST PARTY.02MAY XINHUA.

-STATE REJECTS STUDENTS LIST OF DEMANDS.SEE OURTEL WJGR3390 03MAY. 04MAY CHINA DAILY.

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~~PEOPLES DAILY~~ EDITORIAL: WORKERS URGED TO DO A GOOD JOB OF REFORM AS ~~MASTERS~~ OF THE NATION. THERE IS A GROWING GAP BETWEEN WORKERS AND THOSE ENGAGED IN THE CIRCULATION OF COMMODITIES; WORKERS WAGES WILL IMPROVE AS THEIR PRODUCTIVITY IMPROVES; WITHIN THE WORKING CLASS THERE IS NEED TO IMPROVE MUTUAL UNDERSTANDING BETWEEN THOSE ENGAGED IN MANUAL LABOUR AND THOSE IN MENTAL WORK. 01MAY PEOPLES DAILY.

FOREIGN POLICY

-QIU QING, CHINAS ALTERNATE GOVERNOR TO THE ASIAN DEVELOPMENT BANK, PAID COURTESY CALL ON SHIRLEY KUO, TAIBEI CHINAS GOVERNOR TO THE BANK. AT A LATER PRESS CONF, MISS KUO REPORTED THE TWO DISCUSSED THE WEATHER AND BEIJINGS BEAUTY. 02MAY XINHUA.

-CHINA AND VIETNAMS VICE FOREIGN MINISTERS WILL HOLD A SECOND ROUND OF CONSULTATIONS ON THE KAMPUCHEAN ISSUE 08-10MAY. 27APR XINHUA.

-PRINCE SIHANOUK SAYS THAT THE GENERAL ELECTIONS ANNOUNCED BY HUN SEN ARE ILLEGAL AND ABSOLUTELY UNACCEPTABLE. 28APR XINHUA.

ECONOMIC

-THE STATE COUNCIL HAS APPROVED PROVISIONAL REGULATIONS ALLOWING FOREIGN BUSINESS ORGANIZATIONS AND BUSINESSMEN TO ESTABLISH CHAMBERS OF COMMERCE WHICH ARE NON-PROFITMAKING AND NON-BUSINESS BODIES. 28APR XINHUA.

-THERE HAS BEEN A FALLING OFF OF CONSUMPTION IN GUANGZHOU SINCE THE BEGINNING OF THE YEAR. THE VOLUME OF RETAIL TRADE DROPPED 4.6 PERCENT FROM THE FIRST PARTER OF 1988. 26APR XINHUA.

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PAGE THREE WJGR3392 UNCLAS

-THE ASIAN DEVELOPMENT BANK WILL LEND CHINA USA DLRS 39.7 MILLION FOR A RAILWAY PROJECT IN SHANXI PROVINCE. THIS WILL STRENGTHEN CHINAS CAPACITY TO TRANSPORT COAL. 02MAY XINHUA.

MISCELLANEOUS

-ABOUT 90 PERCENT OF CHINAS LARGE AND MEDIUM-SIZED COASTAL CITIES, THEIR NEIGHBOURING SEA AREAS, PARKS AND RIVER MOUTHS ARE SUFFERING FROM SERIOUS POLLUTION. 27APR PEOPLES DAILY.

-ONE IN EVERY 20 CHINESE HAS A DISABILITY. MOST OF THE 55 MILLION DISABLED ARE DEAF MUTES, MENTALLY RETARDED OR HAVE DISABLED LIMBS. 29APR XINHUA.

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FM PEKIN WJGR3395 04MAY89

TO EXTOTT PNR DELIVER BY 040900

INFO HKONG TOKYO SEOUL SPORE BNGKK KLMPR DELHI ISBAD JKRTA MANIL

BNATO GENEV PARIS LDN MOSCO WSAW PRGUE BUCST BGRAD PCOOTT/IAC

CIDAHULL BSC TT NDHQOTT/DIPOL/CIS ADM/ DE CAP

BAG SHNGI DE PEK

DISTR USS PGB PND PNC PGP INP INE CPP CPE CPD

REF OURTEL WJGR3390 04MAY

---04MAY DEMO-SMALLER THAN LAST WEEK

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ONCE AGAIN THOUSANDS OF STUDENTS ARE FILLING TIANANMEN SQUARE. NUMBERS OF ORGANIZED DEMONSTRATORS ARE SIGNIFICANTLY FEWER THAN A WEEK AGO BUT WITH MANY SYMPATHETIC ONLOOKERS, TOTAL CROWD IS CLOSE TO 100,000. THOUGH SQUARE WAS CORDONED OFF BY POLICE EARLIER THIS MORNING AS DELEGATES TO ASIAN DEVELOPMENT BANK MET IN ADJACENT GREAT HALL OF PEOPLE, POLICE HAVE NOW GIVEN SQUARE OVER TO CROWD. SEVERAL TIMES STUDENTS PUSHED THEIR WAY THROUGH POLICE LINES BUT THERE HAS BEEN NO/NO VIOLENCE. ONLY NEW ELEMENT WAS REPORT OF 300 JOURNALISTS FROM PEOPLES DAILY AND OTHER GOVT CONTROLLED NEWSPAPERS, WHO JOINED DEMO.

2. LEADERSHIPS STRATEGY OF QUOTE BENDING BEFORE THE WIND UNQUOTE APPEARS TO BE WORKING. JUDGING BY TODAY'S DEMO SO FAR, IT IS UNLIKELY THAT STUDENTS CAN KEEP UP PROTEST MOMENTUM.

CCC/078 040815Z WJGR3395



Accession/Référence

File/Dossier

20-China-1-4

MESSAGE

Align first character of Security Classification under this arrow
Alignez le premier caractère de la Sécurité sous cette flèche

SECURITY / SÉCURITÉ: P R O T E C T E D 4 MAY 89 22 43z 10

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TO/À: TO PEKIN DELBY050900

INFO: DISTR PGB PND PGP PNC BMM IMH

DISTR: REF YOURTEL WJGR3776 01MAY89

SUBJ/SUJ: ---PRESS CONF:STUDENT DEMOS

MEDIA COVERAGE IN CDA HAS FOCUSED ON SCOPE OF STUDENT DEMOS AND THEIR DEMANDS FOR DEMOCRACY ETC. AUTHORITIES' RESPONSE HAS BEEN REPORTED FACTUALLY WITH LITTLE OR NO COMMENT. SITUATION PORTRAYED HAS APPEARED MILD IN COMPARISON WITH STUDENT DEMOS IN SKOREA, FOR EXAMPLE. BMM HAS RECD NO ENQUIRIES ON CDN REACTION TO DEMOS.
2. AGREE FULLY WITH RESPONSIVE LINE SET OUT IN REFTEL. GRATEFUL FOR BRIEF REPORT ON ANY DIFFICULT QUESTIONS WHICH MAY BE POSED.
3. FYI, HAVE JUST LEARNED THAT APPROX 20 PRC STUDENTS STAGED BRIEF DEMO ON PARL HILL BEFORE PROCEEDING TO PRC EMB. EMB STAFF HAVE INFORMED US STUDENTS WERE INVITED IN FOR A DIALOGUE. STUDENTS SAID THEY WISHED TO SHOW SUPPORT FOR THEIR COLLEAGUES IN CHINA. EMB IN RETURN EMPHASIZED NEED FOR STABILITY IF REFORMS ARE TO CONTINUE.

DRAFTER/RÉDACTEUR	DIVISION/DIRECTION	TELEPHONE	APPROVED/APPROUVÉ
BRUCE JUTZI SIG <i>B. Jutzi</i>	PNR/995-8663		HOWARD BALLOCH SIG <i>H. Balloch</i> 000050

ACTION
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RETURN TO
RINVOYER AU

BICO

NON FILING
POUR - ETRE
PORTE AU DOSSIER

ACC 601691 REF DATE 890517
FILE 20 China-14 DOSSIER

C O N F I D E N T I A L

FM PEKIN WJGR3390 03MAY89

TO EXTOTT (PNR DELIVER BY 030900

INFC HKONG TOKYO SEOUL SPORE BNGKK KLMPR DELHI ISBAD JKRTA MANIL

BNATO GENEV PARIS LDN MOSCO WSAW PRGUE BUCST BGRAD PCOOTT/IAC

CIDAHULL BSC TT NDHQOTT/DIPOL/CIS ADM/ DE CAF

BAG SHNGI DE PEK

DISTR USS PGB PND PNC PGP INP INE CPP CPE CPD BKR ISE ISS JIS

REF CURTEL WJGR3372 28APR

---LEADERSHIP REFUSES COMPROMISE WITH STUDENTS; LARGE DEMO PLANNED
FOR 04MAY

SUMMARY: PEKIN IS BRACING ITSELF FOR ANOTHER LARGE DEMO ON 04MAY AS GOVT HAS REJECTED LATEST DEMAND BY STUDENTS TO OPEN DIALOGUE WITH THEIR UNOFFICIAL UNION. GOVT SPOKESMAN HAS IMPLIED THAT QUOTE SMALL GROUP WITH ULTERIOR MOTIVES UNQUOTE, INCLUDING DISSIDENT FANG LIZHI AND ONE CHINESE CDN, IS MANIPULATING STUDENTS. GOVT HAS GOVT ON PUBLIC RELATIONS OFFENSIVE, TELEVISIONING DIALOGUES WITH ITS OWN HAND-PICKED GROUP OF STUDENT REPRESENTATIVES, BUT THESE HAVE BEEN DENOUNCED BY INDEPENDENT STUDENTS REPS. CHINESE LEADERSHIP WILL LIKELY REMAIN UNITED IN NON-PROVOCATIVE BUT TOUGH STANCE AGAINST DEMANDS FOR DIALOGUE WITH INDEPENDENT STUDENT UNION, HOPING THAT STUDENTS FERVOUR WILL DISSIPATE AFTER 04MAY.

2. REPORT: LATEST DEVELOPMENT IN STANDOFF BETWEEN CHINESE GOVT AND

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PAGE TWO WJGR3390 CONF

STUDENT PROTESTERS IS GOVTS REJECTION OF SET OF DEMANDS LAID DOWN BY INDEPENDENT STUDENTS UNION FOR DIALOGUE. ON 02 MAY, 60 STUDENT LEADERS REPRESENTING INDEPENDENT STUDENT UNIONS ON 30 UNIVS AND CAMPUSES IN PEKIN DELIVERED SET OF 12 DEMANDS TO OFFICES OF NATL PEOPLES CONGRESS STANDING CTTEE, POLITBURO STANDING CTTEE AND STATE COUNCIL. DEMANDS INCLUDED THOSE PUBLICISED IN RECENT WEEKS (EG, REASSESSMENT OF HU YAOBANG, REPUDIATION OF 1987 ANTI-BOURGEOIS LIBERALIZATION CAMPAIGN, TRUTHFUL REPORTING IN PRESS, PUBLISHING DETAILS OF LEADERS BANK ACCOUNTS, MORE MONFY FOR EDUCATION) BUT ALSO CONTAINED ULTIMATUM TO GOVT THAT IT AGREE TO OPEN DIALOGUE WITH STUDENTS REPRESENTING INDEPENDENT PROVISIONAL STUDENTS UNION OF PEKIN UNIVS. IF THE GOVT FAILED TO AGREE TO THIS, STUDENT LEADERS SAID THEY WOULD ORGANIZE FURTHER LARGE-SCALE DFMS ON 04 MAY.

3. GOVT REPLY CAME IN FORM OF TELEVISED NEWS CONF A FEW HOURS AGO AT WHICH STATE COUNCIL SPOKESMAN YUAN MU REJECTED STUDENTS DEMANDS. HE SAID GOVT WILL DEAL WITH STUDENTS THROUGH RECOGNIZED STUDENT UNIONS USING NORMAL CHANNELS. HE SAID STUDENTS MUST RETURN TO CLASSES TO ASSURE NECESSARY ATMOSPHERE OF STABILITY FOR TALKS TO BE HELD.

4. YUAN ALSO ACCUSED SMALL GROUP OF PEOPLE WITH ULTERIOR MOTIVES OF MANIPULATING STUDENTS. WHEN FOREIGN JOURNALIST ASKED HIM WHETHER HE INCLUDED FANG LIZHI IN THIS GROUP, HE REPLIED THAT FANG HAD

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PAGE THREE WJGR3390 CONF

SUGGESTED THAT QUOTE EFFORTS SHOULD BE MADE TO DISSOLVE CHINA UNQUOTE. HE ASKED JOURNALISTS TO QUOTE JUDGE WHAT ROLE HE MUST BE PLAYING UNQUOTE. HE FURTHERMORE ALLUDED TO ACTIVITIES OF NYORK-BASED CHINESE DEMOCRATIC LEAGUE AND A CERTAIN QUOTE CHINESE CANADIAN UNQUOTE (WE BELIEVE YUAN IS REFERRING TO (HUANG) HAN WHO WAS DETAINED BY AUTHORITIES IN SHNGI IN JAN89 AND FORCED TO LEAVE CHINA (SEE OURTEL WJGR3009 09JAN).

5. LATEST PRESS CONF WAS ONE OF SERIES OF HIGH-PROFILE TELEVISED EVENTS SPONSORED BY GOVT IN LAST FEW DAYS. MASSIVE STUDENT DEMO ON 27 APR AND EVIDENT POPULAR SUPPORT FOR THEIR DEMANDS (SEE REFTEL), HAS FORCED CHINESE LEADERSHIP INTO A PUBLIC RELATIONS OFFENSIVE TO DEMONSTRATE THAT POPULAR CONCERNS ARE BEING TAKEN SERIOUSLY AND THAT STUDENTS ARE BEING TREATED FAIRLY. ON 29 APR, YUAN MU, STATE COUNCIL SPOKESMAN, AND HE DANGCHANG, VICE MINISTER OF EDUCATION, HELD FACE-TO-FACE TALKS WITH 45 STUDENTS, INCLUDING REPS FROM TWO OFFICIALLY RECOGNIZED UNIONS AS WELL AS SOME WHO WERE INVOLVED IN ILLEGAL UNION. LATTER GROUP WAS COMPOSED SOLELY OF REPS CONSIDERED ACCEPTABLE TO GOVT. SESSION WAS TELEVISED AND INCLUDED SOME SHARP EXCHANGES BUT THERE WERE NO/NO CONCRETE RESULTS. GOVT SIDE TOOK OPPORTUNITY TO ANNOUNCE THAT SUMMER RETREAT TO BEIDAIHF FOR SENIOR OFFICIALS WOULD NOT/NOT TAKE PLACE THIS YEAR (A FACT WE HAD KNOWN FOR SOME WEEKS) AND THAT A BAN WOULD BE IMPOSED ON IMPORT OF LUXURY CARS FOR OFFICIAL USE.

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PAGE FOUR WJGR3390 CONFID

6. AT A MTG WITH 29 STUDENTS FOLLOWING DAY, PEKIN MAYOR, CHEN XITONG, AND PARTY SECRETARY, LI XIMING, DISCLOSED THEIR MODEST PERSONAL INCOMES (BUT NOT THEIR BANK BALANCES) AT REQUEST OF STUDENTS AND INVITED STUDENTS TO JOIN GOVT IN INVESTIGATIONS OF COMPANY ACTIVITIES AND OFFICIAL PROFITERRING. HOWEVER STUDENTS COMPLAINED THAT NO/NO SENIOR LEADERS HAD ATTENDED TALKS AND OBTAINED NO/NO SATISFACTION ON HAVING THEIR INDEPENDENT UNION RECOGNIZED. MAIN GOVT LINE WAS THAT GENERAL DEMAND OF STUDENTS WERE ALSO THOSE OF PARTY BUT THAT FOR AIMS TO BE REALIZED, STUDENTS SHOULD RETURN TO THEIR CLASSES AND ASSURE AN ATMOSPHERE OF STABILITY.

7. STUDENTS ARE OPERATING THROUGH A PROVISIONAL STUDENTS UNION OF PEKIN UNIVS, AN UMBRELLA ORGANIZATION INCORPORATING REPS FROM OVER 30 COLLEGES AND UNIVS. IT HAS BEEN BRANDED ILLEGAL BY GOVT. REPS HAVE BEEN ELECTED OR SELECTED BY ACTIVIST GROUPS ON CAMPUSES. OF THEIR LEADERSHIP, A FEW NAMES ARE KNOWN BUT THERE IS NO/NO ORVIOUS OVERALL LEADER.

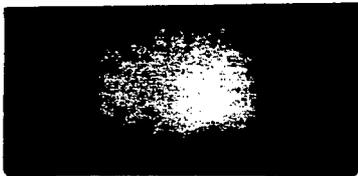
8. GOVT LEADERS HAVE SO FAR NOT/NOT YIFLDED TO STUDENT DEMANDS BUT NEITHER HAVE THEY SOLVED PROBLEM OF CONTINUING STUDENT STRIKES AND DEMOS. (STUDENTS IN TIANJIN ARE ALSO REPORTEDLY BOYCOTTING CLASSES AND LAST NIGHT A DEMO OF ABOUT 8,000 STUDENTS IN SHNGI PRESENTED PETITIONS TO LOCAL PARTY AND GOVT OFFICIALS.) ZHAO ZIYANG, WHO WAS

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PAGE FIVE WJGR3390 CONF

BEEN AWAY ON OFFICIAL VISIT TO N KOREA FOR MOST OF LAST WEEK, HAS NOW RETURNED TO PEKIN BUT HE HAS NOT/NOT MADE ANY OFFICIAL STATEMENTS. SO FAR, THERE IS NO/NO INDICATION OF HOW STUDENT CHALLENGE TO LEADERSHIP'S AUTHORITY MIGHT AFFECT ITS MEMBERSHIP. OUR BEST GUESS IS THAT LEADERSHIP WILL REMAIN UNITED AND WILL AVOID PROVOCATION OF STUDENTS. THEY WILL NOT/NOT CONCEDE TO ANY OF STUDENTS DEMANDS, HOPING THAT THEIR DEMOCRATIC FERVOUR WILL GRADUALLY DISSIPATE ITSELF. IN SHORT TERM, HOWEVER, PEKIN LOOKS SET TO BE SCENE OF ANOTHER BIG DEMO TOMORROW.

CCC/078 030830Z WJGR3390



P R O T E C T E D

**ACTION
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FM PEKIN WJGR3377 01MAY89

TO EXTOTT *PNR*

INFO HKONG TOKYO SEOUL SPORE PNGKK KLMPR DELHI ISBAD JKRTA MANIL
PCECD BNATO GENEV PARIS LDN WSHDC MOSCO WSAW PRGUE BUCST BGRAD
PCOOTT/IAC CIDAHULL ESC TT NDHQOTT/DIPOL/ DE CAF

BAG SHNGI DE PEK

DISTR PGB PND PNC PGP INP INE CPP CPE CPD EEF

REF OURTEL WJGR3311 17APR

---SHNGI WORLD ECONOMIC HERALD MUZZLED

ACC 732840	DATE
REFRE 20 - China - 1-4	DOSSIER
LOC A3-	

WE HAVE HAD CONFIRMATION THAT SHNGI PARTY AUTHORITIES HAVE SACKED CHIEF EDITOR QIN BENLI AND REPLACED HIM BY CITY PROPAGANDA OFFICIAL LIU JIE. IN CHINESE COMMUNIST NEWSPEAK, THIS WAS TERMED AS QUOTE RESTRUCTURING UNQUOTE. QUOTE SACKING UNQUOTE OF EDITOR OF AN ORGAN WHICH WAS NOT/NOT A CREATURE OF GOVT OR PARTY APPARATUS (ONLY A LINK TO SHNGI ACADEMY OF SCIENCE) IS IRONIC REMINDER OF OMNIPOTENCE OF COMMUNIST PARTY AND ITS INTERPRETATION OF QUOTE SOCIALIST LEGALITY UNQUOTE.

2. IMMEDIATE CAUSE FOR MEASURE WAS TENTATIVE INCLUSION IN PREVIOUS EDITION OF SIX PAGES ON HU YAOBANG, INCLUDING SOME BY PRE-EMINENT INTELLECTUALS REQUESTING OFFICIAL VERDICT ON HU TO BE REVERSED (IF, HIS REHABILITATION, IE, THE IMPLICIT ADMISSION BY CURRENT LEADERSHIP THAT IT HAD ERRED). MORE GENERAL CAUSE WAS GROWING

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PAGE TWO WJGR3377. PROTECTED

IMPATIENCE ON PART OF CCP LEADERSHIP FOR SEEDS OF FREEDOM OF EXPRESSION IMPERSONATED BY CHINAS BOLDEST AND MOST RESPECTED NEWSPAPER.

3. FREEDOM OF PRESS, AND CALL FOR MEDIA TO QUOTE SAY THE TRUTH UNQUOTE WERE, AS REPORTED IN OUR PREVIOUS TELS, ONE OF MAJOR LEITMOTIV OF LAST WEEKS STUDENT DEMOS. MEASURE TAKEN AGAINST WEB AND OTHERS REPORTED IN FOREIGN PRESS AND DESIGNED TO INTIMIDATE ACADEMICS AND INTELLECTUALS, ARE PROOF, IF ONE IS NEEDED, THAT DENG AND CURRENT LEADERSHIP ARE IN NO/NO MOOD TO ALLOW ANY FORM OF PLURALISM OR DISSENT. IF STUDENTS ARE TO PLANT SOME QUOTE GLASNOST UNQUOTE IN UNFERTILE CHINESE SOIL, THEY WILL HAVE DIFFICULT ROAD AHEAD. OR, TO AGAIN QUOTE TAIWANESE MEDIA REP WHO COVERED NPC, DEMOCRACY IS NOT/NOT GIVEN, IT HAS TO BE FOUGHT FOR (REFTEL). WHETHER QUOTE RESTRUCTURED UNQUOTE HERALD WILL BE ABLE TO PURSUE THE FIGHT IS NOW VERY MUCH OPEN TO QUESTION. TITLE OF NEWSPAPER IN LATEST EDITION RECEIVED TODAY IS IN BLACK RATHER THAN USUAL RED.

CCC/078 010730Z WJGR3377

2 May 1989

Distribution: MINA/A-10 (original + 10 copies)
 MINT MINP/A-10 (1) PNC
 DMC USS/A-8 (1) PGP
 DMT FPR/C-5 (1)
 BFD SCS/C-2 (1) IMU
 CPP BMD BMM IMH
 PGB PND INP

HOUSE OF COMMONS BOOK - BRIEFING NOTE
 LIVRE DE LA CHAMBRE DES COMMUNES - NOTES D'INFORMATION

RETURN TO BICO POUR - ETRE
 RENVOYER AU PORTE AU DOSSIER

ACC	REF	DATE
FILE	20-China-1-4	

Classification	NORTH ASIA RELATIONS
Section	CONFIDENTIAL

Subject/Highlights / Sujet/Points saillants

Student Demonstrations in China (touched-off by the April 15, 1989 death of Political Bureau Member Hu Yaobang)

Source

Telegrams from our Embassy in Beijing, and press reports

Assessment / Évaluation

Following the death on April 15 of Political Bureau Member Hu Yaobang, Secretary General of the Chinese Communist Party (CCP) until 1987, there have been repeated demonstrations by large numbers of Chinese university students in support of further political liberalization. (Hu Yaobang was unseated as Secretary General of the CCP in 1987 in large measure due to the perception of more conservative party leaders that the economic reforms launched by Deng Xiaoping had caused a degree of instability in Chinese society.) The students, who have demonstrated in massive demonstrations over the past two weeks, have taken advantage of official fears of a repeat of the violent suppression of unsanctioned mourning for Zhou Enlai in 1975. The authorities have met with some student leaders, but have also warned the students not to demonstrate on May 4, an important anniversary of pre-revolution student activism. A strike by university students has been in effect at many Chinese universities since April 24. It is by no means certain that the authorities' patience will last if the demonstrations continue.

Suggested Reply / Réponse suggérée

- We are not aware of any Canadians who have been endangered by the recent unrest in China.
- We are well aware of the continued demonstrations in China in the wake of the death of Political Bureau Member Hu Yaobang, and continue to receive detailed reports from our Embassy in Beijing.
- The authorities, to date, have shown moderation in their response to the continued public demonstrations to date.

Responsive Only - should the Chinese authorities violently repress the student demonstrators.

- Canada is concerned over the question of human rights in China, and is hopeful that further violence can be avoided.

Prepared by / Préparé par GORDON HOULDEN	Division / Direction PNR	Date 02 MAY 89	Tel. no. / N° de tél. 996-09600058
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C O N F I D E N T I A L

ACTION
SUITE A DONNER

28.4.89
AA JM
CHORE
B1W

FM PEKIN WJGR3372 28APR89

TO EXTOTT PNR DELIVER BY 280900

INFO HKONG TOKYO SEOUL SPORE BNGKK KLMPR DELHI ISBAD JKRTA MANIL

BNATO GENEV PARIS LDN MOSCO WSAW PRGUE BUCST BGRAD PCOOTT/IAC

CIDAHULL BSC TT NDHQOTT/DIPOL/CIS ADM/ DE CAF

BAG SHNGI DE PEK

DISTR MINA USS PGB PND PNC PGP INP INE CPP CPE CPD BKR ISE ISS JIS

REF OURTEL WJGR3367 27APR

---MASSIVE STUDENT DEMO IN PEKIN SUCCEEDS

SUMMARY: CLOSE TO 100,000 STUDENTS MARCHED THROUGHOUT PEKIN FOR 14 HOURS ON 27APR, CHEERED BY HUNDREDS OF THOUSANDS OF ONLOOKERS AND UNMOLESTED BY MASSIVE POLICE AND ARMY WHO HAD BEEN INSTRUCTED TO STOP THEM. THIS MARKS IMPRESSIVE ACHIEVEMENT COMING DAY AFTER TOUGHEST ARTICLE TO HAVE APPEARED IN PEOPLES DAILY SINCE CULTURAL REVOLUTION ON LEADERSHIPS DETERMINATION TO UPHOLD STRICT COMPLIANCE TO LAW AND ORDER. SHEER NUMBERS AND OBVIOUS SUPPORT OF BYSTANDERS WHO CHEERED AND CLAPPED MARCHERS OVERWHELMED SECURITY APPARATUS. STUDENTS WERE EXTREMELY WELL ORGANIZED. MOOD WAS CHARACTERIZED BY CHEERFULNESS AND QUIET DETERMINATION TO PRESS FUNDAMENTAL DEMANDS (FREE PRESS AND ACCURATE REPORTING, COMPLIANCE WITH CONSTITUTION, ERADICATION OF CORRUPTION, REEVALUATION OF HU YAOBANG, ETC). STUDENTS WERE CAREFUL TO AVOID MANIPULATION. BANNERS EXPRESSED

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MONITOR
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PAGE TWO WJGR3372 CONF

SUPPORT FOR COMMUNIST PARTY, CHANTING OF QUOTE LONG LIVE THE PEOPLE UNQUOTE AND SINGING OF INTERNATIONALE PUNCTUATED EXHAUSTING MARCH. LEADERSHIP IN EVENING BROADCAST SAID IT WAS WILLING TO INITIATE DIALOGUE WITH STUDENTS, BUT THROUGH OFFICIAL CHANNELS. TEST WILL COME IN DAYS LEADING UP TO 04MAY ANNIVERSARY. EMBARRASSED LEADERSHIP WILL TRY HARD TO MANIPULATE AND SPLIT STUDENT GROUPS AND AVOID REPETITION OF WHAT IS LIKELY TO BE REMEMBERED AS IMPORTANT EVENT IN MODERN CHINESE HISTORY. STUDENTS WILL BE HARD PRESSED TO SUSTAIN MOMENTUM. KEY IS POPULAR SUPPORT. THERE IS NO/NO SIGN OF MASS RALLYING OF WORKERS, WHO LIKE WHAT IS HAPPENING, BUT APPEAR TO REMAIN ON SIDELINES.

2. REPORT: STUDENT DEMO WHICH TOOK PLACE IN PEKIN 27APR MARKS AN IMPORTANT VICTORY FOR STUDENTS IN THEIR FIGHT TO GAIN RECOGNITION FROM CHINESE LEADERSHIP THAT WOULD LEAD TO DIRECT NEGOTIATIONS. DESPITE ONE OF MOST THREATENING EDITORIALS TO HAVE APPEARED IN PEOPLES DAILY SINCE CULTURAL REVOLUTION AND DIRE WARNINGS AGAINST ILLEGAL DEMONSTRATIONS AT MASS MTGS OF PARTY SECRETARIES THE PREVIOUS DAY (SEE REFTEL), CLOSE TO 100,000 STUDENTS MARCHED FOR 14 HOURS THROUGH STREETS OF PEKIN IN BRAZEN DEFIANCE OF CHINAS LEADERS. SEVERAL TIMES STUDENTS BROKE THROUGH POLICE LINES BY SHEER WEIGHT OF NUMBERS BUT THERE WAS NO/NO VIOLENCE. STUDENTS ORGANIZATION WAS OF HIGHEST ORDER, AVOIDING CONFLICT AND

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PAGE THREE WJGR3372 CONFD

DISALLOWING SLOGANS DIRECTED AGAINST POLITICAL PERSONALITIES OR CCP ITSELF. SLOGANS INSTEAD CALLED FOR A CLEAN AND HONEST CCP, SCIENCE, DEMOCRACY, FREEDOM, HUMAN RIGHTS AND RULE BY LAW. OTHER SLOGANS ENUMERATED FREEDOMS GUARANTEED IN CHINESE CONSTITUTION. STILL OTHERS SAID THAT THOSE WHO LOSE THE PEOPLES HEARTS WILL LOSE THEIR MANDATE (SHI MIN XIN ZHE, SHI TIAN XIA). BANNERS ALSO READ QUOTE WE ARE NOT/NOT AFRAID TO DIE UNQUOTE.

3. HUNDRED OF THOUSANDS OF ORDINARY BEIJINGERS TURNED OUT TO WATCH. THEY CLAPPED AND CHEERED AS THEY SAW SLOGANS THEY APPROVED OF AND GAVE FOOD AND DRINK TO MARCHERS. THOUSANDS OF POLICE WERE DEPLOYED, BUT THEY WERE FOR MOST PART UNARMED AND UNDER STRICT ORDERS NOT/NOT TO CAUSE ANY VIOLENCE.

4. AT ONE POINT, AFTER STUDENTS COLUMN HAD PASSED, WE WITNESSED 16 TRUCKS FULL OF POLICE SUDDENLY SURROUNDED BY CROWD OF 2,000 SPECTATORS, MADE UP OF GOOD CROSS-SECTION OF BEIJINGERS. FOR HALF AN HOUR THEY PREVENTED TRUCKS FROM MOVING. CROWD SHOUTED QUOTE GO HOME, GO HOME UNQUOTE AS SOME JUMPED UP ON HOODS OF VEHICLES TO DELIVER IMPROMPTU SPEECHES. POLICE COWERED IN TRUCKS, TIMIDLY TALKING TO SOME OF CROWD UNTIL FINALLY THEY WERE ALLOWED TO PROCEED.

5. LATE IN DAY, STATE COUNCIL SPOKESMAN AGREED TO DIRECT DIALOGUE WITH STUDENTS QUOTE AT ANY TIME UNQUOTE BUT STATED GOVTS CONDITIONS. THEY MUST BE CONDUCTED THROUGH APPROPRIATE CHANNELS AND

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PAGE FOUR WJGR3372 CONF

STUDENTS MUST QUOTE GO BACK TO THEIR UNIVERSITIES AT ONCE UNQUOTE AND QUOTE ADOPT A CALM AND REASONABLE UNQUOTE ATTITUDE.

UNIDENTIFIED SPOKESMAN ADDED THAT STATE COUNCIL HAD ENTRUSTED TWO QUOTE OFFICIAL UNQUOTE STUDENTS UNIONS TO FORWARD STUDENTS DEMANDS AND SPONSOR TALKS WITH APPROPRIATE AUTHORITIES.

6. SIGNIFICANCE OF GOVT REPLY IS THAT IT HAS RECOGNIZED NECESSITY TO BE SEEN TO ENTER DIALOGUE WITH STUDENTS—A RECOGNITION OF WIDE SUPPORT FOR MANY OF THEIR DEMANDS. HOWEVER, STUDENTS ARE HIGHLY UNLIKELY TO ACCEPT GOVTS PRESENT OFFER. THEY ARE NOW FOCUSING ON THREE SPECIFIC DEMANDS:

(1) MTG WITH SENIOR LEADERS;

(2) APOLOGY FROM MINISTER OF SECURITY WANG FANG, FOR POLICE BEATINGS OF STUDENTS ON NIGHT OF 19-20 APR; AND

(3) APOLOGY FROM XINHUA FOR INACCURATE REPORTING (WHICH, NOT/NOT SURPRISINGLY, HAS BEEN PRESENTING A ONE-SIDED VIEW OF LAST TWO WEEKS EVENTS).

UNTIL GOVT BEGINS GENUINE DIALOGUE, WE EXPECT STUDENT STRIKES AND DEMOS TO CONTINUE, PARTICULARLY ON 04 MAY, 70TH ANNIVERSARY OF IMPORTANT STUDENT DEMO IN 1919 THAT CALLED FOR DEMOCRACY AND SCIENCE IN CHINESE PUBLIC LIFE.

7. OFFICIAL INTRANSIGENCE TO DATE IS REFLECTED IN REMARKS OF STATE COUNCIL SPOKESMAN, YUAN MU, WHO SPOKE WITH JPNS EMB YESTERDAY. AMB

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PAGE FIVE WJGR3372 CONF

ASKED HIM WHY LI PENG WOULD NOT/NOT SPEAK WITH STUDENTS WHEN PRECEDENT FOR DOING SO HAD BEEN SET BY PREMIER ZHOU ENLAI. YUAN MU REPLIED THAT QUOTE YES, THAT WAS THE CULTURAL REVOLUTION. THINGS ARE DIFFERENT NOW UNQUOTE.

8. IN GENERAL TERMS, STUDENTS ARE ANGRY BECAUSE POL REFORM HAS BEEN PUT ON HOLD AND THEY ARE PARTICULARLY INCENSED AT WAY IN WHICH OFFICIALS HAVE TAKEN ADVANTAGE OF ECON REFORM TO LINE THEIR OWN POCKETS AND PROVIDE SINECURES FOR THEIR OFFSPRING. HOWEVER, THEY HOLD ENTIRE LEADERSHIP RESPONSIBLE AND CANNOT/NOT POINT TO ALTERNATIVE LEADERS WHO WOULD HOLD THEIR ALLEGIANCE.

8. IT IS AN IRONY THAT THIS WEEKS PROTESTS ARE A RESULT OF MANY SUCCESSES OF DENG'S POLICIES. REAL INCOME IN CHINA HAS DOUBLED IN LAST TEN YEARS, BUT THIS HAS LED TO GREATER ASPIRATIONS. CHINA'S OPENING UP HAS AIRED OUT THE INTELLECTUAL CUPBOARD AND LED PEOPLE TO COMPARE CHINA MORE REALISTICALLY WITH REST OF THE WORLD. POL REFORM IN USSR HAS BEEN FOLLOWED WITH GREAT INTEREST AND FOR SOME STUDENT LEADERS WE SPOKE TO, GORBACHEV IS MUCH ADMIRER. ONE SENSES FROM CONVERSATIONS THAT DENG AND HIS LEADERSHIP GROUP REPRESENT AN ERA GONE BY.

9. FOR IMMEDIATE FUTURE, THERE ARE MANY QUESTIONS THAT REMAIN TO BE ANSWERED. FOR HOW LONG CAN STUDENTS SUCCEED IN MAINTAINING STRIKE MOVEMENT? WILL THEIR ORGANIZATION, WHICH HAS PROVED TO BE HIGHLY

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PAGE ~~FIVE~~ ^{SIX} WJGR3372 CONF D

EFFECTIVE IN MOUNTING MASS DEMOS, BE ABLE TO MAINTAIN EFFECTIVE LEADERSHIP OVER NEXT WEEKS? CAN STUDENTS INCREASE THEIR SUPPORT IN OTHER SECTORS OF SOCIETY? (THERE APPEARS TO BE BROAD SYMPATHY FOR THEM IN BEIJING BUT THIS HAS NOT/NOT BEEN TRANSLATED INTO SOLID SUPPORT.) ON GOVT SIDE, TIME MAY BE ON THEIR SIDE IF STUDENT MOVEMENT BEGINS TO LOSE ITS STEAM. EFFORTS TO DIVIDE STUDENTS MAY SUCCEED ALTHOUGH THERE IS NO/NO EVIDENCE OF SUCCESS SO FAR. IF STUDENT SOLIDARITY IS MAINTAINED UNTIL MID-MAY, CAN GOVT AFFORD TO LET GORBACHEV WITNESS MASSIVE PROTESTS?

10. NONE OF ABOVE QUESTIONS CAN BE ANSWERED WITH ANY CERTAINTY. IN FOLLOWING DAYS WE WILL ATTEMPT TO ASCERTAIN RELATIVE STRENGTHS OF GOVT AND STUDENT POSITIONS. IN MEANTIME, HOWEVER, STUDENTS HAVE DEMONSTRATED THAT IN CHINA, AS ELSEWHERE, QUOTE PEOPLE POWER UNQUOTE CAN BE AN EFFECTIVE POLITICAL TOOL.

CCC/078 290930Z WJGR3372

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**ACTION
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UNCLASSIFIED

FM PEKIN WJGR3363 27APR89
TO EXTOTT PNR DELIVER BY 270900
INFO HKONG SHNGI
DISTR PGB PND PNC PGP CPP INP INE
---PRC WEEKLY NEWS SUMMARY:20-26APR

ACC	DATE
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POLITICAL

-MAJOR NEWSPAPERS(INCLUDING GUANGMING DAILY,ECONOMIC REFERENCE NEWS,YOUNG PEOPLES DAILY)CARRIED 26APR PEOPLES DAILY EDITORIAL ON PAGE ONE.ON 25APR,XINHUA GAVE ADVANCE NOTICE THAT EDITORIAL WOULD URGE PEOPLE TO TAKE FIRM STAND AGAINST PUBLIC DISTURBANCES (SEE OURTEL WJGR3358 26APR).

-RIOTERS ATTACKED THE SHAANXI PROVINCIAL GOVT COMPOUND BURNING 10 VEHICLES AND 20 HOUSES,AND INJURING 130 ARMED POLICE AND PUBLIC SECURITY PERSONNEL ON DUTY.THE DISTURBANCE BROKE OUT SOON AFTER THE TELEVISED MEMORIAL MTG FOR HU YAOBANG WAS OVER.22APR XINHUA.

-SOME PEOPLE GATHERED AT XINHUAMEN AND TRIED TO BRING INTO ZHANGNANHAI COMMUNIST PARTY HQ.20APR YOUTH DAILY.

-POLICE IN CHANGSHA,HUNAN PROVINCE,CAUGHT 98 LOOTERS RED-HANDED DURING A RIOT ON 22APR.IN THE LATE EVENING ON 22APR,RIOTERS LOOTED 28 SHOPS AND SHOPPING ARCADES NEAR THE CHANGSHA RAIL STATION.OF THOSE CAUGHT,32 ARE WORKERS,26 ARE PEASANTS WHO CAME TO WORK IN THE CITY,6 ARE SELF-EMPLOYED,28 ARE JOBLESS.

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PAGE TWO #JGR3363 UNCLAS

AND 6 ARE STUDENTS.25APR PEOPLES DAILY.

-MILLIONAIRE XU JIZHU OF SHANDONG HAS BEEN ACCEPTED AS A PROBATIONARY COMMUNIST PARTY MEMBER.19APR XINHUA.

-TWO OF THE MOTIONS SUBMITTED BY NPC DEPUTIES CALL FOR THE ESTABLISHMENT OF A CTTEE OF THE NATL PEOPLES CONGRESS TO IMPROVE SUPERVISION OF THE IMPLEMENTATION OF THE CONSTITUTION.ANOTHER MOTION ARGUES THAT IF THE EXISTING CONSTITUTION IS NOT/NOT REVISED,IT WILL BE HARD TO ISSUE LAWS AND REGULATIONS TO MEET NEW DEVELOPMENTS.THESE NEW DEVELOPMENTS INCLUDE THE THEORY ON THE INITIAL STAGE OF SOCIALISM,AND THE SOCIALIST MARKET ECONOMY. 24APR XINHUA.

-A TOTAL OF 6.6 MILLION LETTERS HAVE BEEN MAILED BETWEEN THE MAINLAND AND TAIWAN SINCE SUCH AN EXCHANGE BECAME POSSIBLE ONE YEAR AGO.20APR XINHUA.

ECONOMIC

-LI PENG SAID CHINA HAS TO CARRY OUT PRICE REFORM,THOUGH IN MODERATE STEPS TO ENSURE THE TRANSITION FROM A HIGHLY CENTRALIZED PLANNED ECONOMY TO A PLANNED MARKET-ORIENTED ECONOMY.LI SAID PRICE REFORM CANNOT/NOT GO TOO QUICKLY EVEN WHEN THE ECONOMY DEVELOPS FAST.25APR XINHUA.

-THE ASIAN DEVELOPMENT BANK WILL MAKE A FOURTH LOAN TO CHINA FOR USA DLRS 400 MILLION.CHINA JOINED THE BANK IN 1986.25APR

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PAGE THREE WJGR3363 UNCLAS

XINHUA.

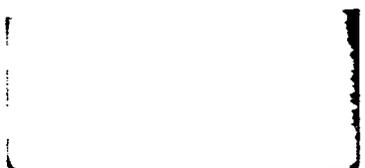
-PRICE HIKES IN PEKIN HAVE SLOWED FROM 28.9 PERCENT IN JAN TO 26.8 PERCENT IN MAR.THE AVERAGE PRICE FOR THE FIRST QUARTER IS 28.4 PERCENT.24APR XINHUA.

-CHINESE FARMERS PER CAPITA INCOME IN 1988 WAS YUAN 545,YUAN 82 MORE THAN 1987.WITH THE FACTOR OF THE PRICE RISE DEDUCTED, FARMERS INCOMES ROSE 6.3 PERCENT.19APR XINHUA.

MISCELLANEOUS

-PUBLISHING HOUSES ARE TO BE REORGANIZED TO COMBAT THE ILLEGAL SALE OF BOOK LICENCES.AS AN EXAMPLE,CHINA BRAILLE PUBLISHING HOUSE SOLD LICENCES TO ILLEGAL PUBLISHERS WHO USED THEM TO PRODUCE PORNOGRAPHIC BOOKS.19APR XINHUA.

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FM PEKIN WJGR3358 26APR89

TO EXTOTT PNR DELIVER BY 260900

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DISTR MINA USS PGB PND PNC PGP INP INE CPP CPE CPD BKR ISE ISS
REF OURTEL WJGR3343 24APR

---SIGNS OF A CRACKDOWN AS STUDENT STRIKE CONTINUES

FIRST PUBLIC SIGN THAT CHINESE LEADERSHIP MAY BE PREPARING
CRACKDOWN ON STUDENT UNREST CAME IN PEOPLES DAILY FRONT PAGE
EDITORIAL WHICH WAS ALSO READ OVER STATE-RUN RADIO AND TV LAST
NIGHT. URGING PEOPLE TO TAKE A FIRM STAND AGAINST PUBLIC
DISTURBANCES, EDITORIAL STRESSES IT IS IMPERMISSIBLE TO FORM
ILLEGAL ORGANIZATIONS, HOLD ILLEGAL DEMONSTRATIONS OR VISIT
FACTORIES, THE COUNTRYSIDE OR SCHOOLS TO INSTIGATE PEOPLE TO
PROTEST AGAINST GOVT. EDITORIAL ACCUSES SMALL CLIQUE OF INDIVIDUALS
WHO FABRICATED RUMOURS AGAINST PARTY AND STATE LEADERS AND INVITED
PEOPLE TO ATTEMPT TO FORCE ENTRY INTO COMMUNIST PARTY HQ AND
SHOUTED REACTIONARY SLOGANS LIKE QUOTE DOWN WITH COMMUNIST PARTY
UNQUOTE (NOTE: WE HAVE NOT/NOT HEARD ANY REPORT THAT SUCH A SLOGAN
HAS BEEN USED). EDITORIAL CONTINUES THAT SMALL GROUP WITH ULTERIOR

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RETURN TO RENOYER AU	BICO	FOR FILING POUR - ETRÉ PORTE AU DOSSIER
ACC 643276	REF	DATE
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PAGE TWO WJGR3358 CONF

MOTIVES HAS FORMED ILLEGAL ORGANIZATIONS AND INVITED STUDENTS AND TEACHERS TO STRIKE. QUOTE THEIR PURPOSE IS TO POISON PEOPLES MINDS, CREATE NATIONAL TURMOIL AND SABOTAGE THE NATIONS POLITICAL STABILITY UNQUOTE. EDITORIAL SAYS STUDENTS SINCERE DEMANDS FOR ELIMINATION OF CORRUPTION AND PROMOTION OF DEMOCRACY ARE ALSO DEMANDS OF CPP AND GOVT. BUT ONLY UNDER LEADERSHIP OF PARTY CAN THESE DEMANDS BE SATISFIED, ACCORDING TO EDITORIAL. FINALLY, WHOLE PARTY AND NATION SHOULD RECOGNIZE GRAVITY OF CURRENT SITUATION AND UNITE IN FIRM STAND AGAINST PUBLIC DISTURBANCES TO PROTECT CHINAS STABILITY.

2. TONE AND IMPORTANCE GIVEN TO EDITORIAL CAN BE READ AS SIGN OF LEADERSHIPS READINESS TO CRACK DOWN ON STUDENTS. THERE ARE OTHER INDICATIONS. WHILE MASSIVE BUT PEACEFUL DEMO IN TIANANMEN ON 22 APR SUFFERED TOTAL PRESS BLACKOUT, VIOLENCE RESULTING FROM SIMILAR BUT SMALLER DEMOS IN XIAN AND CHANGSHA HAS BEEN PLAYED UP BY NEWSPAPERS AND TV. BETWEEN 10,000-20,000 TROOPS ARE REPORTED BY WESTERN NEWS AGENCIES TO HAVE BEN MOVED TO PEKIN AREA. TWO NEWSPAPERS HAVE HAD EDITIONS CANCELLED. FIRST ONE WAS WORLD ECONOMIC HERALD, WHICH LAST WEEK RAN 6 PAGES OF SPEECHES BY PROMINENT INTELLECTUALS AND MEMBERS OF HU YAOBANGS FAMILY DELIVERED AT MEMORIAL CONF AFTER HUS DEATH. TONE OF SOME OF SPEECHES WAS HIGHLY CRITICAL OF LEADERSHIP. ON 23 APR SCIENCE AND TECH DAILY WAS PREVENTED FROM PUBLISHING FULL ACCOUNT OF 22 APR DEMO AT TIANANMEN. EDITORS ARE REPORTEDLY UNDER

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PAGE THREE WJGR3358 CONFD

SEVERE PRESSURE TO HOLD JOURNALISTS IN REIN.

3. DESPITE THESE SIGNS, STUDENTS PROTESTS HAVE GAINED MOMENTUM.

STRIKES AT PEKINS UNIVS ARE REPORTED TO BE 90 PERCENT EFFECTIVE.

ILLEGAL DEMOS INVOLVING THOUSANDS OF STUDENTS CONTINUE TO TAKE PLACE AT UNIVS, IN TIANANMEN SQUARE AND ELSEWHERE. POSTERS OUTLINING STUDENT DEMANDS AND DESCRIPTIONS OF PREVIOUS WEEKS DEMOS HAVE BEEN POSTED UP IN A NUMBER OF DIFFERENT PARTS OF PEKIN OUTSIDE OF UNIVS THEMSELVES.

4. INDIVIDUAL UNIV STRIKE CTTEES HAVE BEEN SET UP BUT SO FAR THERE APPEARS TO BE NO/NO EFFECTIVE COORDINATING BODY AND PEKIN UNIV HAS ALREADY REPLACED ITS ORIGINAL CTTEE WITH A NEW 5-PERSON CTTEE. THIS MAY BE STUDENTS WEAK POINT. THERE APPEAR TO BE TWO TENDENCIES AMONGST STUDENTS: THOSE WHO SUPPORT MORE RADICAL ACTION, INCLUDING MORE DEMOS, AND TAKING STUDENTS MESSAGE DIRECTLY INTO FACTORIES AND COUNTRYSIDE; AND THOSE WHO ARE TRYING TO WORK ON SERIES OF DEMANDS THAT COULD BE USED AS BASIS FOR NEGOTIATION WITH GOVT. IT IS UNCLEAR WHETHER STUDENTS WILL BE ABLE TO ORGANIZE EFFECTIVELY FOR THE LONG TERM.

5. THERE IS ALSO NO AGREED UPON LIST OF DEMANDS, ALTHOUGH THERE IS WIDE SUPPORT FOR MOST OF THEM. TRICK FOR STUDENTS WILL BE TO LIMIT THEIR DEMANDS TO THOSE THAT HAVE SOME CHANCE OF BEING ACCEPTED. ONE OF THOSE FOR INSTANCE IS AN APOLOGY FROM GOVT FOR HAVING USED

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PAGE FOUR WJGR3358 CONF D

VIOLENCE AGAINST STUDENTS WHOSE DEMOS OUTSIDE CCP HQ ON 19-20 APR WAS ESSENTIALLY PEACEFUL. MANY STUDENTS WERE INJURED AND RUMOURS AMONGST STUDENTS SUGGEST THAT ONE STUDENT MAY HAVE BEEN KILLED. THIS HAS TRULY INCENSED MANY STUDENTS. OTHER DEMANDS CENTER ON FAILURE OF OFFICIAL MEDIA TO REPORT ON STUDENTS DEMOS AND REFUSAL OF GOVT TO EVEN DISCUSS RANGE OF STUDENT DEMANDS. POSTERS AT PEKIN UNIV RUN FROM PERSONAL ATTACKS ON ALL OF CHINAS LEADERS TO DEMANDS FOR CONSTITUTIONAL FREEDOMS AND RULE BY LAW. CORRUPTION AND FAILURE TO PUSH FORWARD WITH POL REFORM ARE MAJOR THEMES.

6. MANY JOURNALISTS ARE ALSO REBELLING. ONE INFORMANT HAS TOLD US THAT AT PEOPLES DAILY AND CHINA DAILY, ARTICLES THAT WERE REJECTED BY EDITORS HAVE BEEN POSTED AROUND PREMISES OF NEWSPAPERS AND THAT MANY JOURNALISTS ARE REFUSING TO WRITE ARTICLES CRITICAL OF STUDENTS.

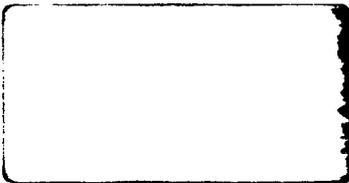
7. IN PEKIN, THERE APPEARS TO BE A DEGREE OF TACIT SUPPORT FOR STUDENTS (IN VARIOUS PARTS OF CITY, STUDENTS HAVE BEEN SUCCESSFUL IN COLLECTING MONEY TO FINANCE THEIR ACTIVITIES, INCLUDING PROPOSED INDEPENDENT NEWSPAPER). IT IS REMARKABLE THAT SUCH WIDESPREAD ILLEGAL ACTIVITIES HAVE BEEN ALLOWED TO CONTINUE EVEN AFTER HU YAOBANG FUNERAL. PEOPLES DAILY EDITORIAL, IT SHOULD BE NOTED, STOPS SHORT OF THREATENING GOVT ACTION, DESPITE ITS SEVERE TONE. THIS IS REFLECTION OF LEADERSHIP HAVING LOST LARGE MEASURE OF ITS MORAL

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PAGE FIVE WJGR3358 CONFD

AUTHORITY, EVEN IF IT HAS POWER TO INTERVENE QUICKLY. GOVT APPEARS UNCERTAIN AS TO WHAT TO DO SINCE IT IS AFRAID OF FURTHER ERODING ITS OWN AUTHORITY BY ANY MASSIVE DISPLAY OF POWER AGAINST STUDENTS. IF STRIKES AND DEMOS CONTINUE, HOWEVER, MORE WIDESPREAD SUPPORT FOR STUDENT DEMANDS COULD DEVELOP AND THIS WOULD AGAIN PUT SEVERE PRESSURE ON LEADERSHIP TO TAKE STUDENTS DEMANDS SERIOUSLY. SITUATION IS STILL FLUID AS STUDENTS ORGANIZE AND GOVT PONDS DILEMA IN WHICH IT FINDS ITSELF.

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BAG SHNGI DE PEK

DISTR MINA USS PGB PND PNC PGP INP INE CPP CPE CPD BKR

REF OURTEL WJGR3335 21APR

---DEMONSTRATIONS IN CHINA:PRELIMINARY ANALYSIS

MAIN EVENTS OVER WEEKEND:FIFTH STRAIGHT DAY OF ILLEGAL DEMOS IN
PEKIN CULMINATED ON NIGHT OF 21-22APR IN LARGEST PUBLIC

MANIFESTATION SINCE END OF CULTURAL REVOLUTION.OVER 100,000 PEOPLE
CROWDED TIANANMEN SQUARE.STUDENTS WERE DETERMINED TO BEAT 0800H

DEADLINE ANNOUNCED BY CITY AUTHORITIES AFTER WHICH SQUARE WOULD BE
CLOSED.AT AROUND MIDNIGHT,TENS OF THOUSANDS OF STUDENTS SNAKED

THEIR WAY IN ORDERLY FILES OF 5-10 PEOPLE INTO THE SQUARE AFTER A
4-HOUR MARCH FROM UNIV DISTRICT.STUDENT ORGANIZATION WAS

IMPECCABLE AND THERE WERE NO/NO INCIDENTS.BY DAYBREAK,STUDENTS
WERE ABLE TO NEGOTIATE WITH AUTHORITIES IN CHARGE OF HU YAOBANG

STATE FUNERAL BEING HELD IN ADJACENT NATL PEOPLES CONGRESS BLDG TO
ALLOW STUDENTS TO REMAIN IN SQUARE AND TO LISTEN TO FUNERAL OVER PA

SYSTEM.WHEN CHINAS TOP 4,000 LEADERS ARRIVED FOR FUNERAL IN THEIR

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MERCEDES AT 1000H MOUNTED STEPS TO GREAT HALL OF PEOPLE, THEY WERE ABLE TO LOOK BACK OVER 2,000 POLICE TO A CROWD OF 100,000 WAVING THEIR FISTS AND SHOUTING POLITICAL SLOGANS. LATER IN DAY, CROWD DISPERSED PEACEFULLY.

2. OFFICIAL FUNERAL LASTED LESS THAN AN HOUR. IT WAS PRESIDED OVER BY PRES YANG SHANGKUN. PARTY SEC GEN ZHAO DELIVERED EULOGY THAT PRAISED HU AS A PROLETARIAN HERO WHO HAD PERFORMED IMMORTAL DEEDS, CITING IN PARTICULAR HIS CONTRIBUTIONS TO PARTY AND YOUTH ORGANIZATIONS. ZHAO MENTIONED THAT THANKS TO HU, HUNDREDS OF THOUSANDS OF SO-CALLED RIGHTISTS HAD BEEN REHABILITATED AFTER THE CULTURAL REVOLUTION. NO MENTION WAS MADE OF HIS FALL FROM POWER IN 1987.

3. WHILE THERE WERE NO/NO INCIDENTS IN PEKIN, XINHUA REPORTED ACTS OF VIOLENCE IN XIAN AND CHANGSHA, PROV CAPITALS OF SHAANXI AND HUNAN. IN XIAN, FOLLOWING STATE FUNERAL CEREMONY, RIOTERS STORMED PROVINCIAL GOVT BLDGS, SET 20 HOUSES AND 10 VEHICLES ON FIRE AND INJURED 130 POLICE. A TOURIST BUS OF OVERSEAS CHINESE WAS ALSO ATTACKED WITH STONES. THOUSANDS OF STUDENTS AND OTHER DEMONSTRATORS HAD GATHERED IN XINCHENG SQUARE AND HAD BEEN SHOUTING ANTI-GOVT SLOGANS. IN CHANGSHA, LAW BREAKERS LOOTED 28 SHOPS. XINHUA NEWS AGENCY HAS BEEN CAREFUL TO POINT OUT, HOWEVER, THAT VIOLENCE WAS NOT/NOT CAUSED BY STUDENTS AND ATTRIBUTES IT TO QUOTE LAWLESS ELEMENTS UNQUOTE.

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PAGE THREE WJGR3343 CONF

4.THERE ARE REPORTS OF DEMONSTRATIONS IN OTHER CITIES(SHNGI, TIANJIN,CHENGDU)BUT NO/NO OTHER VIOLENCE HAS BEEN REPORTED.

5.ANALYSIS:IT IS STILL TOO EARLY TO ASSESS LONG TERM EFFECT OF EVENTS IN LAST WEEK WITH ANY CERTAINTY.BUT WE WILL ATTEMPT TO PUT THEM IN PERSPECTIVE.DEMONSTRATIONS HAVE BEEN EXCLUSIVELY LED BY STUDENTS.THEY ARE NOW BEING SUPPORTED BY INTELLECTUALS WHO HAVE CIRCULATED LETTERS BACKING DEMANDS OF STUDENTS.THESE INCLUDE FREEDOM OF SPEECH,OF PRESS AND OF ASSEMBLY,RULE BY LAW,POLITICAL REFORM AND REHABILITATION OF THOSE AFFECTED BY ANTI-BOURGEOIS LIBERALIZATION AND SPIRITUAL POLLUTION CAMPAIGN.PARTICIPATION BY PEOPLE FROM OTHER WALKS OF LIFE IS INSIGNIFICANT,HOWEVER,AND THIS WILL CERTAINLY LIMIT POLITICAL IMPACT OF LAST WEEK EVENTS.

6.ON OTHER HAND,LEADERSHIP HAS FOUND ITSELF POWERLESS TO DO ANYTHING TO PREVENT DEMONSTRATIONS.DESPITE FACT THAT DEMONSTRATIONS WERE ILLEGAL,GOVT WAS ANXIOUS TO AVOID CREATING MARTYRS.GIVEN EMOTIONAL AND SPONTANEOUS NATURE OF DEMOS,THIS WOULD HAVE PROVOKED REACTION THAT WOULD HAVE BEEN DIFFICULT TO CONTROL.STUDENTS,TOO HAVE BEEN CONCERNED NOT/NOT TO PROVOKE GOVT WITH VIOLENCE AND WERE OUTRAGED THAT OFFICIAL PRESS ATTRIBUTED VIOLENT ACTS TO THEM ON 19APR DURING WHAT WAS ESSENTIALLY PEACEFUL DEMO.

7.THERE IS NO/NO INDICATION OF HOW LEADERSHIP INTENDS TO PROCEED. EULOGY PRAISING HU YAOBANG TO THE SKIES WAS PRONOUNCED BY

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PAGE FOUR WJGR3343 CONFD

LEADERSHIP THAT HAD COLLECTIVELY OUSTED HIM ONLY TWO YEARS AGO. PRESENCE OF TENS OF THOUSANDS IN SQUARE OUTSIDE REINFORCED POINT THAT LEADERSHIP FINDS ITSELF IN DIFFICULT AND EMBARRASSING POSITION --BEING FORCED BY NUMBERS OF PEOPLE TO PRAISE THE MAN THEY KICKED OUT. THUS GREATEST VICTIM OVER LAST WEEK IS PRESTIGE OF LEADERSHIP. AS ONE COMMENTATOR PUT IT, QUOTE CHINESE LEADERS NEED TO RESTORE BOTH AUTHORITY AND CREDIBILITY, BUT THESE HAVE BECOME CONTRADICTORY GOALS UNQUOTE.

8. STUDENTS ARE NOW ORGANIZING SEPARATE PROTEST ORGANIZATIONS AND COLLECTING DUES. 04MAY, WHICH IS 70TH ANNIVERSARY OF PROTESTS THAT BROUGHT INTELLECTUALS TO FOREFRONT OF CHINA'S NATIONALIST MOVEMENT, HAS BEEN DECLARED BY STUDENTS AS DAY FOR ACTION. FOR FIRST TIME SINCE 1949, STUDENT STRIKES AT MOST OF PEKING UNIVS HAVE BEEN DECLARED. FOR NEXT TWO WEEKS GOVT AND STUDENTS WILL BE TESTING EACH OTHERS STRENGTHS. STUDENTS HAVE SO FAR SHOWN BOTH REMARKABLE ORGANIZATION AND RESTRAINT. THEY MAY THEREFORE SUCCEED IN MOUNTING ANOTHER IMPRESSIVE DISPLAY OF STRENGTH THAT THIS TIME COULD WRING A FEW CONCESSIONS TOWARDS POLITICAL REFORM. HOWEVER THIS IS SPECULATION AND IT WILL BE SOME DAYS BEFORE WE CAN GIVE A FULLER ASSESSMENT OF THE SITUATION.

CCC/115 240800Z WJGR3343



20 April 89

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HOUSE OF COMMONS BOOK — BRIEFING NOTE
LIVRE DE LA CHAMBRE DES COMMUNES — NOTES D'INFORMATION

Section
NORTH ASIA RELATIONS

Subject/Highlights / Sujet/Points saillants

Student Demonstrations in China (related to the death of Political Bureau Member Hu Yaobang)

Source

Telegrams from our Embassy in Beijing, and press reports

Assessment / Évaluation

Classification

CONFIDENTIAL

Following the death earlier this month of Political Bureau Member Hu Yaobang, Secretary General of the Chinese Communist Party (CCP) until 1987, there have been repeated demonstrations by large numbers of Chinese university students in support of further political liberalization of the People's Republic of China. Hu Yaobang was unseated as Secretary General of the CCP in 1987 in large measure due to the perception of more conservative party leaders that the economic reforms launched by Deng Xiaoping had caused a degree of instability in Chinese society. Hu was sacrificed by Deng to appease the Party conservatives, but he retained his relative popularity with the intellectuals and students. The students who have demonstrated in groups of almost ten thousand over the past week have taken advantage of official fears of a repeat of the violent suppression of unsanctioned mourning for Zhou Enlai in 1975. The demonstrators have attempted at some points to enter the headquarters of the CCP, and have been repeatedly dispersed, but with a minimum of force. It is by no means certain that the authorities' patience will last much longer if the demonstrations continue.

Suggested Reply / Réponse suggérée

- We are aware of the continued demonstrations in China in the wake of the death of Political Bureau Member Hu Yaobang, and have received detailed reports from our Embassy in Beijing.
- The authorities have shown moderation in their response to the continued public demonstrations to date.

Responsive Only - should the Chinese authorities employ a more heavy-handed repression of the demonstrators

- Canada is concerned over the question of human rights in China, and is hopeful that further violence can be avoided.

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Prepared by / Préparé par GORDON HOULDEN	Division / Direction PNR	Date APR 20/89	Tel. no. / N° de tél. 996-0980 000077
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**ACTION
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P R O T E C T E D

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TO EXTOTT PNR DELIVER BY 210900

INFO HKONG TOKYO SEOUL MOSCO BNATO CNBRA LDN PARIS WSHDC

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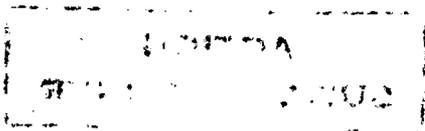
---PEKIN BRACES ITSELF FOR HU YAOBANG FUNERAL TOMORROW

IN FACE OF CONTINUING STUDENT DEMOS, AUTHORITIES IN PEKIN ARE TAKING ALL PRECAUTIONS TO ENSURE THAT STATE FUNERAL TOMORROW WILL NOT/NOT BE MARRED BY VIOLENCE.

2. AGAIN LAST NIGHT, DESPITE POURING RAIN, A CROWD OF ABOUT 500 STUDENTS AND AS MANY ONLOOKERS CROWDED AROUND POSTERS AND LISTENED TO SPEECHES FOR MORE THAN FIVE HOURS IN TIANANMEN SQUARE. AROUND 2115H DEMONSTRATORS MOVED OFF TO ZHONGNANHAI PARTY HQ BUT PAUSED ONLY BRIEFLY BEFORE PASSING ON. THERE IS AN UNCONFIRMED REPORT OF A SIMILAR DEMO IN EARLY HOURS OF THIS MORNING. TIANANMEN SQUARE IS FULL OF PEOPLE THIS AFTERNOON. A RELIABLE SOURCE HAS TOLD US THAT STUDENTS AT PEKIN UNIV ARE BOYCOTTING CLASSES TODAY AND ARE SETTING UP INDEPENDENT STUDENT UNION.

3. OFFICIAL PRESS, WHICH INITIALLY IGNORED PROVOCATIVE ACTIONS OF STUDENTS, HAS NOW REPORTED ATTACKS ON CCP HQ. AT SAME TIME,

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HOWEVER, NEWSPAPERS AND TV HAVE ISSUED STERN WARNING AGAINST TROUBLEMAKERS. LAST NIGHT, TV ANNOUNCER WARNED QUOTE A HANDFUL OF PEOPLE ARE USING EXCUSE OF MOURNING HU YAOBANG TO DELIBERATELY STRIKE AT THE PARTY AND GOVT. THEIR GOAL IS TO OVERTHROW THE GOVT AND PARTY AND THEIR ULTIMATE AIM IS A CHINA DOMINATED BY CHAOS. ONLY THEN WILL THEY BE HAPPY UNQUOTE. OFFICIAL PEKIN GOVT NOTICES HAVE APPEARED IN NEWSPAPERS WARNING THAT MOURNERS MUST BE ORGANIZED WITHIN THEIR OWN UNITS AND THAT THOSE WHO BREAK THE LAW WILL BE PUNISHED. A FRONT PAGE XINHUA EDITORIAL WARNS THAT QUOTE ANYONE WHO TAKES ADVANTAGE OF MOURNING TO ATTACK, BURGLE, BURN OR LOOT PARTY AND GOVT INSTITUTIONS WILL BE CONSIDERED CRIMINALS OF HISTORY UNQUOTE. TRAFFIC REGULATIONS HAVE BEEN ISSUED THAT WILL EFFECTIVELY SEAL OFF TIANANMEN SQUARE FROM 0800H TOMORROW (FUNERAL STARTS AT 1000H). HOWEVER, WE ANTICIPATE THAT MANY STUDENTS WILL ATTEMPT TO REMAIN IN SQUARE OVERNIGHT.

4. EXPRESSION OF CONDOLENCES: SO FAR FOUR WESTERN COUNTRIES HAVE SENT CONDOLENCES: AUSTRALIA, ITALY, SPAIN AND UK. AMERICANS ARE LIKELY CONSULTING WITH PRC EMB IN WSHDC ON AN APPROPRIATE RESPONSE, ACCORDING TO USA EMB CONTACT. PM THATCHER SENT CONDOLENCES TO PM LI PENG TODAY.

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P R O T E C T E D

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REF OURTEL WJGR3326 79APR

---STUDENT DEMOS DOUBLE IN SIZE

ACC <i>695578</i>	DATE
FILE <i>20-Quia-1-4</i>	DOSSIER
LOC <i>A5-</i>	

Acc'd in Bico 910613

DURING DA OF 19APR, CROWDS AROUND MONUMENT TO PEOPLES HEROES GREW UNTIL BY EARLY EVENING THERE WERE 3,000-4,000. WREATHS CONTINUED TO ARRIVE INCLUDING ONE HUGE 20-FOOT HIGH BLACK AND WHITE PORTRAIT PAINTED BY FINE ARTS ACADEMY WHICH WAS PLACED HIGH UP ON MONUMENT. STUDENTS, ROFS AND AT LEAST ONE WORKER DELIVERED SPEECHES FROM HALF WAY UP THE MONUMENT OR AT ITS BASE.

2. AT 2100 ABOUT 2,000 PEOPLE MOVED OVER TO CCP HQ AT ZHONGNANHAI AND STARTED CHANTING QUOTE LI PENG COME OUT UNQUOTE. BY 2300H CROWD HAD SWELLED TO 8,000 AND HAD PENETRATED POLICE FIRST LINE OF DEFENCE AROUND GATE. CROWD WAS BASICALLY GOOD-NATURED.

3. AT 0130H POLICE MANAGED TO DISPERSE MAIN GROUP OF DEMONSTRATORS BUT WERE UNABLE TO DISLODGE HARD CORE GROUP WHO SAT DOWN. AT 0500H POLICE USED MORE FORCE AND DISPERSED THIS GROUP. ABOUT 15-20 PEOPLE WERE TAKEN AWAY BUT IT IS NOT/NOT CLEAR IF THEY WERE ARRESTED.

4. WE HAVE HAD REPORTS OF A DEMO (15,000 PEOPLE) IN TIANJIN BUT

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Jan 18/89
22 Feb
2000 WJAM
71mc-8275
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234-3454

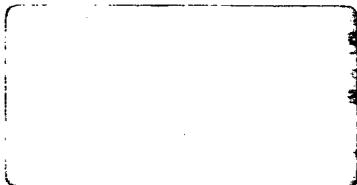
ADDITIONAL
FBI WASHINGTON

PAGE TWO WJGR3332 PROTECTED

UNDERSTAND FROM JPNS CORRESPONDENTS THAT AUTHORITIES IN SHENJI HAVE FORBIDDEN PUBLIC MOURNING. IT IS EXTREMELY DIFFICULT TO GET ACCURATE INFO.

5. WHILE THERE HAVE BEEN NO/NO INCIDENTS TODAY SO FAR, THERE ARE REPORTS OF ANOTHER MARCH MAKING ITS WAY TO TIANANMEN SQUARE. IT IS LIKELY THAT ON SAT 22 APR, DAY OF STATE FUNERAL, THERE WILL BE A HUGE CROWD IN THE SQUARE AND GIVEN ESCALATING NATURE OF DEMOS HERE, IT IS DIFFICULT TO PREDICT WHAT WILL HAPPEN ON THAT DAY. WILL TRY TO PROVIDE PRELIMINARY ANALYSIS TOMORROW.

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FM PEKIN WJGR3334 21APR89
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INFO HKONG CDAHULL BSC
BH CANPARLASSOTT DE OPM
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REF YOURTEL PNR0824 10APR

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---NATL PEOPLES CONGRESS(NPC)TO CDA-BRIEF

NPC IS CALLED QUOTE THE HIGHEST ORGAN OF STATE POWER IN THE PRC UNQUOTE.

(A)IT AMENDS THE CONSTITUTION AND SUPERVISES ITS ENFORCEMENT:IT ENACTS AND AMENDS BASIC LAWS,THOSE CONCERNED WITH CRIMINAL OFFENCES,CIVIL AFFAIRS,THE STATE ORGANS AND OTHER MATTERS OF NATL CONCERN.OF PARTICULAR INTEREST AT THE NEXT SESSION WILL BE THE ADOPTION OF THE BASIC LAW ON THE HKONG SAR.

(B)IT ELECTS AND CAN REMOVE FROM OFFICE THE PRESIDENT AND VICE PRESIDENT OF THE PRC(LARGELY HONOURARY POSITIONS);IT RATIFIES OR REJECTS NOMINATIONS FOR THE PREMIER,VICE PREMIERS AND MINISTERS AS WELL AS ALL OTHER HIGH OFFICIALS OF THE STATE COUNCIL;IT ELECTS THE CHAIRMAN AND MEMBERS OF THE CENTRAL MILITARY COMMISSION AS WELL AS THE PRESIDENT OF THE SUPREME COURT AND AUDITOR GENERAL.

(C)FINALLY,THE NPC APPROVES THE STATE BUDGET,PLANS FOR NATL ECON

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PAGE TWO WJGR3334 PROTECTED

AND SOCIAL DEVELOPMENT AND OTHER MAJOR PLANS OR PROJECTS THAT AFFECT THE COUNTRY AS A WHOLE.

2. THERE ARE 2,978 DEPUTIES. EACH PROVINCE, AUTONOMOUS REGION OR MUNICIPAL REGION (PEKIN, SHENGI, TIANJIN) IS ALLOCATED A NUMBER OF SEATS BASED ON POPULATION. THE MINIMUM NUMBER FOR ANY PROVINCE IS 15 SEATS; CHINA'S MOST POPULOUS PROVINCE, SICHUAN (POP 100 MILLION), HAS 203 SEATS. TAIWAN'S REPRESENTATION IS 13 SEATS, BUT THIS IS BASED ON THE NUMBER OF TAIWANESE ACTUALLY LIVING ON THE MAINLAND. HKONG AND MACAUS DELEGATES ARE OFFICIALLY INCLUDED IN THE DELEGATION FROM GUANGDONG PROVINCE ALTHOUGH IN PRACTICE THEY FORM A SEPARATE GROUP. IN ADDITION, A FIXED NUMBER (267) OF SEATS IS RESERVED FOR PEOPLES LIBERATION ARMY.

3. DEPUTIES ARE ELECTED INDIRECTLY BY PROVINCIAL OR REGIONAL PEOPLES CONGRESSES. DIRECT ELECTIONS ONLY OCCUR AT LOWEST OR COUNTY LEVEL OF GOVT. THERE ARE APPROX 20-40 PERCENT MORE CANDIDATES THAN SEATS, WHICH MEANS THAT MOST DEPUTIES ARE ELECTED UNOPPOSED. NOMINATIONS MAY COME FROM LOCAL PEOPLES CONGRESSES OR FROM MASS ASSNS. AS THE DOMINANT POLITICAL FORCE IN THE COUNTRY, THE CCP HAS A GREAT DEAL OF SAY IN WHO IS NOMINATED. HOWEVER, WITHIN THIS MAJOR LIMITATION, NOMINATIONS ARE SUCH THAT ALL MAJOR OCCUPATIONAL SECTORS AND NATL MINORITIES ARE REPRESENTED. FOR INSTANCE, EACH OF CHINA'S 55 MINORITIES HAS AT LEAST ONE REPRESENTATIVE. TOGETHER, THEY FORM 15

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PAGE THREE WJGR3334 PROTECTED

PERCENT OF TOTAL SEATS DESPITE FACT THAT THEY ARE ONLY ONE PERCENT OF POPULATION. OTHER CATEGORIES ARE AS FOLLOWS: WOMEN-21.3 PERCENT; WORKERS AND PEASANTS-23 PERCENT; INTELLECTUALS-23 PERCENT; PLA-9 PERCENT; CPP-66 PERCENT. THUS MAKE-UP OF NPC MEMBERSHIP IS BROADLY REPRESENTATIVE. HOWEVER, IT IS NOT/NOT REPRESENTATIVE IN WESTERN SENSE OF WORD SINCE ELECTION IS INDIRECT AND IN ONLY 20-40 PERCENT OF CASES IS THERE A CHOICE OF CANDIDATES.

4. DEPUTIES ARE ELECTED FOR A TERM OF 5 YEARS. NPC MEETS ONCE DURING FIRST QUARTER OF EACH YEAR FOR PERIOD OF ABOUT 2 WEEKS. BEFORE NPC FORMALLY OPENS, IT ELECTS ON ONE SLATE, PROPOSED BY NPC STANDING CTTEE, A 162-MEMBER PRESIDUM GENERALLY MADE UP OF TOP PARTY AND STATE LEADERS. THE PRESIDUM ESTABLISHES AGENDA AND THUS EFFECTIVELY CONTROLS WHAT LEGISLATION WILL BE CONSIDERED. THE PRESIDUM ALSO DESIGNATES SEVERAL EXECUTIVE CHAIRMAN TO PRESIDE OVER NPC.

5. SINCE NPC ONLY MEETS ONCE A YEAR AND DEPUTIES HAVE OTHER FULL-TIME JOBS, DURING REST OF YEAR 150-MEMBER NPC STANDING CTTEE CARRIES ON PERMANENT WORK OF NPC. STANDING CTTEE IS ELECTED BY NPC AT ITS FIRST PLENARY SESSION. STANDING CTTEE ELECTS ITS OWN CHAIRMAN (WAN LI). CTTEE MEETS ONCE EVERY 2 MONTHS AND ENACTS OR AMENDS LAWS WHICH ARE NOT/NOT CONSIDERED BASIC OR FRAMEWORK LAWS. STANDING CTTEE ALSO INTERPRETS CONSTITUTION AND SUPERVISES ITS

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PAGE FOUR WJGR3334 PROTECTED

ENFORCEMENT. IT SUPERVISES WORK OF STATE COUNCIL, CENTRAL MILITARY COMMISSION, SUPREME COURT AND SUPREME PROCURATORATE; DECIDES ON CHOICE OF MINISTERS, AUDITOR GENERAL AND SEC GEN OF STATE COUNCIL. STANDING CTTEE EXAMINES AND APPROVES PARTIAL ADJUSTMENTS TO ANNUAL PLAN FOR NATL ECON AND SOCIAL DEVELOPMENT AND TO STATE BUDGET THAT PROVE NECESSARY IN COURSE OF THEIR IMPLEMENTATION. IT MAY GRANT SPECIAL PARDONS AND DECLARE WAR OR MARTIAL LAW.

6. SPECIAL CTTEES, BOTH PERMANENT AND PROVISIONAL, ALSO EXIST WITHIN NLNVTR/L AYQETTES INCLUDES, NATIONALITIES CTTEE, LAW CTTEE, FINANCIAL AND ECON CTTEE, EDUCATIONAL, SCIENCE, CULTURE AND HEALTH CTTEE, FOREIGN AFFAIRS CTTEE, OVERSEAS CHINESE CTTEE AND OTHER SPECIAL CTTEES AS NECESSARY. SPECIAL CTTEES DISCUSS AND DRAW UP RELEVANT BILLS AND DRAFT RESOLUTIONS FOR CONSIDERATION OF NPC OR STANDING CTTEE.

7. COMMENT: ALTHOUGH NPC IS SUPPOSED TO BE HIGHEST ORGAN OF STATE POWER, IT IS EFFECTIVELY CONTROLLED BY CCP THROUGH OVERLAPPING MEMBERSHIP OF PARTY AND NPC POSTS (EG, WAN LI IS MEMBER OF POLITEURO), THROUGH SELECTION OF DEPUTIES AND THROUGH PRESIDUM TO WHICH TRADITIONALLY ALL PARTY AND STATE LEADERS ARE ELECTED AND TO WHICH THEY ARE ELECTED ON A SINGLE SLATE. THE PRESIDUM CONTROLS NPC AGENDA. THUS NPC IS IN FACT ONLY ONE OF NUMBER OF BODIES THROUGH WHICH CCP EXERCISES ITS POWER.

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PAGE FIVE WJGR3334 PROTECTED

8. REAL SIGNIFICANCE OF NPC IS ITS ROLE AS A SOUNDING BOARD FOR POLICIES DEVELOPED BY COMMUNIST PARTY. NPC IS INSTITUTION IN WHICH INCREASINGLY DIVERSE VIEWS HAVE BEEN AIRED IN LAST TWO YEARS. RECENTLY, FOR EXAMPLE, AFTER MORE THAN 300 NPC DEPUTIES CALLED FOR A MORATORIUM ON THE THREE GORGES HYDRO PROJECT VICE PREMIER YAO YILIN ANNOUNCED THAT CONSIDERATION OF THE PROJECT WOULD BE POSTPONED FOR AT LEAST FIVE YEARS. IN ADDITION, THERE HAVE BEEN CALLS INSIDE AND OUTSIDE NPC FOR REFORMS SUCH AS GIVING NPC INCREASED SUPERVISORY POWERS OVER GOVT, ESTABLISHING DIRECT ELECTIONS AND REDUCING NUMBER OF DEPUTIES. THERE IS A REALISTIC POSSIBILITY THAT SOME OF THESE SUGGESTIONS WILL BE ADOPTED IN NEAR FUTURE, AS LONG AS THEY DO NOT/SERIOUSLY THREATEN CCP POWER. REFORM WOULD MOST LIKELY CENTRE ON LIMITED MEASURES THAT WOULD PROMOTE HONESTY OF GOVT OFFICIALS AND INCREASE ACCOUNTABILITY OF GOVT. BUT WE DO NOT/BELIEVE PRESENT LEADERSHIP IS EVEN THINKING OF TYPE OF POLITICAL REFORM NOW TAKING PLACE IN EASTERN EUROPE. INFLUENCE OF NPC MAY WELL EXPAND IN FUTURE YEARS BUT IT WILL ALWAYS BE WITHIN LIMITS DEFINED BY CCP POWER MONOPOLY.

9. CDA-PRC PARLIAMENTARY RELNS: BELIEVE THERE IS VALUE IN GRADUAL DEVELOPMENT OF CONTACTS BETWEEN CDN PARLIAMENT AND NPC AS LATTER BODY SEEKS CONCRETE MEANS TO EXPAND AND CODIFY ITS ROLE, ESP QUOTE SUPERVISION UNQUOTE OF GOVT POLICY AND ACTIONS. OBJECTIVE WOULD BE

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PAGE SIX WJGR3334 PROTECTED

TWO-FOLD:

(A) CULTIVATE PERSONAL LINKS WITH MORE INFLUENTIAL NPC MEMBERS AND KEEP ABREAST OF EVOLVING ROLE OF THAT BODY; AND

(B) RESPOND TO CHINESE INTEREST IN EXPERIENCES ABROAD AND EXPOSE THEM TO CDN PARLIAMENTARY SYSTEM (IN SIMILAR WAY, CDA IS RESPONDING TO CHINESE INTEREST IN BLDG CIVIL SERVICE AND LEARNING FROM WESTERN SYSTEM).

10. HOWEVER WIDELY DIFFERENT ROLES OF BOTH BODIES AND SIZE OF NPC SUGGEST THAT EXCHANGES BE FOCUSED AND DEFINITELY MODEST TO START WITH. THEY SHOULD IN OUR VIEW CONCENTRATE ON SPECIFIC TOPICS SUCH AS ROLE OF PARLIAMENTARY CTTEES OR PARLIAMENTARY PROCEDURE. THEY SHOULD NOT/NOT OPEN DOOR TO UNWIELDY GOODWILL EXCHANGES WHICH WOULD PROVIDE YET ANOTHER AVENUE FOR TOURISM FOR HIGH LEVEL CHINESE OFFICIALS UNDER THE GUISE OF UNDEFINED QUOTE STUDY MISSIONS UNQUOTE.

CCC/078 210730Z WJGR3334

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+ BILW

**ACTION
SUITE A DONNER**

P R O T E C T E D

FM PEKIN WJGR3326 19APR89

TO EXTOTT (PNR DELIVER BY 190900

INFO HKONG TOKYO SEOUL MOSCO BNATO CNBRA LDN PARIS WSHDC

CIDAHULL BSC PCOOTT/IAC

TT NDHQOTT/DIPOL/CIS ADM/ DE CAF

BAG SHNGI DE PEK

DISTR MINA USS PGB PND PNC PGP INP INE CPP

REF OURTEL WJGR3322 18APR

RETURN TO RENOYER AU	BICO	FOR FILING POUR - ETRE PORTE AU DOSSIER
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---STUDENTS DISPERSED BY POLICE IN FRONT OF CCP HQ

AT 0400H THIS MORNING POLICE MOVED IN TO DISPERSE CROWD OF STUDENTS NUMBERING OVER 2,000 WHO HAD GATHERED IN FRONT OF MAIN GATE TO ZHONGNANHAI, HQ OF COMMUNIST PARTY AND HOME OF MANY OF CHINAS TOP LEADERS. STUDENTS HAD MOVED THERE FROM TIANANMEN SQUARE AT 2300H YESTERDASY AND WERE DEMANDING THAT A SENIOR PARTY OFFICIAL ACCEPT LIST OF DEMANDS FOR MORE DEMOCRACY AND REASSESSMENT OF HU YAOBANGS CAREER(SEE REFTEL). ABOUT HALF OF DEMONSTRATORS SAT IN FRONT OF GATE GUARDED BY PHALANX OF SOLDIERS WITH BAYONETS. PERIODICALLY THEY ROSE TO THEIR FEET AND SURGED TOWARDS SOLDIERS SHOUTING SLOGANS FOR MORE DEMOCRACY AND CRITICIZING LEADERSHIP THEY ALSO CHANTED QUOTE LI PENG COME OUT UNQUOTE. SOLDIERS REMOVED BAYONETS BUT HELD THEIR GROUND. NO/NO ATTEMPT WAS MADE TO DISPERSE STUDENTS UNTIL 0400H WHEN 1,000 POLICE ARRIVED ON SCENE. THERE WAS NO/NO VIOLENCE ANT NO/NO ARRESTS WERE MADE.

2. STUDENTS HAD SPENT MOST OF PREVIOUS DAY CAMPED OUTSIDE NATL PEOPLES CONGRESS SURROUNDING 30-FOOT BANNER IN BLACK AND WHITE THAT 000088

SECRET

PAGE TWO WJGR3326 PROTECTED

READ QUOTE ZHONGGUO HUN UNQUOTE (THE SOUL OF CHINA) REFERRING TO HU
YAOBANG. ALL DAY WREATHS AND POSTERS FROM VARIOUS UNIVS WERE
BROUGHT TO THE SQUARE AND PLACED ON MONUMENT TO PEOPLES HEROES.
THERE WERE NO/NO INCIDENTS AND MOST OF 2000 PEOPLE APPEARED TO BE
GOOD HUMOURED. WREATHS CONTINUE TO BE PLACED ON THE MONUMENT BUT THOSE
FROM PREVIOUS DAYS WERE REMOVED OVERNIGHT.

3. WITH EXCEPTION OF WREATH LAYING, NONE OF THE ABOVE HAS BEEN
REPORTED IN PRESS. IT IS HARD TO GAUGE WHETHER LAST NIGHTS EVENTS
WILL BE HIGH POINT OF DEMOS OR WHETHER THEY WILL CONTINUE. POSTERS
ARE STILL UP IN THE UNIVS AND TWO PROMINENT ONES CALL FOR MORE
DEMOS ON 24MAY.

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**ACTION
SUITE A DONNER**

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P R O T E C T E D

FM PEKIN WJGR3322 18APR89

TO EXTOTT PNR DELIVER BY 180900

INFO HKONG TOKYO SEOUL MOSCO ENATO CNBRA LDN PARIS WSHDC

CIDAHULL BSC

TT NDHQOTT/DIPOL/CIS ADM/ DE CAF

BAG SHNGI DE PEK

DISTR PGE PND PNC PGP INP INE CPP

REF OURTEL WJGR3319 17APR

---STUDENTS MARCH TO TIANANMEN WITH PETITION

BETWEEN 0100-0500H 18APR GROUP OF ABOUT 2,000 STUDENTS AND SOME

YOUNG TEACHERS(MOSTLY FROM PEKIN UNIV)MARCHED FROM UNIV DISTRICT

TO TIANANMEN SQUARE WHERE THEY PLACED LARGE BANNER ON MONUMENT TO

PEOPLES HEROES.BANNER READ QUOTE HU YAOBANG,WE WILL ALWAYS

REMEMBER YOU UNQUOTE AND ON REVERSE SIDE QUOTE SOUL OF CHINA

UNQUOTE.STUDENTS THEN PROCEEDED TO STEPS OF NATL PEOPLES CONGRESS

WHERE THEY DEMANDED TO SEE REPRESENTATIVES FROM STANDING CTTEE.

EVENTUALLY THREE STUDENTS WERE ADMITTED.THEY HANDED OVER A LIST OF

SIX DEMANDS:

(1)REASSESSMENT OF HU YAOBANG;

(2)OFFICIAL CONDEMNATION OF ANTI-SPIRITUAL POLLUTION CAMPAIGN AND

REHABILITATION OF ITS VICTIMS;

(3)EXAMINATION OF BANK ACCOUNTS OF HIGH OFFICIALS;

(4)MORE MONEY FOR EDUCATION;

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PAGE TWO WJGR3322 PROTECTED

(5) FREEDOM OF SPEECH; AND

(6) ABOLITION OF BAN ON MARCHES.

2. BUSLOADS OF POLICE WERE IN EVIDENCE BUT THEY MAINTAINED A LOW PROFILE. THERE IS A REPORT OF A MARCH IN SHNGI AS WELL.

3. STUDENTS HAVE MADE IT CLEAR THAT THEIR ACTIONS HAVE NOTHING TO DO WITH UNIV CONTROLLED STUDENTS UNION. AUTHORITIES ON OTHER HAND ARE TAKING EVERY OPPORTUNITY TO CHANNEL MANIFESTATIONS OF GRIEF INTO OFFICIALLY SANCTIONED ACTIVITIES. MONUMENT IN TIANANMEN SQUARE IS SURROUNDED BY HONOUR GUARD OF YOUNG PIONEERS IN IMMACULATE WHITE UNIFORMS AND RED SCARVES HOLDING FLAGS AND BOUQUETS. UNIVS HAVE SET UP OFFICIAL MOURNING HALLS. OFFICIAL CEREMONY FOR PAYING RESPECTS TO HUS REMAINS IS SCHEDULED FOR 22 APR IN GREAT HALL OF PEOPLE.

4. IN LEAD UP TO 04 MAY ANNIVERSARY IT WILL BE CRITICAL FOR AUTHORITIES TO STRIKE RIGHT BALANCE BETWEEN ALLOWING CERTAIN SPONTANEITY OF FEELING AND CHANNELLING THESE EXPRESSIONS IN SUCH A WAY THAT THEY DO NOT/NOT GET OUT OF HAND. SO FAR THE GOVT APPEARS TO HAVE GOTTEN THE BALANCE RIGHT.

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**ACTION
SUITE A DONNER**

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C O N F I D E N T I A L
 FM PEKIN WJGR3295 **11APR89**
 TO EXTOTT PNR

INFO HKONG TOKYO SEOUL WSHDC MOSCO BNATO CIDAHULL BSC
 DISTR PND PNC PGP INP IMH
 CIDAHULL YDC

REF OURTEL WJGR3235 22MAR OUR TRN WJGR3269 04MAR OURLET 3288 10APR
 ---1989 NPC:WRAP UP

SUMMARY:UNLIKE LAST YEAR,JUST CONCLUDED NATL PEOPLES CONGRESS
 (NPC)MARKED NOT/NOT A NEW DEPARTURE,BUT A CONTINUATION OF
 POLICIES AND LEADERSHIP THAT EMERGED FROM 3RD PARTY PLENUM IN
 OCT88.THEMES OF RECTIFICATION,STABILITY AND UNITY,DOMINATED WORK
 REPORTS,OFFICIAL STATEMENTS AND EDITORIALS.LEGISLATIVE
 ACHIEVEMENTS INCLUDED ADMINISTRATIVE LITIGATION LAW,NPC PROCEDURE
 LAW AND BILL TO PERMIT SHENZHEN LOCAL GOVT TO PASS ITS OWN LAWS.
 DEPUTIES WERE REPORTED TO HAVE BEEN URGED TO TONE DOWN THEIR VIEWS
 AND PRESS TO AVOID REPORTING NEGATIVE ASPECTS,BUT SOME DEPUTIES
 WERE HIGHLY CRITICAL OF STANDING CTTEES WORK,PARTICULARLY ITS
 FAILURE TO SUPERVISE GOVT WORK.WHILE HUMAN RIGHTS WAS NOT/NOT ON
 AGENDA,PRESENTATION OF PETITIONS CALLING FOR RELEASE OF POLITICAL
 PRISONERS,PARTICULARLY ONE FROM HKONG BEARING 24,000 SIGNATURES,
 FORCED NPC SPOKESMAN TO REVERSE PREVIOUS GOVT POSITION AND ADMIT
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ACTION
REMOVED A STAMP

PAGE TWO WJGR3295 CONF D

LEGALITY OF PRESENTING PETITIONS. 120 REVISIONS MADE TO PREMIER LI PENG'S WORK REPORT REINFORCED STATEMENTS ON MACRO-CONTROLS, EDUCATION, SOCIALIST ETHICS AND AGRICULTURE.

2. REPORT: SECOND ANNUAL SESSION OF 7TH NPC (20 MAR-02 APR) OCCURRED JUST 2 WEEKS AFTER VIOLENCE HAD BROKEN OUT IN LHASA AND IMPOSITION OF MARTIAL LAW. WITH LEADERSHIP ANXIOUS TO PREVENT ECONOMIC DISCONTENT FROM FINDING ALLY IN LIBERAL DEMANDS RAISED BY CHINA'S INCREASINGLY OUTSPOKEN INTELLECTUALS, EVENTS IN TIBET PROVIDED USEFUL ANALOGY. FRONT PAGE EDITORIALS IN PEOPLES DAILY SAID RIOTING IN LHASA ILLUSTRATED QUOTE HOW PRECIOUS A STABLE ENVIRONMENT IS TO CONSTRUCTION OF FOUR MODERNIZATIONS UNQUOTE, AND CALLED FOR PEOPLE TO QUOTE HAVE CONFIDENCE IN PARTY'S BASIC POLICIES DURING PRIMARY STAGE OF SOCIALISM UNQUOTE. STABILITY AND UNITY WAS MAIN THEME OF ALL OFFICIAL WORK REPORTS AND STATEMENTS. IN CONTRAST TO LAST YEAR'S NPC, WHICH MARKED MORE OPEN APPROACH TO NPC PROCEEDINGS AND SAW ELECTION OF NEW PREMIER AND MINISTERS, MESSAGE THIS YEAR WAS TO CONSOLIDATE WHAT HAD ALREADY BEEN ACHIEVED AND TO CONTINUE RECTIFICATION POLICIES INITIATED AT 3RD PARTY PLENUM IN OCT 88.

3. BUSINESS COVERED: DELEGATES APPROVED FOLLOWING ITEMS OF BUSINESS: PREMIER LI PENG'S REPORT ON GOVT WORK; 1989 PLAN FOR NATL ECON AND SOCIAL DEVELOPMENT, REPORT ON 1988 STATE BUDGET AND PLANNED 1989 BUDGET; ADMINISTRATIVE LITIGATION LAW; NPC RULES OF PROCEDURE LAW;

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PAGE THREE WJGR3295 CONFL

LAW PERMITTING SHENZHEN TO MAKE ITS OWN LAWS; WORK REPORT OF NPC STANDING CTTEE; WORK REPORT OF SUPREME PEOPLES COURT; AND WORK REPORT OF SUPREME PEOPLES PROCURATORATE.

4. OUTSTANDING PIECE OF LEGISLATION WAS NEW ADMINISTRATIVE LITIGATION LAW WHICH FORMALLY GIVES CITIZENS AS WELL AS FOREIGNERS RIGHT TO SUE GOVT. WHILE RIGHT HAS EXISTED SINCE 1986 IN DOZENS OF REGULATIONS, THIS IS FIRST TIME IT HAS BEEN UNIVERSALLY RECOGNIZED. NEW LAW WHICH COMES INTO EFFECT 01OCT90 IS IMPORTANT STEP TOWARDS PROTECTION OF HUMAN RIGHTS (FULL REPORT TO FOLLOW). SECOND MAJOR PIECE OF LEGISLATION WAS NPC RULES OF PROCEDURE LAW WHICH STIPULATES HOW NPC IS TO CARRY OUT ITS WORK. ARTICLES OUTLINE, AMONGST OTHER THINGS, PROCEDURES FOR ELECTIONS TO NPC AND STATE COUNCIL POSTS (BY SECRET BALLOT), DISMISSAL FROM POSTS AND EXAMINATION OF LEGISLATION. REVISED DRAFT STIPULATES THAT ONCE PLANS FOR ECON AND SOCIAL DEVELOPMENT AND STATE BUDGETARY PLANS HAVE BEEN APPROVED BY NPC, ANY SUBSEQUENT MODIFICATIONS BY STATE COUNCIL MUST BE APPROVED BY NPC STANDING CTTEE. WHILE IN SOME RESPECTS NEW LAW MARKS PROGRESS IN GOVT ACCOUNTABILITY, MAJOR IMPEDIMENT IS THAT LEGISLATION CANNOT/NOT BE PLACED ON NPC AGENDA WITHOUT APPROVAL OF NPC PRESSIDIUM, WHOSE MEMBERS ARE COMPOSED OF TOP PARTY AND GOVT OFFICIALS. RESULT IS THAT NPC ONLY HAS POWER TO SCRUTINIZE ITS OWN STILL LIMITED LEGISLATIVE ACTS WHICH ARE OFTEN ...4

PAGE FOUR WJGR3295 CONF D

OF A VERY GENERAL NATURE AND HAS NO/NO INDEPENDENT POWER TO INTRODUCE LEGISLATION. THIRD PIECE OF LEGISLATION WAS ACT TO GIVE SHENZHEN POWER TO ENACT ITS OWN LAWS.

5. DEBATE: WHILE THERE WERE NO/NO MAJOR UPSETS IN DECISIONS OR VOTING, A DEGREE OF FREEDOM OF DEBATE AND DEMOCRACY WAS EVIDENT. DISSIDENT VOICES WERE HEARD, ALTHOUGH IN CONTRAST TO LAST YEARS NPC, THESE WERE EXPRESSED MORE BY COASTAL REGIONS ATTACKING THIS YEARS MORE CONSERVATIVE ECON POLICIES RATHER THAN BY INLAND PROVINCES CLAIMING THEY WERE BEING NEGLECTED. PREDICTABLY, HKONG, MACAO AND TAIWAN DELEGATES WERE MOST OUTSPOKEN. AFTER IMPASSIONED SPEECH BY TAIWAN DELEGATE AGAINST PROPOSAL TO ALLOW SHENZHEN TO MAKE ITS OWN LAWS, THERE WERE 274 NEGATIVE VOTES, 805 ABSTENTIONS AND ONLY 1,609 IN FAVOUR—A DIVISION UNUSUAL BY NPC STANDARDS. DISSIDENT FANG LIZHI TOLD US LARGE NUMBER OF ABSTENTIONS HAD NOTHING TO DO WITH ISSUE AT HAND BUT RATHER EXPRESSED DISSATISFACTION WITH NPC PROCESS. THERE WAS ALSO AN UNUSUALLY LARGE NUMBER OF NEGATIVE VOTES (12) AND ABSTENTIONS (104) ON RESOLUTION TO APPROVE WORK REPORT OF NPC STANDING CTTEE. THIS WAS REFLECTION OF CRITICISM THAT ADEQUATE SUPERVISION HAD NOT/NOT BEEN EXERCISED OVER GOVT IN LAST YEAR. OVER 100 MINOR CHANGES WERE MADE TO PREMIER LI PENG'S WORK REPORT. CHANGES MOSTLY REINFORCED ASPECTS SUCH AS LEGAL AUTHORITY, DISCIPLINE AND MACRO-CONTROL OVER ECONOMY.

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PAGE FIVE WJGR3295 CONF D

ONE AMENDMENT ADDS:QUOTE A HANDFUL OF FOREIGNERS HAS BEEN EXERTING PRESSURE ON CHINA ON THE SO-CALLED HUMAN RIGHTS ISSUE,WHICH IS FIRMLY OPPOSED BY THE CHINESE PEOPLE UNQUOTE.

6.DELEGATES CRITICIZED LACK OF SUPERVISORY AUTHORITY OF NPC AND LACK OF DEMOCRATIC AND SCIENTIFIC BASIS FOR GOVTS DECISION MAKING. OFFICIAL CORRUPTION WAS ANOTHER TARGET.270 DEPUTIES,ONE-TENTH OF NPC,PROPOSED POSTPONEMENT OF THREE GORGES HYDRO PROJECT.

7.PRESS:WHILE DEBATE AT TIMES WAS VIGOROUS,PARTICULARLY IN SMALL DISCUSSION GROUPS WHO MET WITH GOVT LEADERS,REPORTING IN PRESS WAS MORE RESTRAINED THAN LAST YEAR.ACCORDING TO HKONG PRESS, LOCAL JOURNALISTS WERE UNDER PRESSURE TO TONE DOWN QUESTIONS AT PRESS CONFS.FOURTEEN JOURNALISTS FROM TAIWAN COVERED PROCEEDINGS AS WELL AS LARGE GROUP FROM HKONG.THEY COMPLAINED OF ROUGH TREATMENT FROM SECURITY OFFICIALS.WORLD ECONOMIC HERALD,CHINAS BOLDEST NEWSPAPER,WAS BANNED FROM COVERING NPC AS RETALIATION FOR SOME OF ITS OUTSPOKEN VIEWS.ON OTHER HAND,HERALD CONTINUED TO PUBLISH ITS VIEWS OF WHAT WAS HAPPENING AT NPC.QUOTE AT THIS CONGRESS UNITY AND POLITICAL REFORM ARE TREATED AS OPPOSING TENDENCIES UNQUOTE IT SAID,AN OBSERVATION THAT WAS NOT/NOT FAR OFF THE MARK.

8.HUMAN RIGHTS:WHILE CONSIDERATION OF AMNESTY APPEALS FOR WEI JINGSHENG AND OTHER POLITICAL PRISONERS WAS NOT/NOT ON NPC AGENDA,

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PAGE SIX WJGR3295 CONF

OUTSIDE EVENTS FORCED NPC SPOKESMAN TO REACT TO MOUNTING PRESSURE. A MOTION CALLING FOR CREATING OF SPECIAL CTTEE TO REVIEW AMNESTY REQUESTS FROM CRIMINAL WAS SUBMITTED BY THREE NPC DELEGATES. THREE AMNESTY PETITIONS HAD ALREADY BEEN SUBMITTED TO (AND REJECTED BY) NPC STANDING CTTEE WHEN FOURTH PETITION BEARING 24,000 SIGNATURES FROM 30 COUNTRIES WAS BROUGHT INTO CHINA BY DELEGATION OF HKONG CITIZENS. PETITION AND SUPPORTING MATERIAL WERE SEIZED BY CUSTOMS AND DELEGATES WERE PREVENTED FROM SUBMITTING REWRITTEN PETITION LETTER IN PERSON. A WEEK LATER, HOWEVER, NPC ALLOWED SIGNATURES, LESS SUPPORTING LETTER OF EXPLANATION, TO BE FORWARDED TO STANDING CTTEE. IN AN ABOUT-FACE FROM PREVIOUS POLICY ON SUCH PETITIONS (SEE OURTEL WJGR3164 03MAR), NPC SPOKESMAN YAO GUANG ADMITTED THAT CITIZENS HAD A RIGHT TO SUBMIT PETITIONS, A RIGHT THAT ALSO APPEARS TO BE GUARANTEED IN ARTICLE 41 OF THE CONSTITUTION. ALTHOUGH YAOS STATEMENT WAS NOT MENTIONED IN PRC PRESS, IT MARKS SMALL STEP FORWARD FOR CHINAS INTELLECTUALS WHO HAVE BEEN TRYING TO MAKE POINT THAT THEIR RIGHT TO PUT FORWARD VIEWS TO GOVT SHOULD BE RESPECTED.

CCC/078 110830Z WJGR3295

C O N F I D E N T I A L

FM PEKIN WJGR3277 05APR89

TO EXTOTT PNR

INFO HKONG TOKYO SEOUL MOSCO BNATO DELHI SPORE MANIL BNGKK KLMPR

CNBRA WLGTN ISBAD LDN WSHDC BGRAD BUCST BPEST WSAW PRGUE

CIDAHULL BSC

TT NDHQOTT/DIPOL/CIS ADM/ DE CAF

BAG SHNGI DE PEK

DISTR PGE PND PNC PGP INP INE CPP CPD PSR RBR

---MULTI-PARTY COOPERATION AND ROLE OF CPPCC

2ND ANNUAL SESSION OF 7TH NATL CTTEE OF CHINESE PEOPLES POLITICAL

CONSULTATIVE CONF(CPPCC), WAS HELD CONCURRENTLY WITH NATIONAL

PEOPLES CONGRESS(NPC). IT PROVIDED OCCASION FOR COMMUNIST PARTY

(CCP) LEADERS TO ANNOUNCE NEW SCHEME FOR MULTI-PARTY COOPERATION

QUOTE UNDER LEADERSHIP OF CCP UNQUOTE. DETAILS HAVE NOT/NOT BEEN

MADE PUBLIC BUT PLAN WILL BE ADOPTED IN JUNE OR JULY ACCORDING TO

YAN MINGFU, HEAD OF UNITED FRONT WORK DEPT OF CCP CENTRAL CTTEE.

AGREEMENT IS PART OF CCP LEADERSHIP STRATEGY TO BOLSTER ITS IMAGE

OF LEGITIMACY BY BEING SEEN TO WELCOME LIMITED DEGREE OF

PARTICIPATION IN GOVT AFFAIRS BY NON-COMMUNISTS. MOST RECENT MOVE IN

THIS DIRECTION WAS APPOINTMENT IN MARCH OF TWO DEMOCRATIC PARTY

MEMBERS AS VICE-MINISTERS OF AGRICULTURE AND LABOUR WHO JOIN VICE

MINISTER OF SUPERVISION, ANOTHER DEMOCRAT, IN GOVT. METHOD OF

APPOINTMENT WAS JOINT AGREEMENT BY CCP AND DEMOCRATIC PARTIES.

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FILE 20-China-1-9	DOSSIER
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MIRD Vol. 60

PAGE TWO WJGR3277 CONF.

2. KEYNOTE ADDRESS BY CPPCC CHAIRMAN LI XIANNIAN AT THIS YEAR'S SESSION STRESSED STABILITY AND UNITY, DOMINANT THEME OF ALL OFFICIAL PRONOUNCEMENTS OVER LAST MONTH. DELEGATES SPEECHES DWELT ON TOPICS OF GENERAL CONCERN (INCREASING INVESTMENT IN AGRIC AND EDUCATION, PRICE HIKES, CORRUPTION, CONDEMNATION OF USA AND EC TIBET RESOLNS), BUT ALSO CONCENTRATED ON MATTERS PECULIAR TO CPPCC. GOVT WAS CRITICIZED FOR ONLY HAVING ADOPTED 28 PERCENT OF 2,000 PROPOSALS SUBMITTED BY CPPCC TO MINISTRIES OVER LAST YEAR. MEMBERS ASKED FOR GOVT TO REGULARLY PROVIDE MORE FINANCIAL AND ECON DATA TO CPPCC TO BOOST SUPERVISORY ROLE OF CONF AND THEY DEMANDED MORE QUOTE SCIENTIFIC UNQUOTE ANALYSES OF PROBLEMS BEFORE GOVT TAKES DECISIONS (AN INDIRECT CRITICISM OF RAPID SWINGS IN GOVTS MAJOR ECON POLICY MAKING). HKONG AND MACAU DELEGATES, MOST CRITICAL OF ALL, ZEROED IN ON LACK OF ANY LEGAL BASIS FOR CPPCC ACTIVITIES. VICE CHAIRMAN OF REVOLUTIONARY CTTEE OF KMT (ONE OF EIGHT DEMOCRATIC PARTIES) WELCOMED CONTACTS WITH DEMOCRATIC PARTIES IN TAIWAN, BUT SAID THEY WOULD HAVE NOTHING TO DO WITH PARTIES ADVOCATING TAIWANESE INDEPENDENCE. THERE WAS ALSO DEBATE OVER THREE GORGES HYDROELECTRIC FEASIBILITY STUDY WHICH WAS ATTACKED FOR NOT/HAVING BEEN CONDUCTED IN DEMOCRATIC AND SCIENTIFIC WAY. IN GENERAL, DELEGATES APPEARED TO TAKE THEIR ROLE AS CONSTRUCTIVE CRITICS SERIOUSLY, BUT ALWAYS WITHIN UNDERSTOOD CONTEXT OF QUOTE

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CCP LEADERSHIP UNQUOTE.

3. CPPCC ITSELF IS SYMBOL OF CHINAS STILL EVOLVING POLITICAL SYSTEM. HISTORICALLY A UNITED FRONT ORGANIZATION THAT THEORETICALLY EXERCISED STATE POWER FROM 1949 UNTIL ESTABLISHMENT OF NPC IN 1954, CPPCC IS MENTIONED ONLY IN PREAMBLE TO CHINAS 1982 CONSTITUTION. ITS ROLE AND FUNCTIONING ARE NOT/NOT DESCRIBED IN ANY CONSTITUTIONAL ARTICLE OR IN ANY LAW. ALTHOUGH ONE-THIRD OF CPPCC ARE COMMUNISTS, TWO-THIRDS OF 2,000 MEMBERSHIP ARE MADE UP OF FOLLOWING:

(A) MEMBERS OF EIGHT DEMOCRATIC PARTIES THAT WERE ESTABLISHED IN REPUBLICAN ERA;

(B) RETURNED OVERSEAS CHINESE;

(C) COMPATRIOTS FROM HKONG, MACAU AND TAIWAN; AND

(D) OTHER NON-PARTY MEMBERS WHO REPRESENT VARIOUS SECTORAL INTEREST (RELIGIOUS, NATL MINORITY, OCCUPATIONAL, ETC).

DEMOCRATIC PARTIES ARE IN FACT CLOSER TO ASSOCIATIONS THAN POLITICAL PARTIES SINCE THEIR MEMBERS ARE RECRUITED ONLY FROM PROFESSIONAL GROUPS; DUAL CCP MEMBERSHIP IS ALSO PERMITTED.

4. SINCE 13TH PARTY CONGRESS IN OCT87, LEADERSHIP HAS BEGUN TO SEE CPPCC AS BODY THAT COULD ENHANCE PROCESS OF LEGITIMIZING CCP RULE BY INSTITUTIONAL CONSULTATIONS WITH AND SUPERVISION OVER GOVT.

THEORETICAL BASIS FOR NEW APPROACH HAD BEEN MADE POSSIBLE IN EARLY 1980S BY ABANDONMENT OF CLASS STRUGGLE CONCEPT AS SOLE CRITERION FOR DEFINING SOCIAL GROUPS AND ITS REPLACEMENT BY IDEA THAT MOST OF BOURGEOISIE AND INTELLECTUALS ARE NOW SOCIALIST WORKERS OF ONE KIND OR ANOTHER.

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5. CONCRETE MANIFESTATION OF NEW POLICY CAN BE SEEN IN CPPCC STANDING CTTEES DRAFTING LAST YEAR OF TEMPORARY REGULATIONS STIPULATING THAT GOVT SHOULD CONSULT WITH CPPCC BEFORE MAJOR STATE POLICY DECISIONS ARE MADE. 14 SPECIAL GROUPS NOW MEET REGULARLY WITH MINISTRIES TO DISCUSS POLICIES AND THEIR IMPLEMENTATION. ACCORDING TO VICE CHAIRMAN OF CPPCC, VICE PREMIERS BRIEFED CPPCC BEFORE DECISION WAS TAKEN TO READJUST NATL ECONOMY LAST YEAR. CPPCC WAS ALSO CONSULTED ALONG WITH OTHER INTEREST GROUPS ON LI PENG'S WORK REPORT TO CURRENT NPC. HOWEVER, IT WOULD BE ILLUSORY TO THINK THAT THESE CONSULTATIONS CONFER ANY SIGNIFICANT POWER IN POLICY MAKING.

6. APART FROM BEING FORUM FOR CRITICISM AND PROPOSALS OF USUALLY NON-THREATENING KIND, CPPCC IS ALSO HIGH PROFILE INSTRUMENT FOR UNITED FRONT POLICY. CPPCC MEMBERSHIP CONFERS STATUS ON PROMINENT NON-COMMUNISTS WHO ARE ENCOURAGED TO CONTINUE WORK OF UNIFYING VARIOUS INTERESTS WITHIN COUNTRY AND PROMOTING NATL REUNIFICATION. BY APPEALING TO QUOTE HKONG, MACAU AND TAIWAN PATRIOTS UNQUOTE AND OVERSEAS CHINESE, THESE CPPCC MEMBERS NOT/NOT ONLY REINFORCE IDEA OF UNITED CHINA BUT ALSO SUCCEED IN ATTRACTING FOREIGN INVESTMENT --IN 1987 PEOPLES DAILY ESTIMATED THAT 70 PERCENT OF FOREIGN ENTREPRISE CAPITAL INVESTMENT WAS RAISED BY DEMOCRATIC PARTY MEMBERS. AS A RESULT OF THESE UNITED FRONT FACTORS IN PARTICULAR, CPPCC SEEMS UNLIKELY TO WITHER AWAY AND DIE SOON. BUT ITS POLITICAL ROLE ALSO SEEMS UNLIKELY EVER TO OUTGROW ITS PRESENT AMBIGUOUS STATUS.

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ACTION
SUITE A DONNER

C O N F I D E N T I A L

FM PEKIN WJGR3252 30MAR89

TO EXTOTT (PNR)

INFO HKONG TOKYO SEOUL MOSCO ENATO DELHI SPORE MANIL BNGKK KLMPR
 CNBRA WLGTN ISBAD LDN WSHDC BGRAD BUCST BPEST WSAW PRGUE
 CIDAHULL BSC TT NDHQOTT/DIPOL/CIS ADM/ DE CAF
 BAG SHNGI DE PEK

DISTR PGE PND PNC PGP INP INE CPP CPD PSR RBR

---POLITICAL REFORM IN CHINA IS NOT/NOT GLASNOST

SUMMARY: FUNDAMENTALLY, CHINESE LEADERSHIP SEES POLITICAL REFORM AS
 ADJUNCT TO ECONOMIC REFORM NOT/NOT AS POSSESSING INHERENT VALUE IN
 ITSELF. HOWEVER, FACED WITH PUBLIC PERCEPTION OF CCP AS CORRUPT AND
 SELF-SERVING, EMPHASIS HAS NOW SHIFTED TOWARDS INSTITUTIONALIZING
 OUTSIDE SUPERVISION THAT WOULD KEEP GOVT AND PARTY HONEST BUT AT
 SAME TIME NOT/NOT ENDANGER PARTYS MONOPOLY OF POWER. LEADERSHIP IS
 ALSO ANXIOUS TO INTRODUCE LIMITED CONSULTATION WITH AND
 PARTICIPATION BY NON-COMMUNISTS IN ORDER TO PROMOTE IMAGE OF
 POLITICAL LEGITIMACY FOR CCP. WESTERN-STYLE DEMOCRATIC REFORM,
 HOWEVER, IS SPECIFICALLY RULED OUT. PROGRESS TO DATE HAS BEEN
 SLOW, CONCENTRATING ON BUREAUCRATIC STREAMLINING AND SEPARATION OF
 CERTAIN PARTY AND GOVT FUNCTIONS.

2. REPORT: TO CHINESE LEADERS, POLITICAL REFORM HAS NO/NO INHERENT
 VALUE. IT IS SEEN FIRST AS A TOOL FOR ECONOMIC DEVELOPMENT. THE

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CENTRALIZED COMMAND ECONOMY BASED ON THE SOVIET MODEL IS RECOGNIZED AS OUTDATED AND INEFFICIENT. BUT FOR TRANSITION TOWARDS A MORE EFFECTIVE ECON MGMT SYSTEM, CHINESE LEADERS WANT TO SEE SEPARATION OF POLITICAL AND ADMINISTRATIVE/ENTERPRISE FUNCTIONS. SECONDLY, POLITICAL REFORM IS SEEN AS A WAY OF ENSURING A HIGHER DEGREE OF HONESTY IN GOVT AND PARTY AFFAIRS. THIRDLY, REFORM AIMS TO ESTABLISH A GREATER DEGREE OF GOVT LEGITIMACY BY REACHING OUT TO INCLUDE WIDER PARTICIPATION FROM GROUPS OUTSIDE CCP.

3. WHILE THERE IS LIMITED SUPPORT AMONGST SOME INTELLECTUALS FOR A WESTERN-STYLE PARLIAMENTARY SYSTEM, CHINESE LEADERS AND THEIR ADVISERS HAVE MADE IT CLEAR THAT WESTERN POLITICAL MODELS, WILL NEVER BE PERMITTED. DURING USA PRES BUSH VISIT TO PEKIN IN FEB, ZHAO ZIYANG SAID THAT CHINA WOULD NOT/COPY SYSTEM OF ANY OTHER COUNTRY AND THAT THOSE WHO ADVOCATE IMPORT FROM WEST OF MULTI-PARTY, PARLIAMENTARIAN POLITICS ARE QUOTE UNREALISTIC UNQUOTE. ON THE OTHER HAND, WITH THE CULTURAL REVOLUTION EXPERIENCE IN MIND, ZHAO ZIYANG HAS ALSO MADE IT CLEAR THAT CHINA WILL QUOTE NEVER AGAIN ALLOW THE KIND OF QUOTE GREAT DEMOCRACY UNQUOTE THAT UNDERMINES STATE LAW AND SOCIAL STABILITY UNQUOTE. THUS, BEYOND AIMS MENTIONED IN PREVIOUS PARA, PRIMARY GOAL IS TO CREATE STABILITY.

4. TASK OF REFORMING POL STRUCTURE WAS OUTLINED IN ZHAO ZIYANGS

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PAGE THREE WJGR3252 CONF D

REPORT TO 13TH PARTY CONGRESS IN OCT87. ZHAO ENUMERATED SEVEN MEASURES WHICH ARE OUTLINED WITH COMMENT IN FOLLOWING PARAGRAPHS. WHILE THERE HAS BEEN SOME PROGRESS IN ALL SEVEN AREAS, IT HAS BEEN SLOW AND HESITANT. THERE IS NO/NO INTENTION OF INTRODUCING TYPE OF RADICAL REFORM THAT WOULD ULTIMATELY UNDERMINE CCPS POWER. THIS IS KEY TO UNDERSTANDING WHAT HAS HAPPENED AND WHAT HAS NOT/NOT HAPPENED.

5. SEPARATING PARTY AND GOVT: MAJOR PLANK IN REFORM PROCESS WAS TO REMOVE PARTY FROM DAY-TO-DAY ECON DECISION MAKING. PARTY HAS NOW, FOR INSTANCE, DISSOLVED ITS LEADERSHIP GROUPS IN MOST MINISTRIES AND SPECIAL DEPTS WITHIN PROV PARTY CTTEES IN CHARGE OF GOVT AFFAIRS. IT IS ALSO BECOMING LESS ACCEPTABLE TO HOLD IMPORTANT POSITIONS IN PARTY AND GOVT SIMULTANEOUSLY. THE PRESENT HUNAN PARTY CHIEF RECENTLY RESIGNED AS PROVINCIAL GOVERNOR AS HE APPARENTLY COULD NOT/NOT CONCURRENTLY HOLD BOTH POSITIONS. ANOTHER PROVINCIAL GOVERNOR IN NW CHINA WAS BANNED FROM SEEKING PROVINCIAL PARTY CTTEE MEMBERSHIP. IN SEP88, ONLY TIANJIN, JILIN AND ANHUI STILL HAD ONE INDIVIDUAL SHARING TOP PARTY AND GOVT POSTS. AT HIGHEST LEVEL HOWEVER, EXTENSIVE OVERLAPPING REMAINS INTACT. LI PENG IS BOTH PREMIER AND POLITBURO STANDING CTTEE MEMBER. VICE PREMIER YAO YILIN IS ALSO POLITBURO STANDING CTTEE MEMBER. OTHER EXAMPLES ABOUND. IN IN POLICY THAT OFFICIALLY BEGAN IN 1988, PARTY LEADERS AT FACTORIES

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WERE MEANT TO SURRENDER THEIR AUTHORITY TO FACTORY DIRECTORS. HOWEVER, PEASANT DAILY REPORTS THAT OF 193 RURAL ENTERPRISES POLLED RECENTLY IN JIANGXI, 90 PERCENT OF ALL APPOINTMENTS AND REMOVALS WERE MADE BY PARTY OFFICIALS.

6. DELEGATING POWERS TO LOWER LEVELS: WHILE CENTRAL GOVT HAD SUCCEEDED IN DEVOLVING SIGNIFICANT ECON POWERS TO LOWER LEVELS, POLICIES SINCE 3RD PARTY PLENUM IN OCT88 HAVE PARTIALLY REVERSED PROCESS AS CENTRAL GOVT SEEKS TO REGAIN CONTROL OVER MACROECONOMIC SITU. DECENTRALIZATION HAD LED TO ALARMING INCREASE IN INVOLVEMENT OF LOCAL LEVEL PARTY OFFICIALS IN GRASSROOTS ECONOMY, CREATING OUTBREAK OF OFFICIAL CORRUPTION. NOW IMPORTANT DECISIONS CONCERNING LOCAL INVESTMENT, ALLOCATION OF RESOURCES, CREDIT AND PRICING MUST BE APPROVED BY PEKIN. THIS IS UNLIKELY TO CHANGE AGAIN FOR SOME YEARS.

7. REFORM OF GOVT ORGANS: PROGRESS HAS BEEN MADE AT STATE COUNCIL LEVEL BUT IT IS FAR FROM RADICAL. MINISTRIES, COMMISSIONS AND BUREAUX HAVE BEEN REDUCED FROM 71 TO 68, AND NON-STANDING ORGS HAVE FALLEN FROM 75 TO 44. OF 10,000 PEOPLE MADE REDUNDANT (FROM ORIGINAL 50,000) HALF RETIRED AND REST WERE REASSIGNED TO INVESTMENT CORPS, ETC. STREAMLINING OF 500,000 STAFF BELONGING TO RESEARCH INSTITUTES, ASSNS AND CENTRES ATTACHED TO MINISTRIES WILL LIKELY BE NEXT STEP. HOWEVER, PROVINCIAL AND LOCAL GOVT

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RESTRUCTURING, WHICH WAS TO HAVE STARTED LATER THIS YEAR, HAS NOW BEEN POSTPONED.

8. REFORMING CADRE PERSONNEL SYSTEM: UNDER TRADITIONAL CADRE MGMT SYSTEM, CADRE IS ENTITLED TO ARRAY OF POL, ECON AND SOCIAL PRIVILEGES ACCORDING TO RANK -- ACCESS TO DOCUMENTS, TRANSPORTATION, HOUSING, OFFICE, PROTOCOL, CUSTOMS PRIVILEGES, MEDICAL SERVICES, SUPPLIES OF SCARCE GOODS AND, AFTER RETIREMENT, PENSIONS, TRANSPORTATION, FUNERAL STANDARDS AND EVEN LOCATION OF CREMATION REMAINS. OVERWHELMING ATTRACTIONS OF CADRE STATUS LED TO QUESTIONABLE HIRING PROCEDURES AND OVERSTAFFING. WHILE IT WILL BE NEARLY IMPOSSIBLE TO RETIRE MOST OF THOSE WHO ALREADY HAVE CADRE STATUS, SOME NOTABLE PROGRESS HAS BEEN MADE IN INTRODUCING FIRST ELEMENTS OF CIVIL SERVICE SYSTEM. THOUSANDS OF NEW ENTRANTS HAVE RECENTLY BEEN SELECTED THROUGH PUBLIC EXAMINATIONS AND IN PEKIN, FOR INSTANCE, STAFF IN ENTERPRISES AND INSTITUTIONS (AS OPPOSED TO MINISTRIES) ARE SOON TO BE PAID ACCORDING TO CONTRACTS DEFINED BY THEIR JOBS RATHER THAN THEIR STATUS OF CADRE RANKING. NEVERTHELESS, IT WILL TAKE SOME TIME FOR THESE REFORMS TO MAKE THEMSELVES FELT AS RESULT OF THEIR GRADUAL IMPLEMENTATION. STATE CIVIL SERVICE SYSTEM AT CENTRAL AND PROVINCIAL LEVELS IS PLANNED TO BE OPERATIONAL BY 1992. CHINA'S NEW PROVINCE OF HAINAN MAY BE ABLE TO MAKE FASTER PROGRESS AS IT HAS ALREADY SET UP GOVT WITH SIGNIFICANTLY FEWER

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DEPTS THAN PROVINCIAL AVERAGE; SEVEN MASS ORGANIZATIONS, PREVIOUSLY PLART OF GOVT, HAVE ALSO BEEN TOLD TO BECOME AUTONOMOUS, SELF-SUPPORTING UNITS.

9. ESTABLISH SYSTEM OF CONSULTATION AND DIALOGUE: PROGRESS IS EVIDENT IN TERMS OF DEGREE OF CONSULTATION WITH DIFFERENT INTEREST GROUPS AND OFFICIALS (EG, LI PENG'S WORK REPORT TO THIS MONTH'S NPC RECEIVED BENEFIT OF INPUT FROM PROVINCIAL LEADERS, NON-COMMUNIST PARTIES, INTELLECTUALS, RELIGIOUS LEADERS AND OTHERS, AND FINAL DOCUMENT BORE IMPRINT OF EXTENSIVE CONSULTATION). NEWSPAPERS HAVE BEEN ALLOWED TO PUBLISH A WIDER VARIETY OF OPINION AND THERE HAVE BEEN GREATER EFFORTS TO EXPLAIN POLICY THROUGH PRESS CONFS.

10. IMPROVING SYSTEMS RELATED TO SOCIAL DEMOCRACY: UNDER THIS RUBRIC, ZHAO ZIYANG PROPOSED A NUMBER OF CONCRETE IDEAS: THAT NPC AND ITS STANDING CTTEE SHOULD BE STRENGTHENED AND MEMBERS SHOULD SERVE FULL-TIME. WHILE LATTER HAS NOT/NOT OCCURRED, A DRAFT LAW IS PRESENTLY UNDER CONSIDERATION THAT IS DESIGNED TO INSTITUTIONALIZE NPC'S ROLE OF SUPERVISION AND CONSULTATION (WILL REPORT ON DETAILS WHEN AVAILABLE). IDEA OF MULTI-PARTY COOPERATION AND CONSULTATION UNDER CCP WAS ALSO RAISED. ZHAO NOW HEADS A LEADING GROUP WHOSE TASK IT IS TO DEVISE A WORKABLE SYSTEM. WITHIN LAST TWO WEEKS IT WAS ANNOUNCED THAT TWO NEW NON-COMMUNIST VICE-MINISTERS HAD BEEN APPOINTED AND THAT A NUMBER OF FULL MINISTERIAL JOBS WOULD BE GIVEN

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TO MEMBERS OF NON-COMMUNIST PARTIES LATER THIS YEAR. ELECTIONS TO NPC NOW INCLUDE REPRESENTATIVES FROM DIFFERENT WALKS OF LIFE AS WELL AS DISTRICTS. ELECTORAL LISTS INCLUDE MORE THAN ONE CANDIDATE PER POSITION BUT IT IS RARE THAT NON-PARTY NOMINEES ARE ELECTED. ELECTIONS ARE SUFFICIENTLY WELL CONTROLLED THAT THEY DO NOT/NOT ELICIT ANY ENTHUSIASM FROM VOTERS. NPC ELECTIONS ARE INDIRECT; ONLY LOCAL ELECTIONS ARE DIRECT.

11. STRENGTHENING SOCIALIST LEGAL SYSTEM: OURTEL WJGR3202 15MAR, DEALT WITH THIS ASPECT. NEW LAWS AND PROCEDURES ARE BEING DEVELOPED BUT REFORMS SO FAR ARE CONFINED TO UPDATING AND GAP-FILLING RATHER THAN TACKLING FUNDAMENTAL ISSUES SUCH AS JUDICIAL INDEPENDENCE.

12. MAIN THRUST OF POLITICAL REFORM NOW IS TO MAKE PARTY AND GOVT MORE OPEN. LEADERSHIP HOPES THEREBY TO CURB OFFICIAL CORRUPTION. CONSULTATION WITH AND PARTICIPATION BY NON-COMMUNISTS IS ALSO BEING ENCOURAGED IN ORDER TO ENHANCE LEGITIMACY OF CCP RULE. BOTH ZHAO ZIYANG AND BAO TONG, DIRECTOR OF PARTYS RESEARCH CENTRE FOR POLITICAL REFORM, HAVE PRAISED EXAMPLE OF CITIES AND COUNTIES THAT HAVE PUBLICIZED DETAILS OF ADMINISTRATIVE AFFAIRS (INCLUDING LOANS, LICENSING, ALLOCATION OF FARM GOODS, ETC), AS THIS HAS APPARENTLY LED TO A NOTICEABLE DROP IN CORRUPTION IN THOSE JURISDICTIONS. GOVT AND PARTY SPOKESMEN ARE ALSO LOOKING TO PRESS, TO NPC AND CPPCC TO EXERCISE SUPERVISORY ROLE ON GOVT AFFAIRS. BUT

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EXTENT TO WHICH REAL SUPERVISION CAN BE EXERCISED WILL DEPEND ON WHAT SORT OF LAWS EMERGE FROM CURRENT NPC. GENUINE SUPERVISION IS UNLIKELY.

13. CONSULTATION WITH AND PARTICIPATION OF NON-COMMUNISTS IS ALSO BEING ENCOURAGED IN ORDER TO ENHANCE LEGITIMACY OF CCP ROLE. FACED WITH PUBLIC PERCEPTION OF CCP AS CORRUPT AND SELF-SERVING, THIS HAS BECOME URGENT MATTER. COOPERATION WITH NON-COMMUNISTS WILL ALSO OPEN UP GOVT TO MORE TALENT, AND IT WILL BE SYMBOLICALLY IMPORTANT IN PROMOTING CHINAS POLICIES ON HKONG AND TAIWAN. MANY OF CHINAS INTELLECTUALS ARE KEEN TO SEE EVOLUTION TOWARDS MORE DEMOCRATIC POL SYSTEM AND EAGERLY FOLLOW DEVELOPMENTS IN E EUROPE. HOWEVER, SO DO CHINAS LEADERS, AND THEY ARE FAR FROM READY TO PERMIT KIND OF POWER SHARING THAT HS DEVELOPED IN HUNGARY AND POLAND.

14. WHAT CHINESE LEADERS ARE REALLY LOOKING FOR IS A TYPE OF SUPERVISION THAT WOULD KEEP GOVT AND PARTY HONEST BUT AT SAME TIME NOT/NOT ENDANGER PARTYS MONOPOLY OF POWER. THIS, FOR EXAMPLE, IS ESSENTIAL PROBLEM IN REFORMING NPC, THEORETICALLY HIGHEST ORGAN OF STATE POWER BUT WHICH IN FACT PLAYS RUBBER STAMP ROLE FOR PARTY AND GOVT POLICIES. AS ZHAO ZIYANG PUT IT IN 1987, THROUGH LAW QUOTE WHAT PARTY ADVOCATES BECOMES WILL OF STATE UNQUOTE. IN ORDER TO ENSURE THIS, NPC DELEGATES ARE ONLY INDIRECTLY ELECTED. WHILE DELEGATES ARE THEORETICALLY PERMITTED TO VOICE OPINIONS FREELY

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(LAST YEARS CONGRESS SAW PROGRESS IN THIS RESPECT), THERE ARE REPORTEDLY STRONG PRESSURES BEING EXERTED ON DELEGATES TO THIS YEARS CONGRESS TO REFRAIN FROM BEING TOO CONTROVERSIAL. ACCORDING TO DRAFT LAW ON NPC OPERATING PROCEDURES, NPC WILL HAVE CLEARLY DEFINED SUPERVISORY ROLE IN GOVT, BUT THIS ROLE WILL BE VITIATED BY SIMULTANEOUS VESTING OF MAJOR POWERS IN 162-MEMBER NPC PRAESIDIUM. SINCE BULK OF PRAESIDIUM MEMBERS ARE LEADING CENTRAL CTTEE AND STATE COUNCIL MEMBERS, THERE IS LITTLE LIKELIHOOD OF NPC BECOMING EFFECTIVE SUPERVISOR OF GOVT AND PARTY.

15. CONCLUSION: WITH CONCERN OVER CONTROLLING INFLATED ECONOMY LIKELY TO PERSIST FOR NEXT 2-3 YEARS, POL REFORM AS ADJUNCT TO ECON REFORM IS ON BACK BURNER. CONCERN OVER PARTY AND GOVT CORRUPTION, HOWEVER, IS FORCING LEADERSHIP TO FORMALIZE CONCEPT OF INSTITUTIONAL SUPERVISION BY VARIOUS BODIES INCLUDING PRESS, BUT IN SUCH A WAY THAT AUTHORITY OF CCP IS NOT DIMINISHED. LEGALIZATION OF PROCEDURES AND RIGHTS WILL BE KEY TO THIS PROCESS WHICH IS ALSO DESIGNED TO REMOVE ARBITRARINESS FROM GOVT. FINALLY, MEASURES TO FORMALIZE CONSULTATION WITH AND PARTICIPATION BY NON-COMMUNIST INDIVIDUALS AND POLITICAL GROUPS WILL BE ENACTED IN AN EFFORT TO PROMOTE IDEA OF MORE OPEN AND COOPERATIVE CCP. THOUGH REFORMS WILL HAVE MINIMAL EFFECT ON ACTUAL POLITICAL AGENDA, THEIR REAL AIM IS TO PROMOTE STABILITY AND AN IMAGE OF LEGITIMACY. UNDER CURRENT ECON SITUATION, NOTHING MORE SHOULD BE EXPECTED. BUT EVEN BEYOND PRESENT PERIOD OF AUSTERITY, IT IS DOUBTFUL WHETHER GENUINE DEMOCRATIC REFORM IS SERIOUSLY CONTEMPLATED.

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**ACTION
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FM PEKIN WJGR3236 22MAR89

TO EXTOTT PNR DELIVER BY 220900

INFO HKONG SHNGI

DISTR PGE PND PNC PGP CPP INP INE

REF YOURTEL PNR0606 21MAR

---PRC WEEKLY NEWS SUMMARY:16-22MAR

REFTEI RECEIVED LATE PM AND CAN THUS PROVIDE ONLY SMALLER NUMBER OF ITEMS FOR NAB.

POLITICAL

-OVER 90 PERCENT OF DEPUTIES TO NPC WANT MASS MEDIA TO BE MORE OPEN IN ORDER TO STRENGTHEN PRESS SUPERVISION AND TO REFLECT OPINIONS OF AVERAGE CHINESE.(XINHUA 17MAR)

-CHINA WILL INCREASE EDUCATION FUNDS BY 15 PERCENT THIS YEAR.
(XINHUA 17MAR)

-NON-COMMUNIST PARTIES ARE TO ESTABLISH REPORT AND COMPLAINT SYSTEM IN ORDER TO HELP SUPERVISE PERFORMANCE OF GOVT AND CCP.
(PEOPLES DAILY 17MAR)

-ZHAO ZIYANG HAS CALLED ON PARTY CTTEES AT ALL LEVELS TO PUT PARTY BLDG AT TOP OF THEIR AGENDA.(PEOPLES DAILY 16MAR)

ECONOMIC

-CONFUSING PLETHORA OF TRADE TALKS SPONSORED BY DIFFERENT CHINESE UNITS IS WEARING OUT BOTH DOMESTIC AND OVERSEAS INVESTORS.
according to (ECON

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PAGE TWO WJGR3236 UNCLAS

DAILY 16MAR)

-PEOPLES BANK TO INCREASE LOANS TOTALLING YUAN 5 BILLION TO AID MAJOR ENTERPRISES AND FARM PRODUCTION.(XINHUA 15MAR)

FOREIGN POLICY

-SINO-SOVIET PARTY RELNS TO RETURN TO NORMAL FOLLOWING SUMMIT IN MAY.(XINHUA 15MAR)

-THAI PM CHATICHAI CONCLUDED TALKS WITH CHINESE LEADERS.MAIN SUBJ WAS CAMBODIA.(REPORT TO FOLLOW).

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FM PEKIN WJGR3235 22MAR89

TO EXTOTT PNR DELIVER BY 220900

INFO TOKYO SEOUL MOSCO BNATO DELHI SPORE MANIL BNGKK KLMPR HKONG
CNBRA WLGTN ISBAD LDN WSHDC CIDA HULL BSC
TT NDHQOTT/DIPOL/CIS ADM/ DE CAF

BAG SHNGI DE PEK

DISTR PGB PND PNC PGP INP INE CPP PSR RBR

---1989 NPC THEME: STABILITY BEFORE REFORM

SUMMARY: IN CONTRAST TO LAST YEARS CALL TO SPEED UP REFORM, THIS
YEARS WORK REPORT BY PREMIER LI PENG AT OPENING OF 2ND ANNUAL
SESSION OF 7TH NATL PEOPLES CONGRESS STRESSED STABILITY, AND NEED
FOR CENTRAL GOVT TO REGAIN CONTROL OVER ECON POLICY. HOWEVER, THERE
WILL NOT/NOT BE RETURN TO OLD ECON MODE CHARACTERIZED BY
OVER-CENTRALIZATION AND EXCESSIVELY RIGID CONTROL. LI PENG'S WORK
REPORT TO NPC 20MAR MARKED CONTINUATION OF POLICIES SET OUT BY 3RD
PLENUM OF PARTY CENTRAL CTTEE IN SEP-OCT88. IMPROVING ECON
ENVIRONMENT, RECTIFYING ECON ORDER AND DEEPENING REFORM WERE
PRINCIPAL THEMES. IN PRACTICAL TERMS, REPORT EMPHASIZED NEED TO
ACCEPT THREE POINTS: UPHOLD AUTHORITY OF CCP CENTRAL CTTEE AND
STATE COUNCIL; SUBORDINATE LOCAL INTERESTS TO NATL INTEREST; AND
MENTALLY PREPARE FOR QUOTE A FEW YEARS OF AUSTERITY UNQUOTE. MAJOR
ASPECTS OF REFORM PROGRAM WILL BE ON HOLD.

2. REPORT:

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LEADERSHIP: ANALYSTS HAD EXPECTED THAT ADDRESS WOULD PROVIDE OPPORTUNITY FOR LI PENG TO PUT BLAME FOR CHINAS ECON PROBLEMS ON PARTY SEC GEN ZHAO WHOSE POLICIES AS FORMER PREMIER WERE IN LARGE PART RESPONSIBLE FOR PRESENT SITUATION. HOWEVER, LIS CRITICISM WAS RELATIVELY RESTRAINED. TENOR OF CRITICISM UNDERLINED COLLECTIVE RESPONSIBILITY FOR NATL POLICIES, WHILE LAUDING QUOTE CORRECTNESS OF THE LINE UNQUOTE PURSUED SINCE 1978 (A TIP OF THE HAT TO DENG XIAOPING WHO WAS NOT/NOT IN ATTENDANCE). LI ADMITTED QUOTE WE HAD SHORTCOMINGS AND MISTAKES IN OUR GUIDANCE OF THE WORK UNQUOTE. THERE WAS TENDENCY TO BE QUOTE TOO IMPATIENT FOR QUICK RESULTS UNQUOTE. QUOTE INSTEAD OF TAKING EFFECTIVE MEASURES IN GOOD TIME TO STABILIZE FINANCE AND CONTROL PRICES WHEN INFLATION WAS RATHER CONSPICUOUSLY FELT, WE RELAXED CONTROL ... UNQUOTE HE SAID. NEVERTHELESS, THESE ARE CRITICISMS THAT EVEN ZHAO PUBLICLY ADMITS AND IT IS DIFFICULT TO READ THEM AS DIRECT SNIPING AT PARTY SEC GEN. FURTHERMORE, POLICY WITH WHICH ZHAOS NAME HAS BEEN MOST CLOSELY ASSOCIATED IN RECENT YEARS -- COASTAL DEVELOPMENT STRATEGY -- WAS CLEARLY EMPHASIZED AND JUSTIFIED WITHIN ORVERALL ECON PROGRAM. THESE ARE ALSO CLEAR INDICATIONS THAT WHATEVER POLICY DISAGREEMENTS EXIST WITHIN POLITEURO, ZHAOS POSITION AS SEC GEN REMAINS SECURE FOR NOW. 3. TWO-THIRDS OF LIS SPEECH DEALT WITH THE ECONOMY. LIS SUMMARY OF THE MAJOR ECON PROBLEMS WAS VIRTUALLY IDENTICAL TO THE PREVIOUS ...3

PAGE THREE WJGR3235 CONF D

YEAR: INFLATION, EXCESSIVE INVESTMENT IN FIXED ASSETS, CONSUMER DEMAND OUTSTRIPPING SUPPLY, EXCESSIVE ISSUE OF CURRENCY AND BANK CREDITS, AND THE BUDGET DEFICIT. THIS YEAR HOWEVER HE ACKNOWLEDGED THAT RATE OF INFLATION WAS QUOTE BEYOND ENDURANCE BY MASSES, ENTERPRISES AND STATE UNQUOTE.

4. LI REAFFIRMED THE ANALYSIS OF THE ECONOMY MADE BY THE CENTRAL CTTEE AT ITS THIRD PLENUM (SEP88). IN 1989 OVERALL THEME WILL BE IMPROVING AND DEVELOPING REFORM MEASURES UNDER EXECUTION. FOR THE NEXT TWO YEARS OR MORE, GOAL IS TO RECTIFY THE ECONOMY. IN DOING SO GOVT WILL:

- DEVELOP THE CONTRACT MANAGERIAL RESPONSIBILITY SYSTEM;
- IMPROVE MACROECONOMIC REGULATION;
- CREATE AN ORDERLY MARKET;
- AMELIORATE PROBLEMS CAUSED BY UNFAIR DISTRIBUTION OF INCOME THROUGH TAXATION.

A MORE SPECIFIC LIST OF THE GOALS FOR 1989 FOLLOWS.

5. IT IS WORTH NOTING THAT IN THIS YEARS SPEECH THERE IS LITTLE MENTION OF THE NEED TO RALLY THE PEOPLE TO SUPPORT REFORM. QUOTE THE DRIVE TO IMPROVE THE ECONOMIC ENVIRONMENT AND RECTIFY THE ECONOMIC ORDER FOLLOWS THE GENERAL DIRECTION OF REFORM. WE SHALL NEVER RETURN TO THE OLD ECONOMIC MODE CHARACTERIZED BY OVER-CENTRALIZED, EXCESSIVE AND RIGID CONTROL, NOR SHALL WE ADOPT

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PRIVATE OWNERSHIP, NEGATING THE SOCIALIST SYSTEM UNQUOTE. REFORM IS A GIVEN BUT THE LEADERSHIP NO/NO LONGER HAS ROSE-COLOURED GLASSES. MANY MEASURES ANNOUNCED THIS YEAR ARE DESIGNED TO ADDRESS THE UNANTICIPATED RESULTS OF PREVIOUSLY ANNOUNCED PROGRESSIVE POLICIES. SO WHERE LAST YEAR ENTERPRISES WERE TO BE GIVEN COMPLETE POWER TO MAKE DECISIONS REGARDING WAGE SCALES AND WORKERS BONUSES, THIS YEAR THE GOVT IS TO PUT AN END TO INDISCRIMINATE DISTRIBUTION OF WAGES AND SUBSIDIES, TIGHTEN CONTROL OVER THE SUPERVISION OF FUNDS RAISED BY ENTERPRISES THEMSELVES AND LEVY A BONUS TAX AND REGULATORY TAX ON WAGES.

6. THE GOVT IS ALSO LESS PREPARED TO TAKE ON ADDITIONAL FINANCIAL BURDENS. LAST YEAR REFORM OF THE SOCIAL SECURITY WAS TO BE ACCELERATED. NOW LI ENCOURAGES SURPLUS STAFF MEMBERS TO BE PROVIDED WITH JOBS WITHIN THE ENTERPRISE RATHER THAN SHIFTING THE BURDEN ON TO SOCIETY.

7. LI'S SPEECH THIS YEAR GIVES A MORE SOPHISTICATED TREATMENT OF RELNS BETWEEN THE CENTRAL AND LOCAL GOVTS. IN ORDER TO CONCENTRATE ON THE ECONOMY, STRUCTURAL REFORM OF PROVINCIAL, MUNICIPAL AND AUTONOMOUS REGIONAL GOVTS ANNOUNCED AT 1988 NPC AND SCHEDULED TO BEGIN 1989 WILL BE POSTPONED. THE GOVT WILL BE CLARIFYING THE FINANCIAL RELATIONSHIPS BETWEEN CENTRAL AND LOCAL AUTHORITIES. IT APPEARS THAT LOCAL GOVTS WILL HAVE TO TAKE ON THE RESPONSIBILITY

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FOR MORE EXPENDITURES AND MAY HAVE TO REMIT MORE OF THEIR TAXES TO THE CENTRAL GOVT. LI NOTES THAT QUOTE THE PERCENTAGE OF CENTRAL GOVTS REVENUES TO TOTAL STATE REVENUES IS ON THE LOW SIDE, HENCE THE NEED TO TAKE EFFECTIVE MEASURES TO READJUST THE DISTRIBUTION PATTERNS UNQUOTE.

8. SPECIFIC GOALS: ALMOST ALL THE POINTS BELOW WERE MADE IN ZHAO ZIYANG'S REPORT TO THIRD PARTY PLENUM IN SEP88.

-INFLATION: TO BE LOWER IN 1989 THAN 1988 AND STILL LOWER THAN IN 1987.

-INVESTMENT IN FIXED ASSETS: TOTAL INVESTMENT TO BE CUT BY 21 PERCENT (CUT IS YUAN 92 BILLION)

-INVESTMENT BY STATE ENTERPRISES WILL BE CUT 19 PERCENT (YUAN 51 BILLION).

-INSTITUTIONAL SPENDING: CUT 20 PERCENT FROM 1988 LEVEL.

-TAXES: TAX COLLECTION TO RECEIVE MORE ATTN.

-WAGES: METHOD OF ISSUING WAGES AND BONUSES IN ENTERPRISES IS TO BE IMPROVED, IE, STANDARDIZED AND RATIONALIZED.

-REDUCE THE DEFICIT.

-PRICE CONTROL: MUST ADHERE TO CEILING PRICES FIXED.

-LARGE AND MEDIUM SIZED CITIES ARE EXPECTED TO ENSURE SUPPLY OF MAJOR NON-STAPLE FOODS (MEAT, EGGS, VEGETABLES) AND DAILY NECESSITIES BY FOSTERING PRODUCTION AND GIVING SUBSIDIES.

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-FOR MAJOR COMMODITIES ENTERPRISES MUST APPLY FOR PERMISSION TO INCREASE PRICES.

-TRADE: INCREASE THE PRODUCTION OF IMPORT SUBSTITUTES AND MAKE MORE MECHANICAL AND ELECTRONIC PRODUCTS ITSELF.

9. STRUCTURAL READJUSTMENT: ALL LOCALITIES ARE TO CARRY OUT TO THE LETTER THE STATE COUNCIL PUBLICATION QUOTE DECISION ON THE MAIN POINTS OF CURRENT INDUSTRIAL POLICIES UNQUOTE.

-AGRICULTURE: WAS DESCRIBED AS THE WEAKEST LINK IN THE ECONOMY. LI ANNOUNCED THAT THE AGRICULTURAL BANK AND CREDIT COOPERATIVES WOULD INCREASE LOANS BY 63 PERCENT OVER 1988.

-PRICES FOR COTTON (IN ADDITION TO PREVIOUSLY ANNOUNCED GRAIN PRICES) WILL BE INCREASED.

-RURAL ENTERPRISES WILL EXPAND MORE SLOWLY AND ARE TO RAISE MOST OF THEIR FUNDS THEMSELVES.

-GROWTH OF PROCESSING INDUSTRIES WILL BE CONTROLLED.

-EMPHASIS WILL BE PUT ON INCREASING PRODUCTION ENERGY, TRANSPORTATION, COMMUNICATIONS AND MAJOR RAW MATERIALS.

-BECAUSE OF THEIR CONSUMPTION OF ENERGY, REDUCE PRODUCTION AND CONSTRUCTION OF SMALL CALCIUM CARBIDE PLANTS, FERRO-ALLOY PLANTS, BLAST FURNACES, ELECTRIC FURNACES, ALUMINUM ELECTROLYTIC PLANTS AND INDIGENOUS OIL REFINERIES WHICH CONSUME HIGH AMOUNTS OF ENERGY AND ARE LOW IN ECONOMIC EFFICIENCY AND POLLUTE.

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10. EDUCATION: LARGE SECTION OF REPORT WAS DEVOTED TO EDUCATION AND DEVELOPMENT OF SCIENCE AND TECHNOLOGY. IN GENERAL, SAID LI PENG, EDUCATION STILL LAGS BEHIND OTHER FIELDS OF ENDEAVOUR. HE PROMISED THAT STATE EDUCATION COMMISSION WOULD LOSE NO/NO TIME IN DRAWING UP OUTLINE OF REFORM OF CHINESE EDUCATIONAL SYSTEM TO END OF CENTURY. REPORT CONFIRMED THAT DESPITE CUTS IN OTHER AREAS, EDUCATION BUDGET WOULD BE INCREASED BY 15.4 PERCENT, YUAN 5 BILLION MORE THAN LAST YEAR. WHILE RECOGNIZING THAT THIS WAS STILL INSUFFICIENT TO MEET NEEDS, PREMIER LI SAID IT WAS BEST GOVT COULD DO UNDER PRESENT BUDGETARY CONDITIONS. HOWEVER, NO/NO NEW INITIATIVES WERE ANNOUNCED TO MEET CONCERN OF MAJORITY OF DEPUTIES THAT CHINAS EDUCATIONAL SYSTEM IS BACKWARD AND BADLY UNDERFUNDED.

11. FINAL SECTION OF REPORT STRESSED NECESSITY OF CREATING STABLE SOCIAL AND POLITICAL ENVIRONMENT. LI MAINTAINED THAT MAJOR STEPS HAD BEEN TAKEN IN SEPARATING PARTY AND GOVT, RESTRUCTURING GOVT ORGS AND ESTABLISHING QUOTE ADEQUATE UNQUOTE LEGAL SYSTEM. LI PENG CALLED FOR PERFECTING SYSTEM OF MULTI-PARTY COOPERATION AND CONSULTATION UNDER LEADERSHIP OF CCP AND STATE. HE SAID DEMOCRATIC PARTIES, PATRIOTS WITHOUT PARTY AFFILIATION AND MASS ORGS WOULD PARTICIPATE FULLY IN ADMIN OF STATE AFFAIRS AND IN DEMOCRATIC SUPERVISION. WHILE STRUCTURAL REFORM OF STATE COUNCIL HAD BEEN COMPLETED, TASK OF CONSOLIDATION AND RECTIFICATION WOULD ABSORB ALL ...8

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ENERGIES. AS RESULT, STRUCTURAL REFORM OF PROVINCIAL, MUNICIPAL AND AUTONOMOUS REGIONAL GOVTS, PLANNED FOR THIS YEAR, HAS BEEN TEMPORARILY POSTPONED.

12. CORRUPTION: ESTABLISHING QUOTE CLEAN UNQUOTE GOVT WAS EMPHASIZED AND PROCURATORIAL DEPTS WILL BE EXPECTED TO SHIFT FOCUS OF WORK TO INVESTIGATING AND PUNISHING CORRUPTION. CASES OF WIDESPREAD SIGNIFICANCE ARE TO BE HANDLED IN PUBLIC AS A DETERRENT (THIS SAYS SOMETHING ABOUT CHINAS LEGAL PROCESS). EMPHASIZING SOCIAL AND PROFESSIONAL ETHICS ALSO RECEIVED ATTN.

13. CULTURE: IN CULTURAL FIELD, CALL WAS FOR SERVING SOCIALISM AND ADHERING TO PRINCIPLE OF LETTING 100 FLOWERS BLOOM.

14. POPULATION: PREMIER LI RECOGNIZED THAT CHINA WAS NOW IN QUOTE PERIOD OF BABY BOOM UNQUOTE AND THAT THIS WAS SERIOUS OBSTACLE TO PROGRESS. HE CALLED FOR STRENGTHENING OF BIRTH CONTROL POLICIES, SAYING THAT FAMILY PLANNING SHOULD BE ENCOURAGED AMONG MINORITY NATIONALITIES.

15. DEFENCE AND FOREIGN POLICY: TREATMENT OF DEFENCE AND FOREIGN POLICY ISSUES WAS UNREMARKABLE EXCEPT THAT THEME OF FOREIGN INTERFERENCE AND NATL UNITY STOOD OUT IN OTHERWISE STANDARD OUTLINE OF CHINAS FOREIGN POLICY POSITIONS AND RECENT SUCCESSES. PLA WAS PRAISED FOR ITS EFFORTS TO MODERNIZE AND FOR ITS HELP IN DISASTER RELIEF. HOWEVER, ARMED FORCES MUST CONTINUE TO SUBORDINATE THEIR

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INTERESTS TO OVERALL INTEREST OF NATL ECON DEVELOPMENT.

16.ON TIBET,LI STATED THAT POLICIES TO PROMOTE ECON AND CULTURAL DEVELOPMENT,PROTECT RELIGIOUS FREEDOM AND RESPECT FOR LOCAL CUSTOMS WOULD NOT/NOT CHANGE.GOV'T WAS WILLING TO NEGOTIATE WITH DALAI LAMA.ASSERTION OF RIGHT TO CHINESE TERRITORIAL INTEGRITY AND CONDEMNATION OF FOREIGN SUPPORT FOR TIBETAN SEPARATISTS WAS TWICE PUNCTUATED BY APPLAUSE.

17.TAIWAN:DELEGATES CLAPPED LOUDLY AFTER CALL FOR ENDING OF TAIWANS POLICY OF QUOTE NO/NO CONTACT,NO/NO TALKS,NO/NO COMPROMISES UNQUOTE AND REUNIFICATION.TAIWANESE INVESTORS WERE WELCOMED.

18.USA:APPLAUSE SIMILARLY GREETED STATEMENT ON USA RELNS WHICH ENDED WITH WARNING TO REFRAIN FROM INTERFERING WITH CHINAS INTERNAL AFFAIRS LEST EXISTING FRIENDLY RELNS BE IMPAIRED.

19.USSR,REPORT SAID SOVIETS HAVE DUTY TO CONTINUE EFFORTS TOWARDS COMPLETE WITHDRAWAL OF VIET TROOPS FROM KAMPUCHEA AND POL SETTLEMENT.SUBSTANTIVE PROGRESS WAS NOTED ON REMOVAL OF QUOTE THREE MAJOR OBSTACLES UNQUOTE AND NORMALIZATION OF RELNS.

20.JPN:RELNS WITH JPN WERE SAID TO BE GOOD BUT REPORT ADDED THAT QUOTE WAR OF AGGRESSION LAUNCHED BY JPNSE MILITARISTS BROUGHT UNTOLD DISASTER TO CHINESE PEOPLE AND NATURE OF WAR BROOKS NO/NO ALTERATION UNQUOTE(LOUD APPLAUSE).

21.EMPHASIS ON NATL UNITY AND NON-INTERFERENCE IN FOREIGN POLICY

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PAGE TEN WJGR3235 CONFD

ISSUES SUCCEEDED IN AROUSING SENSE OF NATL FEELING FROM DELEGATES
IN WHAT WAS OTHERWISE SOMBRE RECITATION OF MEASURES TO ENCOURAGE
AUSTERITY AND EMPHASIZE DISCIPLINE. WHILE REFORM REMAINS ULTIMATE
GOAL OF LEADERSHIP, TERM HAS NOW ACQUIRED SUCH ORTHODOXY THAT ITS
REAL MEANING IS INCREASINGLY OPEN TO QUESTION--A REFLECTION OF
FUNDAMENTAL DISAGREEMENTS WITHIN LEADERSHIP OVER CHINAS ULTIMATE
POL/ECON REFORM GOALS.

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**ACTION
SUITE A DONNER**

C O N F I D E N T I A L

FM PEKIN WJGR3231 21MAR89

TO EXTOTT (PNR)

INFO HKONG ADDIS DAKAR LAGOS ACCRA KNSHA ABDJN DSLAM YUNDE HRARE

NROBI LSACA CPTWN

BAG CNAKY DE DKR LBRVE DE PAR

DISTR PGP CFX BKA GAA GAF GAD INP IMH

REF OURTEL WJGR3016 12JAN

---AFRICAN STUDENTS LEAVE CHINA

RETURN TO RENOYER AU	BICO	FOR FILING POUR - ETRE PORTE AU DOSSIER
ACC	REF	DATE
59543	890323	
FILE	DOSSIER	
20-CHINA-1-4		

ON 15MAR, TWO SENEGALESE FLEW HOME FROM CHINA. THEY WERE PART OF GROUP OF 18/18 AFRICAN STUDENTS WHO INTEND TO LEAVE CHINA SHORTLY BECAUSE OF QUOTE ATMOSPHERE OF RACISM AGAINST BLACKS UNQUOTE IN CITIES AND ON CAMPUSES WHERE AFRICANS WERE STUDYING. FOLLOWING CLASHES BETWEEN AFRICANS AND CHINESE AT HEHAI UNIV AND ANTI-BLACK DEMOS IN NANJING IN JAN (SEE REFTTEL) MANY OF 1,500 AFRICANS STUDYING IN CHINA WANTED TO LEAVE.

2. ACCORDING TO DEL OF AFRICAN STUDENTS WHO CALLED ON US IN JAN TO EXPLAIN SITU AND SEEK SUPPORT, ATMOSPHERE ON SOME CAMPUSES WAS SO POISONED THAT CHINESE TEACHERS WERE OBLIGED TO GIVE SEPARATE CLASSES TO AFRICANS IN THEIR DORMITORIES. AFRICAN STUDENTS CIRCULATED COPY OF LET TO NANJING FOREIGN AFFAIRS OFFICE ASKING FOR BETTER SECURITY FOR AFRICANS AND ALSO ASKED FOR SUPPORT FROM THEIR EMBS. AFRICAN EMES, HOWEVER, APPARENTLY REFUSED TO HELP STUDENTS

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PAGE TWO WJGR3231 CONF

AND ISSUED STATEMENTS THAT TENDED TO SUPPORT OFFICIAL CHINESE EXPLANATIONS OF EVENTS IN NANJING.

3. STUDENTS WERE OUTRAGED THAT THEIR EMBS PLACED HIGHER PREMIUM ON MAINTAINING SMOOTH BILATERAL RELNS (QUOTE AN INFECTED FRIENDSHIP UNQUOTE) THAN IN HELPING THEIR OWN NATLS TO RETURN HOME.

DECLARATION BY GENERAL UNION OF AFRICAN STUDENTS IN CHINA (NANJING) SAID THAT ALL EFFORTS TO KEEP THEM IN CHINA AGAINST THEIR WILL WAS BREACH OF HUMAN RIGHTS AND FORCED THEM TO CONCLUDE THAT THEY WERE BEING USED AS QUOTE TOOLS FOR PROPAGANDA UNQUOTE.

4. GABONESE EMB HAS, ACCORDING TO STUDENTS, TOLD ITS NATLS THAT THEY MUST STAY IN CHINA. SENEGALESE EMB, HOWEVER, SAID THAT TWO STUDENTS WHO HAVE LEFT HAD THEIR FARES PAID FOR BY EMB. THIS SEEMS TO INDICATE THAT EMBS WILL EXERT CONSIDERABLE PRESSURE ON THEIR NATLS TO REMAIN IN CHINA BUT WILL IN CERTAIN CIRCUMSTANCES AND IN QUIET WAY HELP SOME STUDENTS GO HOME.

CCC/078 210715Z WJGR3231

**Pages 125 to / à 127
are withheld pursuant to section
sont retenues en vertu de l'article**

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**of the Access to Information Act
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FM PEKIN WJGR3215 16MAR89

TO EXTOTT PNR DELIVER BY 160900

INFO EKONG SHNGI

DISTR PGE PND PNC PGP CPP INP INE

---PRC WEEKLY NEWS SUMMARY:09-15MAR

POLITICAL

RETURN TO RENYOYER AU		BICO		FOR FILING POUR - ETRE PORTE AU DOSSIER	
ACC	REF	DATE			
FILE	20 - China - 1 - 4			DOSSIER	

-IN AN ARTICLE FOR JOURNAL QUOTE CHINAS ECONOMIC RESTRUCTURING UNQUOTE LI PENG NOTED:IN CHINA HIGHLY CENTRALIZED ECDONOMIC MGMT AND A UNITARY PRODUCT ECONOMY HAVE HINDERED THE DEVELOPMENT OF PRODUCTIVE FORCES AND SHOULD BE ALTERED..THE FORM OF PUBLIC OWNERSHIP CAN CHANGE BUT ITS ESSENCE CANNOT/NOT..CHINA MUST CONTINUE TO TRY NEW REFORM MEASURES.11MAR XINHUA.

-THE STATE COUNCIL SPOKESMAN SAID CHINA WOULD CONTINUE TO PROMOTE POLITICAL REFORM AND BUILD SOCIALIST DEMOCRACY BUT WOULD NOT/NOT INTRODUCE WESTERN POLITICAL SYSTEMS UNSUITABLE FOR CHINAS ACTUAL CONDITIONS.14MAR XINHUA.

-THE STATE COUNCIL SPOKESMAN SAID THE ISSUE OF RELEASING POLITICAL PRISONERS IS OUT OF THE QUESTION BECAUSE THERE ARE NO/NO POLITICAL PRISONERS IN CHINA.CHINA WAS NOT/NOT IN FAVOUR OF WRITING JCINT LETTERS,SPREADING THEM AND EXERCISING PRESSURE ON THE GOVT BY RESORTING TO FOREIGN FORCES.14MAR XINHUA.

-QUOTE IT IS IMPROPER TO CRITICIZE THOSE UNABLE TO KEEP PACE WITH

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PAGE TWO WJGR3215 UNCLAS

REFORM AT PRESENT AS BEING OSSIFIED IN THEIR THINKING OR PEOPLE WITH SOME RADICAL VIEWS AS PRACTICING BOURGEOIS LIBERALIZATION UNQUOTE SAYS THE COMMUNIST PARTY CENTRAL CTTEE IN A 6,000 WORD DOCUMENT ON LITERATURE AND THE ARTS. 11MAR CHINA DAILY.

FOREIGN POLICY

-CHINESE EMB IN MANILA SAID CHINA CANNOT/NOT ACCEPT THE QUOTE PHILLIPINE-TAIWAN BENEFICIAL RELATIONS ACT UNQUOTE. 14MAR CHINA DAILY.

-PRINCE SIHANOUK, SON SANN, AND KHIEU SAMPHAN HELD SUMMIT IN PEKIN 12MAR. 13MAR CHINA DAILY (SEE SEPERATE TEL).

ECONOMIC

-STATE COUNCIL SPOKESMAN NOTES PRICE REFORM WILL CONTINUE BUT AT A MUCH MORE CAUTIOUS AND SLOWER PACE. PRICE REFORM CAN ONLY GO AHEAD STEP-BY-STEP FOLLOWING THE GRADUAL CONTROL OF INFLATION. 15MAR CHINA DAILY.

-THE PEOPLES BANK OF CHINA WILL AUTHORIZE ISSUE OF YUAN 5 BILLION IN LOANS. YUAN 3 BILLION WILL BE ISSUED THROUGH THE INDUSTRIAL AND COMMERCIAL BANK TO A SPECIFIED 180 INDUSTRIES PROVIDED THEY ACT ACCORDING TO THEIR MANDATORY PLAN. 2 BILLION IS TO BE ISSUED THROUGH THE AGRICULTURAL BANK TO PURCHASE PESTICIDES, FERTILISER, PLASTIC SHEETING AND SEED. 15MAR PEOPLES DAILY.

-CHINA WILL ISSUE YUAN 5.5 BILLION IN TREASURY BONDS FROM 10MAR TO

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PAGE THREE WJGR3215 UNCLAS

30SEP.THE ANNUAL INTEREST RATE WILL INCREASE FROM 10 TO 14 PERCENT.09MAR PEOPLES DAILY.

-INDUSTRIAL OUTPUT IN FEB WENT UP ONLY 7.5 PERCENT WHEN COMPARED TO FEB88.THIS WAS THE LOWEST MONTHLY INCREASE SINCE 1986.09MAR CHINA DAILY.

-ONLY 20 OF YUAN 50 BILLION SAVED IN CAPITAL CONSTRUCTION CUTS CAME FROM PROJECTS ALREADY UNDER CONSTRUCTION.THIS ACCOUNTS FOR LESS THAN 25 PERCENT OF THOSE ORDERED SUSPENDED OR CANCELLED IN GOVT CUTBACKS.13MAR XINHUA.

-STATE COUNCIL ISSUED NEW DIRECTIVES ON INDUSTRIAL POLICY.USING CRITERIA OF MARKET DEMAND,TECHNOLOGICAL ADVANCE,POTENTIAL FOR EARNING FOREIGN CURRENCY AND ECONOMIC EFFICIENCY,INDUSTRIES THAT ARE TO BE SUPPORTED AND CONSTRAINED ARE CLEARLY DEFINED.14MAR ECONOMIC INFORMATION.

-THE STATE COUNCIL PROMULGATED A NEW SET OF RULES ON THE MGMT OF CHINESE INVESTMENT ABROAD.CHINESE FOREIGN EXCHANGE CONTROL DEPTS WILL EXAMINE SOURCES OF FOREIGN EXCHANGE.INVESTORS WILL BE REQUIRED TO PAY A GUARANTEE(5 PERCENT OF TOTAL SUM OF FEX IT PLANS TO INVEST ABROAD)TO ENSURE TIMELY REPATRIATION OF PROFITS AND OTHER FEX INCOME.12MAR CHINA DAILY.

-GOVT WILL INCREASE GRAIN PRICES BY 18 PERCENT IN APR.11MAR XINHUA.

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PAGE FOUR WJGR3215 UNCLAS

-THE ANNUAL AMOUNT OF GRAIN AVAILABLE TO EACH CHINESE PERSON HAS DECREASED BY 34.5 KG TO 359 KG IN THE LAST FOUR YEARS.08MAR XINHUA.

-CHINA WILL REDUCE PETROLEUM EXPORTS BY 5 PERCENT IN THE SECOND QUARTER OF THIS YEAR.09MAR XINHUA.

-BECAUSE OF POWER SHORTAGES AND TRANSPORTATION CONDITIONS, STEEL OUTPUT STARTED TO DROP FROM THE SECOND HALF OF LAST YEAR. MANY STEEL ENTERPRISES ARE WORKING AT 50-60 PERCENT OF CAPACITY.12MAR XINHUA.

-THE SHORTAGE OF COAL IS SERIOUSLY ENDANGERING SHNGIS INDUSTRIAL DEVELOPMENT.12MAR XINHUA.

MISCELLANEOUS

-CHINA IS BLDG STOREHOUSES FOR RADIOACTIVE WASTE IN ALL THE MAINLAND PROVINCES EXCEPT HAINAN AND TIBET. THEY ARE TO HELP TIGHTEN CONTROL ON DISCHARGE OF RADIOACTIVE WASTE BY AN ESTIMATED 1,000 INDUSTRIES AND RESEARCH ESTABLISHMENTS. SOME ACCIDENTAL POLLUTION BY RADIOACTIVITY HAS OCCURRED IN RECENT YEARS BECAUSE OF IMPROPER DUMPING.13MAR XINHUA.

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WILL EXPLOIT LOOPHOLES AND CHAOS WILL ENSUE. IN OTHER WORDS, ONLY WHEN CITIZENS ARE UNSURE OF EXTENT OF THEIR LIBERTY WILL THEY BEHAVE. TWO AND A HALF THOUSAND YEARS LATER, THIS ADVICE IS STILL BEING FOLLOWED IN PEKIN. A SECOND IMPORTANT POINT REGARDING CHINESE LAW IS THAT, UNLIKE THAT FOUND IN OTHER CIVILIZATIONS, INITIAL STIMULUS FOR ITS USE WAS NEITHER TO UPHOLD TRADITIONAL RELIGIOUS VALUES NOR TO PROTECT PRIVATE PROPERTY. ITS PRIMARY PURPOSE HAS ALWAYS BEEN POLITICAL: TO CONTROL.

3. THE TRADITIONAL CHINESE CONCEPT OF LAW CONTINUES TO INFLUENCE DRAFTING OF LEGISLATION TODAY: LAWS ARE OFTEN FORMULATED IN GENERAL OR ABSTRACT SETS OF PRINCIPLES WHOSE IMPLEMENTATION DEPENDS ON AN ARRAY OF SUBORDINATE REGS THAT ARE NOT/NOT ONLY INTERPRETED ALMOST EXCLUSIVELY BY GOVT INSTITUTIONS, BUT ARE ALSO UNAVAILABLE FOR PUBLIC CONSULTATION. TRADITIONAL THEORIES OF GOVT HAVE STRESSED FLEXIBLE ADAPTATION OF LAW TO CHANGING CIRCUMSTANCES. THUS LAW DRAFTERS TODAY ARE NOT/NOT ONLY INEXPERIENCED IN NEW AREAS OF LAW, BUT THEY ARE ALSO RELUCTANT TO BIND HANDS OF ADMINISTRATORS WITH STATUTES THAT, IN CHINESE CONTEXT, ARE OF AN EXPERIMENTAL NATURE.

4. WHILE TRADITIONAL THEORETICAL BASIS FOR CHINESE LAW CAN THUS BE SEEN TO POSE PROBLEMS OF TRANSPARENCY AND PRECISION, THIS HAS BEEN COMPOUNDED BY INFLUENCE OF SOVIET THEORY IN CHINA'S LEGAL EDUCATION. ACCORDING TO RECENT NEWS REPORT, LAW TEXTS USED IN UNIVERSITIES

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PAGE THREE WJGR3202 PROTECTED

STILL EMPHASIZE THAT QUOTE SOCIALIST LAW IS EPITOMY OF WILL OF RULING CLASS UNQUOTE AND THAT LAW IS TOOL TO CARRY OUT CLASS STRUGGLE. WITH SUCH THEORETICAL BASIS FOR POST-1949 LEGAL TRAINING, IT IS NO/NO WONDER THAT EDUCATION IS A CRITICAL AREA FOR LEGAL REFORM.

5. THOUGH CHINA IS BEGINNING TO MAKE PROGRESS ON THIS FRONT BY EXPOSING GRADUATES TO WESTERN LEGAL TRAINING IN CHINA AND THROUGH COOPERATIVE TRAINING PROGRAMS ABROAD (LAW FIRMS IN CDA HAVE BEEN INVOLVED), NUMBER OF PROPERLY TRAINED LAWYERS REQUIRED TO OPERATE A SOPHISTICATED LEGAL SYSTEM IS STILL WOEFULLY INADEQUATE. SHORTAGE OF PROFESSIONAL LAW DRAFTERS HAS MEANT THAT UNTIL RECENTLY, LEGALLY TRAINED PERSONNEL WERE NOT/NOT USUALLY EMPLOYED IN LEGISLATIVE DRAFTING. IN 1987, 106 MEMBER DRAFTING CTTEE OF THE CONSTITUTION DID NOT/NOT INCLUDE A SINGLE CONSTITUTIONAL LAW EXPERT. SINCE MOST LAWYERS WHO DO NOT/NOT WORK DIRECTLY FOR GOVT ARE MEMBERS OF FIRMS THAT ARE IN FACT RESPONSIBLE TO GOVT DEPTS, PERCEPTION OF LAWYERS BEING ABLE TO ADEQUATELY DEFEND LITIGANTS AGAINST GOVT BODIES IS UNDERSTANDABLY ABSENT. PRINCIPLE OF LAWYER AS OFFICER OF COURT ENGAGED IN ADVERSARIAL PROCESS IS NOT/NOT PROPERLY UNDERSTOOD AND DEFENCE LAWYERS ARE OFTEN PERCEIVED AS QUOTE ACCOMPLICES UNQUOTE OF ACCUSED. PRC LAWYERS COMMAND NEITHER SALARY NOR STATUS OF THEIR WESTERN COUNTERPARTS AND THIS HINDERS RECRUITMENT WITH RESULTING

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LOW EDUCATIONAL LEVELS.

6. IN AN IMPORTANT EXAMPLE OF CONFUSING NATURE OF CHINESE LEGISLATION IS UNCERTAIN LEGAL STATUS OF MOST LAWS HAVING TO DO WITH ECON REFORM. IN ORDER TO SHORTEN LEGISLATIVE PROCESS FOR ECON MATTERS, NATL PEOPLES CONGRESS IN 1984 DELEGATED AUTHORITY TO STATE COUNCIL TO ENACT REGS FOR FLEXIBLE IMPLEMENTATION OF LAWS AFFECTING ECON PROBLEMS AND COUNCIL WAS LATER PERMITTED TO ENACT REGS FOR REFORM OF INDUSTRIAL AND COMMERCIAL TAX SYSTEM. IN 1985 STATE COUNCIL WAS FURTHER GRANTED AUTHORITY TO ENACT REGS CONCERNING ECON REFORM AND OPENING TO FOREIGN COUNTRIES. IN THESE BROAD AREAS, STATE COUNCIL ENACTS REGS SIMILAR TO LAWS BUT THERE IS NO/NO CONCLUSIVE OPINION AS TO EXACT LEGAL STATUS OF THESE REGS--ARE THEY SUBORDINATE OR EQUAL TO NPC LAWS? FURTHERMORE, PRECISE LIMITS OF DELEGATED POWER, EITHER IN SUPJ MATTER OR IN DURATION ARE NOT/NOT SPECIFIED.

7. JURISDICTIONAL PROBLEMS ARE NATURALLY COMPOUNDED AT LOCAL LEVEL. LAST YEAR IT WAS REPORTED THAT LOCAL GOVTS HAD ENACTED UNAUTHORIZED TAX CONCESSIONS TO ATTRACT FOREIGN INVESTORS. IN MORE REMOTE AREAS, OFFICIALS OFTEN FOLLOW CCP POLICY DOCUMENTS RATHER THAN GOVT REGS SINCE FORMER ARE OFTEN CONSIDERED TO BE ULTIMATE SOURCE OF AUTHORITY (THEORETICALLY, PARTY POLICY IS FOUNDATION OF LAW). FINALLY, POOR ENFORCEMENT, EVEN IN AREAS UNDER CLOSE CENTRAL GOVT SUPERVISION, FURTHER ERODES AUTHORITY OF LEGAL SYSTEM

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GENERALLY.

8. CONCEPT OF TORT LAW IS NOT/NOT PROPERLY DEVELOPED. FOR EXAMPLE, IN CASE OF WORK-RELATED INJURY TO FACTORY EMPLOYEE, COURT IMPOSED SUM EXACTED FROM FACTORY IS CONSIDERED AS PUNISHMENT TO FACTORY RATHER THAN AS RETRIBUTION TO VICTIM.

9. IN CASES OF DISPUTE, IT IS WORTH NOTING THAT CHINAS COURTS CAN ONLY INTERPRET NPC LAWS AND ARE NOT/NOT ALLOWED TO INDEPENDENTLY DECIDE MEANING OF VAST MAJORITY OF CHINAS STATUTES--STATE COUNCIL REGS, MINISTERIAL REGS AND PROVINCIAL REGS. ONLY AFTER HAVING CONSULTED ISSUING BODIES FOR THEIR INTERPRETATION ARE COURTS PERMITTED TO DECIDE A CASE.

10. DESPITE FOREGOING DESCRIPTION WHICH, TO A WESTERN EYE, PRESENTS PICTURE OF CONTINUING BUREAUCRATIC OPACITY AND JURISDICTIONAL INCOHERENCE, THERE ARE NONETHELESS ENCOURAGING SIGNS OF CHANGE, PARTICULARLY REGARDING OPENNESS. THE LEGAL AFFAIRS BUREAU OF THE STATE COUNCIL IS CURRENTLY ENGAGED IN COMPILING AND PUBLISHING FOR FIRST TIME ALL OF CHINAS ADMINISTRATIVE REGS, CATEGORIZING THE REGS AND ENSURING THAT IT BE KNOWN WHICH ONES ARE ANNULLED OR NATURALLY EXPIRE. THIS WHEN COMPLETED WILL BE MAJOR STEP FORWARD IN MAKING CHINAS BODY OF LAWS ACCESSIBLE, PARTICULARLY TO FOREIGNERS.

HOWEVER, SMALL STAFF OF 100 (RISING SHORTLY TO 250) IS STILL NOT/NOT ABLE TO KEEP UP WITH MOUNTAIN OF WORK BEFORE IT--ONE OF

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PAGE SIX WJGR3282 PROTECTED

MAJOR HEADACHES IS DEALING WITH CONTRADICTIONARY PIECES OF LEGISLATION.

11. TRAINING IS ANOTHER AREA WHERE PROGRESS IS BEING MADE, BUT IT WILL BE SLOW. COURTS ARE BEGINNING TO INSTITUTE TRAINING PROGRAMS FOR JUDGES INCLUDING STINTS ABROAD FOR THOSE AT HIGHER LEVELS (ONE TENTATIVE PROPOSAL IS TO HAVE JUDGES TRAINED IN INNATL LAW IN CDA). LOW BASE FROM WHICH CHINA IS STARTING, HOWEVER, IS ILLUSTRATED BY REPORT THAT MUNICIPAL COURT OF KUNMING HOPES THAT BY 1990, 90 PERCENT OF ITS JUDGES WILL HAVE SOME POST-SECONDARY EDUCATION. NEVERTHELESS, IN 1988 NATION-WIDE EXAMINATIONS WERE FOR FIRST TIME ADMINISTERED TO 77,000 CANDIDATES WISHING TO SECURE LICENCES TO PRACTICE LAW. FIFTEEN PRIVATE PILOT LAW COOPERATIVES HAVE ALSO BEEN ESTABLISHED IN EFFORT TO BREAK GOVT MONOPOLY OF THE PROFESSION. BUT WITH ENTERPRISES ALL OVER COUNTRY CRYING OUT FOR LEGAL ADVISORS AND ONLY 5,000 LAWYERS BEING TRAINED PER YEAR, IT WILL TAKE A CENTURY FOR CHINA TO REACH 500,000 LEVEL THAT DENG XIAOPING REPORTEDLY WANTS UNLESS MORE TRAINING IS PROVIDED AND BETTER INCENTIVES TO BECOME A LAWYER ARE INSTITUTED.

12. SOME INTERESTING NEW PIECES OF LEGISLATION, IF ADOPTED, SHOULD ENHANCE PROTECTION OF INDIVIDUALS BEFORE THE LAW. MOST NOTABLE IS DRAFT ADMINISTRATIVE PROCEDURE LAW WHICH IS EXPECTED TO BE APPROVED DURING NEXT NPC SESSION LATER THIS MONTH. DRAFT, WHICH HAS

...?

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UNDERGONE CONSIDERABLE PUBLIC DISCUSSION, AIMS TO LAY DOWN SPECIFIC PROCEDURES WHEREBY INDIVIDUALS, INCLUDING FOREIGNERS, CAN SUE GOVT AUTHORITIES. WE HAVE NOT/NOT BEEN ABLE TO LOOK AT DRAFT BUT WILL REPORT LATER ON IMPLICATIONS, PARTICULARLY FOR HUMAN RIGHTS, SHOULD IT BE APPROVED.

13. A RECENTLY ENACTED LIBEL LAW HAS SUCCESSFULLY DEFENDED MANY JOURNALISTS FROM RETRIBUTION, USUALLY FOR HAVING WRITTEN STORIES ON CORRUPTION AND MALPRACTICE. STATE COUNCIL IS REPORTEDLY NOW CONSIDERING QUESTION OF INTRODUCING LEGISLATION ON PROPERTY RIGHTS. A NEW PRESS LAW IS ALSO BEING DRAFTED.

14. CONCLUSION: SLOW PROGRESS IN REFORMING TRADITION-BOUND LEGAL SYSTEM IS HAMPERING DEVELOPMENT OF FUNDAMENTAL POLITICAL AND ECON REFORMS, THUS AFFECTING RATE AT WHICH CHINA CAN MODERNIZE. INDIVIDUALS ARE UNABLE TO KNOW WITH CERTAINTY EXTENT OF THEIR RIGHTS. THIS FAVOURS ARBITRARY DECISION MAKING AND DISCOURAGES INITIATIVE. BUSINESSMEN DO NOT/NOT KNOW RULES OF GAME AND END UP WASTING TIME AND MONEY DOING SPECIAL DEALS WITH BUREAUCRATS OR SIMPLY INVESTING ELSEWHERE (JPNS HAVE LARGELY DONE LATTER). VAGUENESS OF LAWS AND CONTROLLED ACCESS TO MOST OF DETAILED REGS PROMOTES LACK OF ACCOUNTABILITY. CONTROL OVER OFFICIALS IS TOP-DOWN AND MORE POLITICAL THAN LEGAL. THIS ENCOURAGES CORRUPTION AND ERODES RESPECT FOR HUMAN RIGHTS. WHILE DEFECTS OF SYSTEM ARE WELL KNOWN, REFORM SO FAR HAS CONFINED ITSELF TO FIXING SYSTEM QUOTE AT THE EDGES UNQUOTE. GENUINE RULE OF LAW IS STILL FAR FROM BEING REALIZED. PROBLEM IS THAT IN MANY RESPECTS, CHINAS LEGAL TRADITION SUITS COMMUNIST PARTYS INSTINCT FOR CONTROL TOO WELL.

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TO/À • The Under-Secretary of State
for External Affairs, OTTAWA (PNR)

FROM/DE • The Canadian Embassy, BEIJING

REFERENCE •
RÉFÉRENCE

SUBJECT • CHINA: HIGH-LEVEL CORRUPTION
SUJET

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You will have noted in our recent reporting that we do not believe that the leadership has the will, let alone the ability to effectively combat corruption (except to "kill a chicken to scare the monkeys"). We have also stated that corruption has reached the very top. This of course flatly contradicts the statement made at a dinner hosted by Ambassador Drake by State Council Spokesperson Yuan Mu that "the leadership is ashamed at the extent of corruption in China; there is no corruption in Zhongnanhai".

2. Astounding stories of corruption at the highest levels abound. But the most revealing comment was made to us in utmost confidence recently by the Swiss Ambassador (himself an "Old China Hand"). He told us that over the past few months every member of the Politburo Standing Committee has approached him about transferring very significant amounts of money to Swiss bank accounts. For obvious reasons, he has urged us to guard this information with the utmost care, thus the limited distribution given to this letter.

3. Another interesting story was relayed to us recently by the Australian Embassy Minister (Commercial). According to a source he trusts, Zhao Ziyang's recent trip to Canton Province was motivated by an urgent need to extricate his son from a corruption scandal he got himself into. A company to which Zhao Jr. belongs had purchased a shipment of imported TVs below cost. The seller complained he was losing money but could not refuse without impunity to sell on Zhao Jr's terms. The story got out and Zhao Sr. had to rush down to Canton (possibly explaining his no show at the PACRIM Conference). The punchline is that Zhao Sr., rather than remonstrating Zhao Jr., made up the difference to the TV sales company from state funds.

4. Stories of this kind abound. The important point is less their accuracy (although many ring true and all cannot be fabricated) than the widespread gossip about Party corruption across the land. A Party which is the object of mirth and contempt is in trouble.

The Embassy



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TO/À • File
FROM/DE • D. Dhavernas
The Canadian Embassy, BEIJING
REFERENCE •
RÉFÉRENCE
SUBJECT • SPECULATING ABOUT THE LEADERSHIP
SUJET • SWEEPSTAKES IN CHINA

Security/Sécurité
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With Deng Xiaoping appearing increasingly feeble physically and structural economic reforms in trouble, China watchers are back to their favourite occupation: speculating on the leadership contention and listing "winners" and "losers". The issue is often portrayed in straight Zhao Ziyang versus Li Peng terms.

2. The following reflections are largely speculative, based on circumstantial gatherings and personal views, rather than hard evidence which is rare or questionable in a country where leadership issues remain definitely opaque. Thus, the format of a memorandum to the safe and tolerant file, rather than a telegram which would give the impression of a definitive post assessment. My view is that neither Zhao nor Li may prove to have lasting power once Deng leaves the scene and may be transitional figures.

3. Portrayal of a Zhao versus Li alternative is simplistic and largely unsubstantiated. Journalists' smell of blood is at the very least premature. Deng could not afford the loss of another Secretary-General (and there is certainly no evidence that he wants to dump Zhao). Is Li actively positioning himself to displace Zhao? This cannot be discounted. But despite persistent rumours, no corroborating evidence exists. Zhao receives foreign visitors, speaks authoritatively on economic or political theory, as well as on foreign policy. The press does not reveal any evidence of one leader sniping at the other. The party could not afford any open expression of disunity. If Zhao has distanced himself from daily economic decision-making, this (irrespective of other possible motives) is a normal result of his moving from top government man to Party Boss. That Li is reorienting economic planning (and putting his own stamp on economic think tanks) is not surprising, given the differences between his approach and that of his predecessor. It remains that Zhao and Li still have to find their respective niches... not easy when "party" and "government" functions are to be somehow more clearly defined.

4. It is also evident that the theoretical debate has not abated. A sign of political health, or a cause for concern? For the time being, the following observations can be made: the debate is not personalized, leadership statements are mutually reinforcing and consistent, the decision to proceed cautiously with reform now appears to have gained widespread acceptance at the top echelons. There is no doubt however that the emphasis has shifted from wholesale, bold economic experimentation (although a good measure of selective experimentation is proceeding), towards discipline, law and order, and a reaffirmation of ideological values. Zhao wears his Mao suit more often these days: he needs to reassure party stalwarts that what they fought for is not being summarily discarded. But he will continue to wear his dapper western suits, especially when it appears that foreign investors need further reassurance about China's future economic course.

5. I believe that the leadership configuration is unstable (but that basic "opening" and "reform" are in no significant danger). China has always tended towards rule by a strong, charismatic leader. Pluralism is not the Chinese tradition. It is interpreted as weakness, a portent of chaos. Many Chinese seem increasingly uncomfortable with Deng as lame strongman who, albeit still mentally agile, has accumulated embarrassing failures. Deng's succession scenario was Hu Yaobang, his strong plea for short-term pain for long-term gain (quick action on price reform) landed the leadership in trouble. He is visibly weakening. The problem for Deng's two major lieutenants, however, is that it is difficult for them to decisively grow into their positions under the shadow of the Supreme Arbiter.

6. It is of course quite risky to speculate on what will happen when Deng disappears from the scene. It depends largely on the state of the political and economic debate at the time, and on wheeling and dealing between informal coalitions at the top. A man such as Yao Yilin will likely carry considerable weight. If Chen Yun survives Deng, he may decisively push for economic (and political) measures more attuned to the 1950s than the 1990s, especially if high inflation rates prove stubborn, and if law and order becomes an even greater issue.

.../3

7. I see two possible scenarios when Deng dies. The most likely one is that the leadership will remain as it is -- for a time. A major preoccupation will be to reassure foreign businessmen and investors that the ship of state is "steady as she goes". The Politburo is likely to agree at the same time to tighten up further on the political and ideological front. A more dramatic scenario (again, depending on the political/economic climate) would involve calling an emergency enlarged Party meeting to ratify some personnel changes. Zhao could be moved sideways or up (replace ailing Li Xiannian at the Chinese People's Political Consultative Conference - CPPCC). Yao Yilin or Qiao Shi could be promoted. The former is a widely respected and cautious economist. He is tough and extremely influential. He is not old by Chinese leadership standards (72). Younger Qiao Shi (65) is a man of the shadows but his responsibility over (and experience with) party discipline and "supervision" gives him considerable clout. He would be a prime candidate for the top Party (rather than government) job, if it were vacant. Younger bureaucrats such as Mayor of Tianjin Li Ruihuan, or State Education Minister Li Tieying would probably get promotions, and position themselves for the future. They will be the men to watch (women so seldom make it to the top in China).

8. Whatever scenario unfolds, Deng's death will be followed by a transitional period during which no leader has the stature and authority of Deng. But one man will eventually have to emerge as strong "primus inter pares" and, most Chinese would say, the sooner the better. Freed from Deng's shadow, Zhao or Li might be that man. But I doubt it.

9. Zhao may be too much of a gentleman to stay at the top. He likes getting things done and is impatient with ideological hang-ups. But he likes debate and risk-taking, and these are not qualities which are prized in an insecure, anxious Party. He does not hide the fact that he is somewhat uncomfortable with his party job, and yet the Party Boss is still the natural leader in socialist China. A critical factor will be whether he replaces Deng when the Chairman resigns from the Central Military Commission. And he may be hiding the overpowering ambition which it takes to decisively dominate the CCP ... but this is definitely not apparent.

10. Li Peng is clearly ambitious and able. But he does not motivate others (China likes charismatic leaders; his lack of it made Hua Guofeng an easy target for Deng). He is not popular among the increasingly discontented intellectuals, has no visible position in the army, and may as Premier be blamed for economic hardships and setbacks. A technocrat by temperament and training, he may not have had the time to build a sufficiently strong political power base. Others in the Standing Committee may emerge as stronger rivals.

11. But for the long term (and possibly even medium term, if a crisis should develop), I bet on a candidate from a totally different group: the ambitious, dynamic, economically conversant and politically agile mayors of China's main coastal cities. I would watch carefully for the eventual promotion of one of these to the Politburo Standing Committee. Again, it is risky to place bets on either one. Chinese politics depend on personal loyalties to those who wield power at the top and on byzantine alliances.

12. But I would argue that Tianjin's Mayor, Li Ruihuan, best fits the archetype. It is often said that China's most admired foreign leader is Singapore's Lee Kwan Yew. Beyond racial kinship, the Chinese admire his economic savvy as much as his no-nonsense attitude to law and order. Many Chinese would expect the Mandate of Heaven to fall upon a charismatic leader who can put more consumer goods into the house and get these frightening youngsters to cut their hair.

13. Li has all these characteristics. He has, since becoming Vice-Mayor of Tianjin in 1981, built a reputation as an able and imaginative administrator (keen to attract foreign investment, able to rebuild a city largely destroyed in the 1976 earthquake, etc.). He is a populist and is popular, appearing unannounced on construction sites and favouring "hot lines". He is also tough and exceedingly ambitious (but his fondness for modern convention halls and luxury hotels may attract criticism when restraint is the order of the day). After visiting Singapore in 1984, he made it clear that he wants to emulate its openness to foreign trade and capital.

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14. Li may or may not make it to the top, because competition will be fierce and personal loyalties are difficult to assess. But there are many Li Ruihuans in China's more successful and cosmopolitan provinces and cities. Many of them could emerge a strong and competent leader when the guard changes. And they are acutely aware of the success of these "tigers" which have humbled the Middle Kingdom. Western businessmen would likely find it easy to understand such a leader.

15. I think their time will come, possibly in the not too distant future. The era of the conservative ideologues or Soviet-style central planners is probably doomed -- barring any early collapse of the economic reform program. Those who want to discard the one-party system and go quasi-capitalist belong to political fiction -- this generation does not appear ready for them. Watch for a young socialist strongman with Chinese characteristics. And let's not be surprised if all of the above proves wrong. China watchers can still enjoy their favourite game.



D. Dhavernas

**Pages 145 to / à 150
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REF OURTEL WJGR3140 23FEB

---CHINESE LEADERSHIP REPLIES TO INTELLECTUALS

SUMMARY:CHINESE GOVT HAS REPUFFED ATTEMPT BY ORIGINAL 33

INTELLECTUALS TO GAIN RELEASE OF WEI JINGSHENG AND OTHER POLITICAL

PRISONERS.DESPITE(OR BECAUSE OF)RISING FOREIGN INTEREST IN ISSUE

RESULTING FROM MEDIA COVERAGE OF BUSH VISIT AND FANG LIZHI INCIDENT

(SEE OURTEL WJGR3152 01MAR),GOVT IS UNLIKELY IN SHORT TERM TO

BUDGE FROM ITS POSITION OF DENYING INTELLECTUALS PUBLICITY AND IF

NECESSARY DISCREDITING THOSE WHO ARE MOST POLITICALLY VULNERABLE.

WHILE MOST ACTIVIST OF SIGNATORIES HAVE STATED THEY ARE FOUNGING

PRESSURE GROUP TO PUSH FORWARD THEIR DEMANDS.ACTIONS OF CHINESE

LEADERSHIP SO FAR AND LOW STATUS OF CHINESE INTELLECTUALS WITHIN

POLITICAL SYSTEM,SUGGEST THAT HUMAN RIGHTS LOBBYING IN CHINA HAS

A LONG WAY TO GO BEFORE IT STARTS BEARING FRUIT.

2.REPORT.INTELLECTUALS CALLING FOR THE RELEASE OF WEI JINGSHENG AND

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PAGE TWO WJGR3164 CONF

OTHER QUOTE POLITICAL PRISONERS UNQUOTE (SEE REFTEL) HAVE NOW RECEIVED INDICATION FROM THE GOVT OF HOW THEIR DEMANDS ARE TO BE TREATED. IN A BRIEF FIRST PAGE PRESS ITEM A JUSTICE MINISTRY SPOKESMAN SAID QUOTE NO/NO ORGANIZATION ... HAS THE POWER TO ALTER A COURT VERDICT UNQUOTE. HE ADDED, QUOTE IT IS AGAINST CHINAS LEGAL PRINCIPLES FOR THE WRITERS OF THIS LETTER TO STIR UP PUBLIC OPINION IN AN ATTEMPT TO OVERTURN INDEPENDENT JURISDICTION BY SOLICITING SIGNATURES UNQUOTE. THE ARGUMENT IS SOMEWHAT SPURIOUS SINCE ARTICLE 25 OF CHINAS CONSTITUTION GIVES THE NATL PEOPLES CONGRESS POWER TO GRANT PARDONS.

3. HOWEVER, IN ADDITION TO EMPHASIZING THE LEGAL DISRUPTIVENESS OF THE INTELLECTUALS SIGNATURE CAMPAIGN THE SPOKESMAN MADE MENTION OF ONLY ONE NAME ON THE SIGNATURE LIST, THAT OF CHUN JUN, PROBABLY THE MOST POLITICALLY VULNERABLE OF THOSE WHO SIGNED. CHEN, WHO IS MARRIED TO AN ENGLISHWOMAN AND OWNS A MATCHBOX-SIZE PEKIN BAR FREQUENTED BY YOUNG INTELLECTUALS AND FOREIGNERS, HAS PREVIOUSLY BEEN FINED FOR BLACKMARKET CURRENCY DEALING. AS A STUDENT IN USA HE CONTRIBUTED TO THE DISSIDENT MAGAZINE QUOTE CHINA SPRING UNQUOTE, WHICH HAS BEEN OPENLY CONDEMNED BY THE CHINESE GOVT AS A COUNTER-REVOLUTIONARY PUBLICATION. HE HAS NO/NO STANDING IN CHINAS INTELLECTUAL CIRCLES. BY THREATENING CHEN AND IGNORING THE DOZENS OF PROMINENT SIGNATORIES, SOME OF WHOM ARE CCP MEMBERS, THE GOVT ...3

PAGE THREE WJGR3164 CONF

HOPES TO DEAL WITH ONE OF THE TWO MAIN ORGANIZERS (THE MOST VULNERABLE) OF THE INTELLECTUALS PETITION AND WARN THOSE OF SOME STANDING WITH WHOM IT WOULD BE LOATH TO HAVE TO TANGLE AND A GOOD CASE OF QUOTE KILLING THE CHICKEN TO FRIGHTEN THE MONKEY UNQUOTE.

4. ON NEWS OF GOVTS REACTION, CHEN JUN AND POET BEI DAO, THE OTHER PRINCIPAL ORGANIZER, HOWEVER, APPEARED UNPERTURBED AND ANNOUNCED FORMATION OF PRESSURE GROUP CALLED QUOTE AMNESTY 89 UNQUOTE THAT WOULD OPERATE OUT OF HOTEL ROOM, PRINT WEEKLY NEWSLETTER ON CHINAS POLITICAL PRISONERS AND CONTACT CHINESE GROUPS IN USA THAT HAVE GATHERED OVER 700 SIGNATURES SUPPORTING AMNESTY APPEAL. BEI DAO, ONE OF CHINAS LEADING YOUNG POETS (HE HAS BEEN INVITED TO PEN CONGRESS IN TRNTO AND MONTL IN SEP) EMPHASIZED THAT AIM OF INTELLECTUALS DID NOT/NOT GO BEYOND RELEASES OF POLITICAL PRISONERS. IT APPEARED THAT HE WAS ANXIOUS TO ENSURE THAT YOUNGER (30 YEARS OLD) AND MORE RADICAL CHEN JUN WOULD NOT/NOT BECOME GOVT TARGET THAT WOULD DISCREDIT WHOLE MOVEMENT.

5. GIVEN FACT THAT APART FROM LAST WEEKS TERSE JUSTICE MINISTRY STATEMENT NO/NO DETAILS OF NOR ANY FURTHER COMMENT ON THE SIGNATURE CAMPAIGN HAS BEEN REPORTED IN CHINAS OFFICIALLY CONTROLLED PRESS, IT IS LEGITIMATE TO ASK HOW SIGNIFICANT THE CAMPAIGN IS WITHIN CHINAS POLITICAL SYSTEM. ON THE ONE HAND, THE VAST MAJORITY OF CHINESE HAVE NEVER HEARD OF WEI JINGSHENG AND THUS EVEN WORD OF

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PAGE FOUR WJGR3164 CONF

MOUTH NEWS OF A CAMPAIGN TO RELEASE HIM WILL NOT/NOT STRIKE A RESPONSIVE CHORD. THE PARTY ITSELF HAS ISSUED A BULLETIN TO ALL ITS OFFICIALS INSTRUCTING THEM TO DENY PUBLICITY TO ANY OF THE ORIGINAL 33 SIGNATORIES AND DIVIDING THEM INTO THREE CATEGORIES: THOSE ESTABLISHMENT INTELLECTUALS SUCH AS CHILDRENS STORY WRITER BING XIN THAT THE PARTY WOULD BE EXCEEDINGLY RELUCTANT TO HAVE TO TAKE ACTION AGAINST; MORE CONTROVERSIAL BUT ESTABLISHED FIGURES SUCH AS TV DIRECTOR (RIVER ELEGY) SU XIAOKANG; AND FINALLY, ACTIVISTS SUCH AS CHEN JUN AGAINST WHOM THE GOVT COULD MOVE EASILY OUT. PRESENT PARTY POLICY WILL TRY TO GIVE INTELLECTUALS THE COLD TREATMENT BY NEITHER REACTING TO NOR ALLOWING PUBLICITY FOR THEIR AMNESTY CALL.

6. ON THE OTHER HAND, THE PARTY BULLETIN REFERRED TO ABOVE HAS DONE ITS OWN WORK OF SPREADING NEWS OF THE SIGNATURE CAMPAIGN WITHIN CHINA AND EXTERNAL PRESSURE IS LIKELY TO INCREASE AS A RESULT OF THE TREMENDOUS FOREIGN PUBLICITY GIVEN FANG LIZHI'S TREATMENT DURING BUSH VISIT--RAISING CHINESE DISSIDENTS ONTO THE SAME LEVEL OF USA MEDIA INTEREST AS THEIR SOVIET COUNTERPARTS. THIS INTEREST IS NOT/NOT LIKELY TO LET UP.

7. HOWEVER, WARNINGS AGAINST HUMAN RIGHTS ADVOCACY FROM OUTSIDE GIVEN BY ZHAO DURING BUSH VISIT AND NO/NO NONSENSE TREATMENT OF FANG LIZHI INVITATION TO BUSH BANQUET ARE CLEAR INDICATIONS THAT PARTY LEADERS ARE NOT/NOT LIKELY TO BEND IN THE FORESEEABLE

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PAGE FIVE WJGR3164 CONF

FUTURE. ONE INTELLECTUAL WE SPOKE TO SAID HE SIGNED AMNESTY APPEAL
NOT/NOT BECAUSE HE THOUGHT IT WOULD HAVE ANY EFFECT BUT RATHER THAT
HE FELT IT WAS A POINT OF PRINCIPLE THAT INTELLECTUALS SHOULD AT
LEAST BE ABLE TO SUGGEST POLICY. IN A POLITICAL SYSTEM THAT HAS
CONSISTENTLY IGNORED THE OPINIONS AND INTERESTS OF ITS
INTELLIGENTSIA, EVEN THAT POINT WILL BE A HARD ONE TO MAKE.

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---PRC WEEKLY NEWS SUMMARY 16-23FEB

RETURN TO RENOYER AU	BICO	FOR FILING POUR - ETRE PORIE AU DOSSIER
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GENERAL

X -A DRAFT LAW IS TO GO AS SOON AS POSSIBLE TO THE STATE COUNCIL SPECIFYING PENALTIES FOR THOSE VIOLATING FAMILY PLANNING REGS. JUST OVER HALF OF CHINAS COUPLES ARE ACTUALLY FOLLOWING THE ONE CHILD POLICY. 23FEB CHINA DAILY.

-THE STATE BUDGET FOR EDUCATION WILL INCREASE BY NEARLY 16 PERCENT. SOME OF THE FUNDS ARE TO BE USED TO RAISE THE PAY OF PRIMARY AND SECONDARY SCHOOL TEACHERS. THE STATE HAS YET TO FULFILL ITS TWO-YEAR OLD PROMISE TO INCREASE TEACHERS SALARIES BY MORE THAN 10 PERCENT. 20FEB CHINA DAILY.

-40 PERCENT OF URBAN RESIDENTS IN CHINA SMOKE. 64 PERCENT OF URBAN MEN SMOKE. THIS IS DESPITE 86 PERCENT OF URBAN RESIDENTS BELIEF THAT SMOKING IS HARMFUL TO HEALTH. 16FEB XINHUA.

POLITICAL

-AT A FORUM OF LEADING OFFICIALS FROM CENTRAL AND PROV COMMUNIST PARTY CTTEES AND HEADS OF POLITICAL REFORM RESEARCH INSTITUTIONS DELEGATES NOTED MORE OPENNESS WOULD ERADICATE THE QUOTE BREEDING ...2

PAGE TWO WJGR3144 UNCLAS

GROUND OF CORRUPTION. UNQUOTE. EXAMPLES OF OPENNESS INCLUDED PUBLISHING THE DETAILS OF LOANS AND OFFICIAL STATE QUOTAS FOR SUBSIDIZED CHEMICAL FERTILIZERS. 16 FEB XINHUA.

FOREIGN POLICY

-CHINA WELCOMED THE SOVIET WITHDRAWAL OF ALL ITS TROOPS FROM AFGHANISTAN IN ACCORDANCE WITH THE GENEVA ACCORD AND EXPRESSED THE HOPE THAT THE AFGHAN PEOPLE WOULD SETTLE THEIR PROBLEMS WITHOUT OUTSIDE INTERFERENCE. 16 FEB XINHUA.

Under Taiwan
-SENIOR LEGISLATORS OF THE ^{PRC} NATL PEOPLES CONGRESS STANDING CTTEE PROPOSED THAT A SUBCTTEE BE ESTABLISHED TO STUDY ISSUES CONCERNING TAIWANS RETURN TO THE MOTHERLAND. SUCH A CTTEE COULD EXCHANGE VIEWS WITH REPS FROM TAIWAN. 18 FEB XINHUA.

ECONOMIC

X
-CUSTOMS STATISTICS SHOW CHINA JAN EXPORTS AS USA DLRS 2.8 BN (UP 8.79 PERCENT FROM JAN88) AND IMPORTS AS USA DLRS 2.9 BN (UP 24.64 PERCENT FROM JAN88). TRADE VOLUME WITH HKONG AND MACAO WAS UP 29 PERCENT OVER THE SAME PERIOD LAST YEAR. 22 FEB CHINA DAILY.

X
-IN 1988, CHINA EXPORTED DLRS 6.15 BN OF MACHINERY AND ELECTRICAL PRODUCTS, A 60 PERCENT INCREASE OVER THE PREVIOUS YEAR. CASSETTE RADIOS WERE THE BIGGEST FOREIGN CURRENCY EARNERS IN THE APPLIANCE INDUSTRY. 20 FEB ECONOMIC INFORMATION

X
-ACCORDING TO AN ^{Banker} OFFICIAL IN THE INDUSTRIAL AND COMMERCIAL BANK THE VOLUME OF CASH CURRENTLY IN CIRCULATION IN CHINA IS YUAN 220 BN ...3

PAGE THREE WJGR3144 UNCLAS

--APPROX 40 PERCENT OF WHICH IS IN THE HANDS OF PRIVATE BUSINESS.
22FEB CHINA DAILY.

-NO/NO NEW CONSTRUCTION PROJECTS WILL BE ALLOWED TO BEGIN BEFORE
THE END OF JULY THIS YEAR. PROJECTS RELATED TO FARMING, FORESTRY,
EDUCATION, CHEMICAL FERTILIZERS, EXPORT-ORIENTED PRODUCTION AND
HOUSING CAN PROCEED AFTER RECEIVING APPROVAL BY STATE AUTHORITIES.
19FEB XINHUA.

-POWER SHORTAGES IN THE SECOND HALF OF 1988 RESULTED FROM COAL
BEING DIVERTED BY CORRUPT OFFICIALS. THE FOUR MAJOR POWER
NETWORKS RECEIVED 8 MILLION TONS LESS THAN THEIR ALLOCATION UNDER
THE STATE PLAN. 18FEB CHINA DAILY.

-CHINAS TAXABLE INCOME LAST YEAR JUMPED 14 PERCENT TO REACH YUAN
230 BN. THE GOVT INTRODUCED INCOME TAX FOR PRIVATE BUSINESSES,
STAMP DUTY, BANQUET TAX AND TAX ON THE USE OF URBAN LAND. 20FEB
XINHUA.

UUU/115 230700Z WJGR3144

OK
FBW

ACTION
SUITE A DONNER

C O N F I D E N T I A L

FM PEKIN WJGR3140 23FEB89

TO EXTOTT PNR

INFO HKONG MOSCO BGRAD BUCST BPEST WSAW PRGUE RNATO CNBRA SPORE

TOKYO SEOUL JKRTA BNGKK DELHI ISBAD MANIL KLMPR GIDAHULL BSC

TT NDHQOTT/DIPOL/ DE CAF

BAG SHNGI DE PEK

DISTR PGB PND PNC PGP CPP INP IMH

---CHINAS INTELLECTUALS FINDING THEIR VOICE

ACC	DATE
68 7055	with mention of David Hawley
FILE	DOSSIER
20 - China - 1-4	
LOC	
A5-	45 - China - 13

- good report -
- see CTM lead
Shoy 27 Feb
re Fang Lizhi

SUMMARY: FOR FIRST TIME SINCE 1949, GROUP OF PROMINENT INTELLECTUALS HAS SIGNED LET CALLING FOR RELEASE OF POLITICAL PRISONERS. THIS FOLLOWS SIMILAR APPEAL BY DISSIDENT PHYSICIST FANG LIZHI IN JAN. NEW BOLDNESS OF INTELLECTUALS SUGGESTS THAT EDUCATED CHINESE ARE FOLLOWING CLOSELY DEVELOPMENTS IN EASTERN EUROPE AND THAT POLITICAL ENVIRONMENT FOR RAISING THEIR VOICES AT THIS TIME MAY BE FAVOURABLE. IT IS TOO EARLY TO PREDICT EFFECT ON MONOLITHIC CHIENSE POLITICAL SYSTEM. PARTY WILL WANT TO CONTAIN MOVEMENT WHICH COULD EVENTUALLY COALESE WITH WORKER DISCONTENT, OR ATTRACT ATTN IN WEST, ESPECIALLY USA CONGRESS.

2. FOR FIRST TIME SINCE 1949, A GROUP OF PROMINENT INTELLECTUALS IS OPENLY CHALLENGING AUTHORITY OF CCP BY CALLING FOR RELEASE OF POLITICAL PRISONERS, IE, THOSE BRANDED BY STATE AS COUNTER REVOLUTIONARIES. IN LET ADDRESSED TO STANDING CTTEE OF NATL PEOPLES

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PAGE TWO WJGR3140 CONFIDENTIAL

CONGRESS, INTELLECTUALS SINGLE OUT IN PARTICULAR CASE OF WEI JINGSHENG, LEADING FIGURE OF DEMOCRACY MOVEMENT TEN YEARS AGO, WHO NOW LANGUISHES IN PEKIN PRISON SERVING OUT 15-YEAR PRISON TERM. WEI IS A PARTICULARLY SENSITIVE CASE SINCE HIS FAMOUS 1978 ESSAY QUOTE DEMOCRACY: THE 5TH MODERNIZATION UNQUOTE DIRECTLY ATTACKED DENGIST IDEOLOGY AND THE BASIS FOR PARTY DICTATORSHIP.

3. WHAT IS REMARKABLE ABOUT THE PRESENT LET IS THAT IT CONTINUES TO BE SIGNED BY A GROWING NUMBER OF INTELLECTUALS, MANY OF WHOM ARE WELL KNOWN FIGURES (OVER 35 HAVE NOW SIGNED). SOME WERE PROSECUTED DURING THE ANTI-RIGHTIST CAMPAIGN OF 1957, A PLIGHT THAT HAS NOW BECOME A BADGE OF DISTINCTION, WHILE OTHERS HAVE UNBLEMISHED POLITICAL RECORDS. MOST PROMINENT OF THE SIGNATORIES IS SU SHAOZHI, FORMER HEAD OF THE MARXISM-LENINISM-MAO ZEDONG THOUGHT INSTITUTE, WHO LOST HIS JOB DURING ANTI-BOURGEOIS LIBERALIZATION CAMPAIGN OF 1987 BUT, UNLIKE FANG LIZHI AND JOURNALIST/AUTHOR LIU BINYAN, DID NOT/NOT LOSE HIS PARTY MEMBERSHIP. HE HAS BEEN INCREASINGLY OUTSPOKEN OF LATE (SEE OURTEL WJGR3094 09FEB, PARA 5) PARTICULARLY ON FREEDOM OF SPEECH AND PERSECUTION OF INTELLECTUALS. ANOTHER SIGNATORY WAS WANG RUOSHUI, FORMER DEPUTY EDITOR OF PEOPLES DAILY UNTIL HE WAS SACKED IN 1983 FOR SUGGESTING THAT SOCIALIST SOCIETY COULD BREED ALIENATION. MOST SENIOR MEMBER OF GROUP IS 89-YEAR OLD XIE BINGXING, FAMOUS WRITER OF CHILDRENS BOOKS WHO HAS NO/NO

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PAGE THREE WJGR3140 CONF

HISTORY OF HOLDING CONTROVERSIAL POLITICAL POSITIONS.

4. LET IS NOT/NOT AN ISOLATED EVENT AND FOLLOWS SIMILAR APPEAL FOR RELEASE OF POLITICAL PRISONERS MADE BY PROMINENT DISSIDENT PHYSICIST FANG LIZHI IN JAN AND BOYCOTT BY LEADING INTELLECTUALS OF IMPORTANT PARTY MTG IN DEC. LET LINKS RELEASE OF POL PRISONERS TO COMMEMORATION OF 40TH ANNIVERSARY OF COMMUNIST RULE, AS WELL AS 70TH ANNIVERSARY OF 04MAY MOVEMENT. LATTER MAY PROVE TO BE OCCASION FOR MORE DEMANDS TO BE PRESSED BY INTELLECTUALS AS 04MAY MOVEMENT WAS WATERSHED FOR INTELLECTUALS OF MODERN CHINA. MORE PRESSURE WILL CERTAINLY BE REQUIRED IF ANY DEMANDS ARE TO BE MET.

5. QUESTION OF WHY INTELLECTUALS ARE ONCE AGAIN FINDING THEIR VOICE AFTER HAVING BEEN REPEATEDLY CRUSHED BY CCP LEADERSHIP CAN PERHAPS BE EXPLAINED BY INCREASED CHINESE AWARENESS OF WHAT IS HAPPENING BEYOND THEIR BORDERS, PARTICULARLY POLITICAL DEVELOPMENTS IN EASTERN EUROPE AND USSR. AT SAME TIME, INTELLECTUALS WHO HAVE TRAVELLED AND LIVED ABROAD ESTIMATE (PROBABLY CORRECTLY) THAT RELATIONS WITH THE WEST WHERE HUMAN RIGHTS IS HIGH PROFILE ISSUE CAN BE EXPLOITED (TIBET IS CASE IN POINT). CHINESE LEADERS WILL NOT/NOT WANT TO SEE INNATLY PUBLICIZED DEBATE OVER HUMAN RIGHTS DEVELOP WITHIN CHINA THAT COULD ULTIMATELY SOUR RELATIONS WITH USA CONGRESS AND MIGHT THEREFORE BE PERSUADED TO MAKE SOME CONCESSION TO INTELLECTUALS. FURTHERMORE, ANY PRE-EMPTIVE STRIKE AGAINST

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PAGE FOUR WJGR3140 CONF

INTELLECTUALS WOULD BE HIGHLY UNPOPULAR AT PRESENT WHEN PARTY IS REELING FROM EXPOSURE OF MASSIVE INTERNAL CORRUPTION AND IS STRUGGLING TO REGAIN POPULAR RESPECTABILITY.

6. RELATIVELY MORE LIBERAL ENVIRONMENT FOLLOWING TEN YEARS OF GREATLY INCREASED CONTACTS WITH THE WESTERN WORLD MAY ALSO ACCOUNT FOR THE INTELLECTUALS NEW BOLDNESS. FOR EXAMPLE, TWO CONTROVERSIAL ART EXHIBITIONS WERE RECENTLY ALLOWED IN PEKIN, DESPITE A SHOOTING INCIDENT AT ONE OF THEM, AND A NEW PRIVATELY FINANCED BOOK SERIES FOR RADICAL AND DISSIDENT THINKERS WAS LAUNCHED EARLIER THIS MONTH. THANKS TO ECON REFORM, INTELLECTUALS ARE LESS DEPENDENT ON STATE INSTITUTIONS FOR THEIR LIVELIHOOD AND CAN NOW WORK FOR INDEPENDENT INSTITUTES AND PUBLICATIONS.

7. A FINAL CONSIDERATION MAY BE PERCEIVED WINDOW OF OPPORTUNITY THAT TWILIGHT OF THE DENG YEARS PRESENTS IN THE FACE OF THE UNCERTAIN NATURE OF REGIME FOLLOWING HIS DEATH. FOR THE INTELLECTUALS, ACTING NOW MAY BE SEEN AS A GAMBLE WORTH TAKING, DESPITE THEIR 40-YEAR EXPERIENCE OF REPRESSION WITH THE CCP.

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NATO REGIONAL EXPERT WORKING GROUP MEETING ON EAST AND SOUTH ASIA: 6-17 FEBRUARY 1989: UK CONTRIBUTION, PART 3: DATE EAST ASIA

FILE	DOSSIER
20 - China - 1 - 4	
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CHINA: INTERNAL POLITICAL TRENDS

1. Speculation over the political debate has calmed down since the summer and autumn. The leaders have united around the decision of the Third Plenum of the Central Committee (26-30 September 1988) to improve the economic environment and rectify the economic order, ie. more radical reforms such as price reform are to be postponed until the economy has stabilised. General Secretary Zhao Ziyang has weathered the criticism in the late summer for his part in promoting the economic reform policies which have led to unacceptable side effects such as high inflation. Premier Li Peng, who had been slow to emerge from Zhao's shadow on economic policy-making (the role of a Premier), has gained prominence since the summer. The combination of Zhao's boldness, tempered by Li's caution, may not be a bad one for China.

2. The campaign against corruption continues. Corruption ranks second after inflation in people's concerns, according to opinion polls. But while such loopholes as the dual-track price system exist, it will be practically impossible to eradicate.

CHINA: ECONOMIC ISSUES

3. China is facing some difficult economic problems. The decision at the Third Plenum to stabilise the economy before proceeding with more radical reforms (eg. price reform) may solve some of the problems temporarily but may create other problems (eg. stagflation). A permanent solution ultimately requires the implementation of more radical reforms. Major headaches for the leaders at the moment include:

- (i) Inflation, running at an annual rate of 30% in major cities in November. The leadership has pledged to reduce this to 10% in the next two years.
- (ii) Agriculture. In 1988, grain production (60% of the gross value of agricultural output) fell short of the record harvest of 1984 for the fourth consecutive year. Development of agriculture is a high priority for 1989, to be achieved through a mixture of higher prices paid to producers, increased investment and more technology.

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- (iii) An excessively high industrial growth rate (17.7% in 1988). Slower growth in November is probably as much due to scarcity of raw materials, transport problems and energy shortages as to the stabilisation policies introduced in October. The goal for 1989 is 8%.
- (iv) Pressure on the budget. In 1989 the government has said it will examine ways of increasing revenue. The attempt to reduce expenditure on capital construction, reinforced after the Plenum (eg. by auditing teams sent round the provinces to reduce the number of projects involving expenditure on capital construction), has been only partially successful.

CHINA EXTERNAL

4. The visit by Qian Qichen to Moscow from 1-3 December 1988 first first by a Chinese Foreign Minister in 31 years, signalled the first practical step towards a Sino-Soviet summit. The meeting saw a shift in the Chinese position. Qian conceded that the summit could take place even if certain differences on Cambodia remained. The Chinese had previously demanded a virtual resolution of the Cambodia problem before a summit could be held. They now see it as a step along the way to a solution. It was agreed that the Soviet Foreign Minister would visit Peking in early 1989 and that a summit between Deng Xiaoping and Gorbachev could take place in the first half of 1989. Shevardnadze's visit will take place in early February. Although a summit looks almost a certainty, it would not be unusual of Chinese tactics to lay down some hard-line demand on Cambodia just when the Soviets think a summit is in the bag. It is thought, however, that Deng Xiaoping himself may lie behind the quickening pace of preparations for a summit, which would reduce the possibility of playing such a card. The summit would probably mark the normalisation of State to State and Party to Party relations capping the already extensive contacts in many other fields. Given the changes in both China and the Soviet Union and past experiences, it is unlikely that the two countries would return to the close relationship of the 1950s.

5. China's relations with the United States remain good, although the Chinese say that US policy on Taiwan remains a problem, especially the supply of arms and arms manufacturing technology to Taiwan. Chinese criticism on this point became more strident in November 1988, probably to remind the new administration of China's continuing concern. The Chinese extended warm congratulations to George Bush on his election as President. Deng Xiaoping had indicated to Carlucci, on his visit to Peking in September 1988, that he

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hoped Bush would win. The Chinese like continuity and clearly value Bush's past links with China, which they see as promising good prospects for bilateral relations. The President is to visit Peking in late February, after attending the funeral of Hirohito.

6. The Chinese have welcomed the Vietnam's announcement that it would withdraw all its forces from Cambodia by the end of September 1989. Vietnam's First Vice-Foreign Minister Dinh Nho Liem arrived in Peking on 14 January 1989 for "private consultations" on Cambodia with the Chinese Vice-Foreign Minister Liu Shuqing. This was the first visit at such a senior level for over 10 years.

7. Meanwhile, in the first visit by an Indian Prime Minister since Nehru's in 1954, Rajiv Gandhi went to Peking in late December. A border working group was set up at vice-minister level, though no time limit was set for settlement of the border dispute. Agreements were signed on cultural exchange, civil aviation and co-operation in science and technology. Both sides will hope that increased contact will improve the atmosphere for a border solution.

NORTH/SOUTH KOREA

8. 1988 was a bad year for North Korea in general, and especially so as regards competition with the South.

9. The North's failure to engineer an effective boycott of the Olympics was a major setback for Pyongyang. Supported only by Cuba and a handful of Third World friends, the North Koreans nursed their frustrations over the Seoul Olympics while the Russians and Chinese participated in strength. In line with assurances given to various communist and Third World countries, the North abstained from any violent action to disrupt the Games.

10. Roh Tae-woo's new government in Seoul was not only more skilful than its predecessor in parrying the North's proposals for talks but launched some imaginative new initiatives, thereby gaining the propaganda advantage. Meanwhile, the generally more healthy political situation in the South, despite such highly publicised problems as student unrest, reduced the opportunities for the North to make trouble.

11. After being formally inaugurated as President, Roh Tae-woo quickly initiated new proposals for contact with the North, and the latter responded with a proposal for parliamentary talks. By the end of the year seven

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preparatory meetings had been held without reaching agreement on the agenda of such talks. Additionally, during December the North again called for tripartite North-South-US talks, and the South responded with a proposal by Premier Kang Yong-hoon for a meeting with his newly appointed Northern counterpart, Yon Hyong-muk.

12. President Roh showed an awareness, which had not been evident in his predecessors, of the need to counter the danger of further isolation of the North. Among moves to this end, during the summer the South Korean Government informed friendly Western countries that they would be happy to see them improve non-political relations with the North. Roh has also encouraged South Korean business firms to make approaches to the North.

NORTH KOREA EXTERNAL

13. The rapid development of South Korea's trade and unofficial relations with the Soviet Union, China and other communist countries was another severe blow to the North Koreans. They were especially incensed by Hungary's opening of official relations and indications that these might soon be put on full-scale diplomatic footing. Pyongyang withdrew its newly appointed ambassador from Budapest and hinted that it suspected that the Hungarians had acted with the assent of the Soviet Union.

14. North Korea remains dependent on the Soviet Union and China, for important military and economic support. Soviet deliveries of Mig-29 and Su-23 aircraft were reported, together with increased use by Soviet military aircraft of North Korean airspace. Meanwhile the North is believed to rely on supplies of oil and other commodities from China, although information on the extent of Chinese aid is lacking.

15. Both the Soviet Union and China have made clear that they would welcome an easing of tension on the Korean peninsula. The support which they give to North Korea is evidently intended to enable them to preserve their leverage over the country's leadership in anticipation of manoeuvring for the succession to Kim Il-sung.

16. The Chinese President, Yang Shangkun, visited Pyongyang for the celebration of the 40th anniversary of the founding of the North Korean régime, while the Soviet Union was represented by the Head of the KGB. But Gorbachev accepted an invitation to visit Pyongyang in 1989, and Shevardnadze broke his homeward journey from Tokyo and Manila in December

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to pay a brief visit during which he implicitly criticised the North Koreans by speaking up against the use of violence.

17. After the Olympics various Western countries and Japan responded to the South Korean initiative on contacts with the North. So far, there has been no substantive North Korean response to these moves.

18. North Korea has continued to cultivate friends among the Non-Aligned, and contacts with the governments of Iran and Libya were especially frequent. Iran was a large-scale purchaser of arms from North Korea throughout the Gulf War, and wide-ranging co-operation was discussed during visits by the North Korean Premier and Trade Minister to Tehran and by the Iranian Minister of Mines to Pyongyang.

NORTH KOREA INTERNAL

19. The new Premier, Yon Hyong-muk, appointed in December, has a background in industrial administration, as did his predecessor, Yi Kun-mo, who was said to have resigned on health grounds. More importantly, Kim Chong-il, as designated successor, was active on the domestic scene, but he still lacks any senior position in the State hierarchy to match his eminence in the party. The 76-year-old Kim Il-sung, who has now held power for over 40 years, still makes considerably more public appearances than his son. The return to prominence of some veteran associates of the elder Kim has been noticeable recently, in the absence of any corresponding ascendancy of persons linked with Kim Chong-il. One disturbing sign was the reappointment to the Party Secretariat (in November) of Kim Chung-nin, who was earlier reported to be in charge of anti-South Korean subversion and had been demoted after the 1983 Rangoon bomb attack on South Korean Ministers.

20. The economy remained stagnant. Further efforts to agree with Western banks the rescheduling of the US \$900 million debt proved abortive. There were occasional reports of popular unrest over deteriorating economic conditions. One report claimed that some 20 per cent of the residents of Pyongyang were evacuated because of a food shortage there during the summer.

21. Towards the end of the year, the formation of a new high-level Electronics and Automation Commission reflected the régime's continued efforts to develop modern technology, while the establishment of a Ministry of Joint Ventures suggested a revival of interest in attracting outside

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investment, even though there can be little hope of attracting significant funds except possibly from South Korea if the political climate improves.

JAPAN

22. Due to the illness of the late Emperor Hirohito and the length of the Extraordinary Parliamentary Session on tax reform, the Japanese Government has been somewhat less active on the foreign policy front. Because of the introduction of an unpopular new consumption tax and the continuing revelations in the "Recruit Cosmos" political scandal, the level of support for the Government in recent opinion polls has fallen and as Upper House elections are scheduled for July, the Government will be forced to concentrate on domestic policy for the first half of this year.
23. The policy of steadily increasing defence spending and promoting defence cooperation with the United States has little impact domestically. Support for increased defence spending has gradually declined during the last ten years (from 20% in 1978 to 11.2% in 1988) and opposition has similarly increased (from 10% to 19.2%). Most people want the present level of defence spending maintained (58% of those polled in 1988, compared with 48% in 1978). Increased defence spending has a limited impact on domestic industry (defence production represents only 0.5% of total industrial production), but it helps to prop up declining industries such as shipbuilding and develop others such as aerospace.
24. The majority of Japanese people want to maintain the Japan-US Security Treaty (67.4% in 1988), and Japanese-US relations are generally good in this field. For example, Japan has decided to use the F-16 as the basis for the development of a new generation of support fighters, when the domestic aerospace industry wanted to develop a fighter independently.
25. As any rapid increase in Japanese military capabilities would have a destabilising effect in East Asia, Japan is increasing its burden sharing effort by expanding its aid programme and contributing to international peace-keeping operation.
26. Japan wants to promote stability in East Asia through trade and investment. The high value of the Yen, market-opening measures, foreign investment and promotion of domestically-led economic growth have helped the Asian NIES more than the US or the EC. Japan has expressed concern at the effects which protectionist measures in North America or Western Europe, aimed at balancing trade with East Asia,

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would have a political stability in the region.

27. Relations with China thickened in 1988 with the conclusion of a multi-billion dollar loan agreement and an investment protection agreement, during Takeshita's visit to Peking. China's complaints about Japanese text book revision and rising defence expenditure have been muted recently.

28. Despite the visit by Shevardnadze to Japan in December, Soviet-Japanese relations remain cool. The main obstacle to improved relations remains the Soviet-occupied "Northern Territories", claimed by Japan. The Soviet position has moved from claiming that no problem exists to discussing the problem but offering no concessions. The Soviet aim seems to be to get the Japanese to leave the problem for solution in the future while allowing other relations, especially economic and technological to develop. The Japanese want the territorial problem solved first. The Japanese are hoping for movement on the Soviet side during the proposed trip to Japan by Gorbachev in the autumn.

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---PRC WEEKLY NEWS SUMMARY:09-15FEB

GENERAL:

-CCP CENTRAL CTTEE AND STATE COUNCIL HAVE ISSUED JOINT CIRCULAR

GIVING A DEADLINE OF THE END OF MAR FOR OFFICIALS WHO
CONCURRENTLY HOLD POSITIONS IN BUSINESS TO RESIGN FROM THESE
POSITIONS OR QUIT THEIR GOVT OR PARTY POSTS. (PEOPLES DAILY
13FEB)

-CHINAS STATE ADMIN BUREAUX NOW REQUIRE ALL PROSPECTIVE EMPLOYEES
TO PASS WRITTEN AND ORAL EXAMS BEFORE BEING HIRED. (CHINA DAILY
15FEB)

(P) -THE FORMAL DRAFT OF CHINAS PRESS LAW WILL BE SUBMITTED TO THE
NATL PEOPLES CONGRESS FOR EXAMINATION TOWARDS END OF YEAR. IN
MEANTIME, PROVISIONAL REGS WILL BE ISSUED TO DEAL WITH INCREASING
NUMBER OF LAWSUITS INVOLVING REPORTERS AND PRESS ORGANIZATIONS.
(XINHUA 11FEB)

-STATE COUNCIL AND CENTRAL MILITARY COMMISSION HAVE ISSUED ORDER
FOR SPRING RECRUITING DRIVE FOR ARMED FORCES. RECRUITS ARE TO BE
SELECTED ON BASIS OF POLITICAL, EDUCATIONAL AND PHYSICAL

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*Tim - I've
numbered items*

*in order
ok*

ACTION	
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ACCEPTABILITY AND NAMES OF THOSE SELECTED SHOULD BE MADE PUBLIC
IN ORDER TO SOLICIT QUOTE OPINIONS FROM THE MASSES UNQUOTE ON
THEIR SUITABILITY. (XINHUA 11FEB)

① -CHINA IS FACING WORST ECOLOGICAL CRISIS IN ITS HISTORY ACCORDING
TO CHINESE ACADEMY OF SCIENCES PRESIDENT ZHOU GUANGZHAO. HE SAID
AREA OF ERODED SOIL HAS EXPANDED BY ONE-THIRD IN RECENT YEARS;
TIMBER CONSUMPTION OUTPACES AFFORESTATION; 51 MILLION HECTARES
OR GRASSLAND ARE LOST EVERY YEAR; DESERTS INVADE 1,500 SQ KM OF
LAND EACH YEAR; 150 MILLION CHINESE DRINK POLLUTED WATER; AND
ACID RAIN IS NOW AFFECTING THE SOUTHWEST. (XINHUA 13FEB)

② -BIGGEST HEADACHES FOR FAMILY PLANNING COMMISSION ARE EARLY
MARRIAGE, EARLY CHILDBEARING AND FACT THAT 15 PERCENT OF ALL
FAMILIES HAVE THREE OR MORE CHILDREN. (XINHUA 13FEB)

-TAIWANESE AIR FORCE PILOT WHO PARACHUTED FROM HIS JET WHEN IT
CRASHED IN GUANGDONG 11FEB HAS ASKED TO JOIN PLA AIR FORCE.
(CHINA DAILY 16FEB)

-HUZHOU CITY IN ZHEJIANG HAS HAD TO ADOPT REGS TO PROTECT SAFETY
OF REFORMIST ENTERPRISE MGRS. (ECONOMIC INFORMATION 13FEB)

ECONOMIC

③ -FURTHER LIMITS TO GROWTH OF CHINAS FOREIGN DEBT ARE TO BE IMPOSED
THIS YEAR IN ORDER TO FIGHT CHALLENGES OF HUGE CREDIT DEMAND
ARISING FROM OVERHEATED ECONOMY; PREDICTED FALL IN FOREX EARNINGS

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BECAUSE OF FALLING EXPORTS OF PETROLEUM AND COAL; AND SHARP COMPETITION IN INNATL MARKETS. BORROWINGS FROM BANKS ABROAD WILL BE PROHIBITED WITHOUT CENTRAL BANK APPROVAL. (CHINA DAILY 14FEB)

④ -THE QINSHAN NUCLEAR POWER STATION IN EAST CHINA (CHINAS FIRST) IS STILL SCHEDULED TO GO INTO OPERATION IN 1990 WITH CAPACITY OF 300,000 KW ACCORDING TO MANAGER OF CHINA NATL NUCLEAR CORP. (XINHUA 13FEB)

③ -GOVT OFFICIAL IN SHENZHEN HAS DESCRIBED 1988 AS QUOTE GOLDEN YEAR UNQUOTE FOR CHINAS FIRST SEZ ESTABLISHED IN 1980. OUTPUT AND EXPORT VALUES WERE UP 50 PERCENT OVER 1987 AND SINO-FOREIGN INVESTMENTS TOTALLED USA DLRS 444 MILLION. PROBLEMS REMAIN THOUGH: EXCESSIVE CAPITAL CONSTRUCTION GROWTH, POPULATION EXPLOSION, PRICE HIKES AND OFFICIAL CORRUPTION. (XINHUA 12FEB)

⑤ -XIAMEN HAS FULFILLED AIMS OF ITS CURRENT 5-YEAR PLAN TWO YEARS AHEAD OF SCHEDULE IN 1988 BY MORE THAN DOUBLING ITS EXPORTS VALUED AT USA DRLS 570 MILLION. (XINHUA 13FEB)

⑥ -TOP ECON PRIORITY FOR GOVT REMAINS CURBING INFLATION ACCORDING TO HEAD OF THEORETICAL DEPT OF STATE COMMISSION FOR RESTRUCTURING THE ECONOMY. (XINHUA 11FEB)

FOREIGN AFFAIRS

-FIVE POINT PEACE PLAN INTRODUCED BY KAMPUCHEAN NATL RESISTANCE FORCES IN PEKIN (SEE OURTEL WJGR3095 10FEB).

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-THAI FOREIGN MINISTER HELD TALKS ON KAMPUCHEA WITH LI PENG AND
ZHAO ZIYANG.(XINHUA 10-11FEB)

-PAKISTAN PM BHUTTO ON HER FIRST OFFICIAL VISIT TO FOREIGN STATE,
MET TOP CHINESE LEADERSHIP IN PEKIN AND SHNGI AND REAFFIRMED TIES
OF FRIENDSHIP BETWEEN CHINA AND PAKISTAN.

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TO EXTOTT/ PNR

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TT NDHQOTT/DIPOL/ DE CAF

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---PARTY IDEOLOGUES IN A BIND

SUMMARY: DILEMMA FACING PARTY IDEOLOGUES IS HOW TO DEVELOP MORE CREATIVE, FREE-WHEELING THINKING IN THE ECONOMIC SPHERE WHILE MAINTAINING MARXIST THEORY TO LIMIT SUCH DEVELOPMENTS IN THE POLITICAL SPHERE. MANY CHINESE INTELLECTUALS RECOGNIZE THAT DEVELOPMENTS IN BOTH SPHERES GO HAND IN HAND, BUT IT IS CLEARLY NOT/NOT THE INTENTION OF THE CCP TO ENCOURAGE SUCH THINKING. ON THE CONTRARY, THE PARTY IS CALLING FOR MORE IDEOLOGICAL CONTROL IN ORDER TO DEAL WITH:

Gordon - good report - we might try to est. dialogue on this one. J

- (A) AN ECONOMY THAT HAS GOTTEN OUT OF HAND;
- (B) A WITHERING SENSE OF PUBLIC MORALITY; AND
- (C) WIDESPREAD CORRUPTION WITHIN THE PARTY ITSELF.

IRONY IS THAT STRICT LIMITS TO IDEOLOGICAL THINKING MUST BE IMPOSED TO PROTECT PARTYS MONOPOLY OF POWER, WHILE IDEOLOGICAL STRAIGHT JACKET INCREASINGLY UNDERMINES PARTY CREDIBILITY AND APPEAL. CCP HAS NOT/NOT FOUND WAY OUT OF DILEMMA. TO A LARGE EXTENT THE IDEOLOGICAL LEVERS THAT MAINTAINED CONTROL IN THE PRE-DENG ERA

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(MASS MOVEMENTS, CLOSED BORDERS, ETC) ARE NO/NO LONGER ACCEPTABLE. IN THEIR ABSENCE, IT WILL BE INCREASINGLY DIFFICULT FOR IDEOLOGY TO PLAY THE KEY ROLE IT USED TO, MUCH LESS ONE THAT, TORN BETWEEN DIFFERENT THEORETICAL APPROACHES TO POLITICS AND ECONOMICS, CAN SUCCESSFULLY PROVIDE A COHERENT QUOTE GUIDE TO PRACTICE UNQUOTE.

2. REPORT: IN A KEYNOTE ADDRESS TO PARTY THEORETICIANS AND PROPAGANDISTS IN DEC, ZHAO ZIYANG REITERATED THEORY OF BLDG SOCIALISM WITH CHINESE CHARACTERISTICS, FIRST ENUNCIATED AT THE 13TH PARTY CONGRESS OF OCT87 AT WHICH ZHAOS REFORMIST LINE EMERGED TRIUMPHANT. ACCORDING TO THE THEORY, CHINA MUST FIRST GO THROUGH A LONG PRIMARY STATE OF BLDG SOCIALISM. DURING THIS STAGE, IN WHICH CHINA FINDS ITSELF TODAY, THE FUNDAMENTAL TASK IS TO BOOST THE PRODUCTIVE FORCES (IE, NOT/NOT TO PROMOTE CLASS STRUGGLE).

3. WHILE MARXISM-LENINISM-MAO ZEDONG THOUGHT OFFICIALLY REMAINS ONE OF THE QUOTE FOUR BASIC PRINCIPLES UNQUOTE OF CHINESE SOCIALISM, ITS TENETS HAVE BEEN SHELVED TO PERMIT MORE CREATIVE SOLUTIONS TO BE FOUND FOR THE PRIMARY GOAL OF REORGANIZING THE CHINESE ECONOMY TO PRODUCE MORE. THIS HAS BEEN SIGNALLED, FOR INSTANCE, BY THE SEMI-OFFICIAL REAPPRAISAL OF CAPITALISM, WRITTEN BY XU JIATUN, DIRECTOR OF THE HKONG BRANCH OF XINHUA, WHO IN A FEATURE ARTICLE IN 20-14NOV PEIJING REVIEW REJECTED STEREOTYPED VIEW OF CAPITALIST SOCIETIES AND ADVOCATED THE ASSIMILATION OF THE POSITIVE ASPECTS OF CAPITALISM.

4. WHILE THIS SHELVING OF THE QUOTE CLASS STRUGGLE UNQUOTE AGENDA IS
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WELCOMED BY MOST CHINESE AND REFLECTS A GENERAL DISSILLUSIONMENT WITH IDEOLOGY, PARTICULARLY AMONGST YOUNGER PEOPLE, THE EXCLUSIVE FOCUSSING ON MATERIAL IMPROVEMENT, FOLLOWING HARD ON THE HEELS OF THE ANARCHIC CULTURAL REVOLUTION, IS CONTRIBUTING TO A CRISIS OF PUBLIC MORALITY. THE ECONOMIC EXPERIMENTATION ENCOURAGED BY THE IDEOLOGY OF THE 13TH PARTY CONGRESS HAS BROUGHT ABOUT ECONOMIC AND SOCIAL DISTORTIONS. PRODUCTION AND THE CREATION OF WEALTH HAVE BECOME ENDS IN THEMSELVES. THE PHENOMENON IS ILLUSTRATED BY THE RECENT COMMENT OF ONE NEWSPAPER READER UPON LEARNING THAT A FACTORY HAD SHUT DOWN FOR ONE WEEK, LOSING MILLIONS AS A RESULT OF THE MGMTS REFUSAL TO PAY A SUBSTANTIAL BRIBE TO A KEY SUPPLIER. THE READER CRITICIZED THIS DECISION SINCE THE REFUSAL TO PAY THE BRIBE (WHICH HE RECOGNIZED AS IMMORAL) HAD NEVERTHELESS LED TO SERIOUS LOSSES FOR THE FACTORY THAT WOULD ULTIMATELY AFFECT THE LIVELIHOOD OF HUNDREDS OF WORKERS. THIS TYPE OF MORAL RATIONALIZATION IS ALREADY BEGINNING TO UNDERMINE SOCIAL DISCIPLINE (EG, CHINAS CRIME RATE IS SOARING). HOWEVER, MULTIPLIED ON A LARGE SCALE OVER A PERIOD OF TIME THIS PHENOMENON WILL ALSO HAVE SERIOUS IMPLICATIONS FOR THE BORROWING AND ADAPTATION OF CAPITALISTIC METHODS AND THEORIES, WHICH DEPEND FOR THEIR SUCCESS ON THE EXISTENCE OF A SET OF AGREED VALUES.

5. THE ATTEMPT TO ISOLATE POLITICAL FROM ECONOMIC IDEOLOGY IS DRIVEN BY THE NEED TO PROTECT THE PARTYS POWER MONOPOLY FROM IDEOLOGICAL ATTACKS THAT COULD ULTIMATELY LEAD TO ITS DEMISE, BUT IT IS A

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DODGY PROPOSITION. CHINAS 19TH CENTURY REFORMERS HOPED TO MODERNIZE BY ADOPTING FOREIGN TECHNIQUES WHILE MAINTAINING THE ESSENTIAL PRINCIPLES OF CHINESE INSTITUTIONS, AND THEY FAILED. CHINAS INTELLIGENTSIA TODAY IS NOT/NOT UNAWARE OF THE HISTORICAL PARALLEL AND THE CONTRADICTIONS INHERENT IN THE CURRENT LEADERSHIPS POLICIES. SOME HAVE PUBLICLY CALLED FOR MORE DEMOCRACY AND RECOGNITION THAT ECON REFORM IS UNLIKELY TO SUCCEED WITHOUT POLITICAL AND IDEOLOGICAL REFORM AS WELL. THE FIERCEST CRITICISM HAS COME FROM SU SHAOZI, FORMER HEAD AND CURRENTLY A RESEARCHER OF MARXISM-LENINISM RESEARCH INSTITUTE WHO AT SAME SYMPOSIUM WHERE ZHAO DELIVERED ADDRESS (PARA 2), URGED PARTY TO ADMIT THAT MARXISM HAD REACHED A CRISIS--THAT IT WAS QUOTE BEHIND MODERN CAPITALISM, BEHIND THE REALITY OF MODERN SOCIALISM, AND BEHIND THE REALITY OF THE REFORMS IN CHINA UNQUOTE. HIS SPEECH, PUBLISHED IN THE WEEKLY SHENGI-BASED WORLD ECON HERALD, HAS BEEN BANNED FROM FURTHER PUBLICATION AND THE PAPERS EDITOR MAY BE THREATENED WITH DISMISSAL. 6. THE INCIDENT CLEARLY DEMONSTRATES THE LIMIT BEYOND WHICH POLITICAL IDEOLOGY CANNOT BE CHALLENGED. IT IS, HOWEVER, INTERESTING TO CONTRAST THIS WITH THE UNOBSTRUCTED ACCESS TO THE CHINESE MEDIA OF THREE YOUNG ECONOMISTS--HUA SHENG, ZHANG XUEJUN, LUO XIAOPENG--WHO, IN MEASURED TONES, HAVE NEVERTHELESS CALLED FOR A REDEFINITION OF COLLECTIVE PROPERTY RIGHTS (ALTHOUGH STEERING AWAY FROM OUTRIGHT ADVOCACY OF QUOTE PRIVATE OWNERSHIP UNQUOTE).

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PAGE FIVE WJGR3094 CONF

7. BY ALL ACCOUNTS, CHINA'S MARXIST-BASED IDEOLOGY IS IN CRISIS. THE MOLD, IN WHICH PUBLIC MORALITY AND SOCIAL ASPIRATIONS WERE PREVIOUSLY CAST, HAS BEEN BROKEN--FIRST BY THE EXCESSES OF THE PREVIOUS LEADERSHIP AND NOW BY THE SOCIAL AND ECONOMIC INEQUITIES ARISING FROM THE ECONOMIC EXPERIMENTS OF TODAY'S LEADERSHIP.

8. AT THE SAME TIME, WITH PARTY PRESTIGE NOW AT AN ALL-TIME LOW AS A RESULT OF PUBLIC KNOWLEDGE OF WIDESPREAD CORRUPTION AND NEPOTISM, THE IMPERATIVE TO REASSERT CONTROL BY APPEALING TO ORTHODOX MARXIST-LENINIST PRINCIPLES IS STRONG. THIS WAS SIGNALED BY A PARTY DOCUMENT CIRCULATED IN SEP88 THAT CALLED FOR A QUOTE STRENGTHENING AND TRANSFORMATION OF IDEOLOGICAL AND POLITICAL WORK UNQUOTE, A TASK WHICH AFTER A DECADE OF LESS RESTRICTIVE REFORMIST POLICIES, WILL PROVE DIFFICULT. THE NEED TO STRENGTHEN DISCIPLINE IS FURTHER REINFORCED BY THE LEADERSHIP'S IMMEDIATE PRIORITY OF REGAINING CONTROL OVER THE ECONOMY. NEVERTHELESS, THE IMPERATIVE TO CONTROL FREQUENTLY CONFLICTS IN THEORETICAL AND PRACTICAL TERMS WITH THE LEADERSHIP'S STATED AIM OF BOOSTING THE PRODUCTIVE FORCES THROUGH THE ADOPTION OF LARGELY CAPITALIST ECONOMIC REFORM MEASURES. THUS FOR THE SHORT TO MEDIUM TERM, SOCIALISM WITH CHINESE CHARACTERISTICS WILL CONTINUE TO DEMAND INTELLECTUAL GYMNASTICS OF THOSE WHO SEEK ITS IDEOLOGICAL COHERENCE.

9. TO WHAT EXTENT THE IDEOLOGICAL AND PARTICULARLY THE POLITICAL AGENDA CAN REMAIN IN THIS PRESENT UNCERTAIN STATE, WILL BE THE SUBJECT OF FOLLOWING TEL DEALING WITH POLITICAL REFORM.

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**ACTION
SUITE A DONNER**

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FM PEKIN WJGR3091 09FEB89

TO EXTOTT PNR DELIVER BY 090900

INFO HKONG SHNGI

DISTR PGE PND PNC PGP CPP INP INE

---PRC WEEKLY NEWS SUMMARY:02-08FEB

GENERAL

RETURN TO REVOYER AU		BICO		FOR FILING POUR - ETRÉ PORTE AU DOSSIER
ACC	REF	DATE		DOSSIER
FILE				DOSSIER
20- <i>China-1-4</i>				
CPA5				

-MFA OFFICIAL SAID CHINESE GOVT WILL, AS ALWAYS, PROTECT LEGITIMATE RIGHTS AND INTERESTS OF TAIWAN COMPATRIOTS RESIDING OR WORKING IN OTHER LANDS.(XINHUA 01FEB)

-FACTORY MGRS IN BAOTOU, INNER MONGOLIA, HAVE BEEN ASSIGNED SPECIAL POLICE BODYGUARDS TO PROTECT THEM FROM ATTACKS BY WORKERS WHO OPPOSE ENTERPRISE REFORM. ONE MGR WAS KILLED BY AN EMPLOYEE LAST YEAR.(XINHUA 02FEB)

FOREIGN POLICY

-SOVIET FM SHEVARDNADZE COMPLETED HIS 3-DAY VISIT TO CHINA ON 04FEB WITH AGMT FOR GORBACHEV VISIT TO PEKIN IN MID-MAY.(XINHUA 04FEB)

-PREMIER LI PENG REITERATED CHINAS POSITION ON KAMPUCHEA SAYING THAT VIETNAM SHOULD WITHDRAW ALL ITS TROOPS WITHOUT ANY PRECONDITIONS(UNDER EFFECTIVE INNATL SUPERVISION) SINCE IT HAD PROMISED TO DO SO BY END OF SEP.(XINHUA 01FEB)

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ECONOMIC

-NINE OUT OF TEN JPNSE COMPANIES BELIEVE THAT BUSINESS CONDITIONS IN CHINA ARE LIKELY TO REMAIN DIFFICULT FOR NEXT 10 YEARS

ACCORDING TO NEW BOOK BY NIGEL CAMPBELL AND PETER ALLINGTON QUOTE CHINA BUSINESS STRATEGIES UNQUOTE. ONLY 33 PERCENT OF JPNSE COMPANIES SURVEYED SHOWED PROFIT LAST YEAR COMPARED WITH 60 PERCENT FOR USA AND 40 PERCENT FOR EUROPEAN FIRMS (CHINA DAILY 03FEB)

-WHEN FOREIGN DEBT REPAYMENT PEAK COMES IN 1992, CHINAS DEBT-SERVICE RATIO WILL BE 10-15 PERCENT, WELL BELOW INNATL WARNING LEVEL OF 20 PERCENT (ECONOMIC DAILY 03FEB)

-JANUARY SAW DECREASE FROM DEC OF 10.9 PERCENT IN DAILY INDUSTRIAL OUTPUT. (XINHUA 05FEB)

-CHINA LOST YUAN 18.32 BILLION LAST YEAR -- 1.51 PERCENT OF TOTAL INDUSTRIAL VALUE -- BY PRODUCING USELESS ITEMS. (ECONOMIC DAILY 01FEB).

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FM PEKIN WJGR3078 02FEB89
TO EXTOTT PNR DELIVER BY 020900
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---PRC WEEKLY NEWS SUMMARY:26JAN-01FEB
GENERAL

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ACC	REF	DATE
FILE	<i>20-Anna-1-4</i>	

-TENTH PANCHEN LAMA DIED OF A SUDDEN HEART ATTACK ON 28JAN IN TIBET.29JAN PEOPLES DAILY.

-SUPPLIES OF MEAT,EGGS,VEGETABLES,FRUIT AND SUGAR AVAILABLE FOR THIS YEARS SPRING FESTIVAL ARE MORE PLENTIFUL THAN LAST YEARS. 25JAN XINHUA.

POLITICAL

-ZHAO ZIYANG TOLD INVITED NON-PARTY GUESTS AT ZHONGNANHAI THAT IT WAS IMPERATIVE TO FORMALIZE AND LEGALIZE PARTICIPATION OF VARIOUS DEMOCRATIC PARTIES IN THE COUNTRYS POLITICAL AFFAIRS.HE ALSO NOTED THAT THE SYSTEM WHEREBY POLITICAL PARTIES TOOK TURNS AT RUNNING THE GOVT WAS NOT/NOT APPROPRIATE IN CHINA.30JAN XINHUA.

-YUAN MU SPOKESMAN FOR THE STATE COUNCIL NOTED THAT CHINA WILL INCREASE ITS POLITICAL OPENNESS GIVING PRESS CONFS AND NEWS BRIEFINGS REGULARLY.27JAN XINHUA.

-COMMENTARY CALLS ON LEADING BODIES AT ALL LEVELS TO PROTECT AND SUPPORT REFORMERS IN ENTERPRISES AND GRASS ROOTS UNITS.25JAN PEOPLES DAILY.

-THE STATE COUNCIL APPROVED IN PRINCIPLE A SET OF REGS ON IMPROVING MGMT OF DONATIONS BY OVERSEAS CHINESE FROM HKONG,MACAO AND TAIWAN. 27JAN XINHUA.

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2007

PAGE TWO WJGR3078 UNCLAS

ECONOMIC

-ENERGY SITU IS DETERIORATING. LIAONING PROV POWER GENERATION WAS DOWN 35 PERCENT IN JAN. IN JIANGXI PROV, FOUR OF SEVEN MAJOR GENERATING UNITS HAVE HAD TO CLOSE BECAUSE OF COAL SHORTAGES. ENERGY MINISTER HUANG YICHENG SAID CONSTRUCTION OF INDUSTRIES CONSUMING LARGE AMOUNTS OF ELECTRICITY, SUCH AS ALUMINUM SMELTERS, WILL HAVE TO BE HALTED FOR AT LEAST TWO YEARS. PREMIER LI PENG SAID STATE SHOULD ENCOURAGE THE CREATION OF SMALL AND MEDIUM LOCALLY OWNED MINES. 29JAN CHINA DAILY.

-BANK LOANS WILL BE GIVEN ON A PRIORITY BASIS TO KEY CONSTRUCTION PROJECTS IN ENERGY AND TRANSPORTATION. 27JAN PEOPLES DAILY.

-NEWLY-ESTABLISHED TRADE UNION WAGE CTTEES ARE EXPECTED TO STOP/ STOP THE UNFAIR DISTRIBUTION OF WAGES AND BONUSES. 26JAN XINHUA.

-DIRECTOR OF STATE LAND ADMIN PREDICTED THAT REGS ON THE SALES OF LONG-TERM LAND LEASES WILL BE PROMULGATED THIS YEAR. THE REGS WILL INCLUDE TERMS ON LEGAL BASES, REQUIREMENTS, LENGTH, CONDITIONS FOR MORTGAGE LOANS AND HANDLING THE SALE AND TRANSFER OF STATE-OWNED LAND USE RIGHTS. 30JAN CHINA DAILY.

-THE CLOSING OF GRAIN MARKETS IN CERTAIN AREAS LAST YEAR TO SPEED UP THE STATES GRAIN PURCHASING HAS MADE IT DIFFICULT FOR BUSINESSMEN AND TRANSIENT LABOURERS (APPROX 70 MILLION PEOPLE) TO OBTAIN FOOD. IN OTHER AREAS, GRAIN PRICES HAVE SOARED. 30JAN CHINA DAILY.

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-FURTHER DECLINES ARE EXPECTED IN PRODUCTION OF COTTON. ACREAGE IN SHANDONG, HEBEI AND HENAN, THE THREE LARGEST COTTON PRODUCING PROVS, HAS SHRUNK 15 TO 20 PERCENT. THE GOVT FIXED PURCHASING PRICE FOR COTTON IS LESS THAN THE 1983 STANDARD. 01FEB CHINA DAILY.

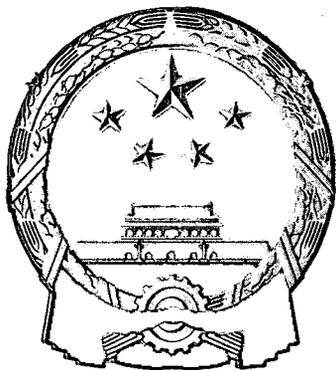
-IN 1988 CHINA EXPORTED USA DLRS 38 MILLION IN NUCLEAR PRODUCTS TO 15 COUNTRIES. EXPORTED PRODUCTS INCLUDED NATURAL URANIUM, OTHER METALS AND MINI-REACTORS. THE TOTAL CIVILIAN PRODUCTION VALUE OF YUAN 507 MILLION WAS APPROX 33.7 PERCENT OF THE INDUSTRYS TOTAL INDUSTRIAL OUTPUT VALUE. 01FEB CHINA DAILY.

SOCIAL

-ON AVERAGE ONE OUT OF FIVE FAMILIES IN CHINA HAS ONE DISABLED PERSON. EXPERTS ATTRIBUTED PROBLEM TO INBREEDING AND ENDEMIC DISEASES IN RURAL AREAS. PROF YONG JIKE ESTIMATED IT WOULD TAKE 90 GENERATIONS TO REDUCE THE RATE OF PEOPLE WITH CONGENITAL DISEASES IN CHINA FROM 10 PER 1,000 TO 0.1 PER 1,000. 28JAN XINHUA.

UUU/115 020700Z WJGR3078

January 31, 1989 *WA*
12-1-89



BULLETIN

RETURN TO **BTU** FOR FILING
RENOYER AU **BTU** POUR - ETRE
PORTE AU DOSSIER

ACC REF DATE

FILE **20-China-14** D.D.

The Embassy of the People's Republic of China in Canada, Ottawa

515 St. Patrick Street, Ottawa, K1N 5H3.
Telephone: (613) 234-0963

REMARKS BY THE SPOKESMAN OF THE CHINESE FOREIGN MINISTRY ON THE STUDENT INCIDENT IN HEHAI UNIVERSITY

The Chinese Government protects the legitimate rights of foreigners in China according to law. And at the same time, in accordance with international law and laws of China, foreigners in China must abide by laws of the People's Republic of China. This principle is universally accepted by countries all over the world. Authorities concerned in China are entitled to deal with any law-breaker on the basis of relevant laws and in accordance with the legal procedure. Naturally, some individual foreign students who have breached China's law should be dealt with according to law. And accordingly, Chinese students who break the law will also be brought to justice. In China, Chinese students and foreign students are equal before the law.

On the allegation that the basic cause for the clash between foreign and Chinese students in Nanjing is China's policy of racial discrimination, the spokesman said:

"This view is incorrect and is a distortion of China's policy towards Africa. The student incident in Nanjing is one concerning public order on campus, so it has nothing to do with the so-called racial discrimination. It is known to all that China pursues a policy of equality and unity among all its nationalities at home. And in international relations, it stands for equality among ethnic groups irrespective of their colour and religious belief. We are firmly against the policy of apartheid and racial discrimination.

"As a member of the third world, China persistently takes the strengthening and development of unity and cooperation with other third world countries as the corner-stone in its external affairs. China and African countries shared a common bitter experience in the past, for instance, we were all subjected to the bitterness of racial discrimination. Now we are faced with two common major historical tasks of peace and development. We understood and supported each other, we understand and support each other today and we will continue to do so in the future. We cherish the profound traditional friendship already established between China and African countries and hope that it will be strengthened.

GENERAL INFORMATION ABOUT THE CAMPUS LAW AND
ORDER INCIDENT IN HEHAI UNIVERSITY, NANJING
(TRANSLATION)

1. CAUSE AND DEVELOPMENT OF THE INCIDENT SINCE LAST SEPTEMBER, HEHAI UNIVERSITY HAS REAFFIRMED AND FORMULATED A SERIES OF SECURITY MEASURES TO IMPROVE MANAGEMENT ON CAMPUS, INCLUDING A REGULATION WHICH REQUIRES VISITORS TO THE UNIVERSITY TO REGISTER THEMSELVES. AT THE SAME TIME, IN ORDER TO IMPROVE THE SECURITY FOR FOREIGN STUDENTS, IT IS DECIDED TO BUILD A WALL AROUND THE DORMITORY OF FOREIGN STUDENTS. SOME FOREIGN STUDENTS RESENTED THE ABOVE-MENTIONED NORMAL MANAGERIAL MEASURES. CONSEQUENTLY, THEY TWICE PULLED DOWN THE NEWLY BUILT WALL ON THE EVENING OF 17 NOVEMBER AND AT NOON OF 18 NOVEMBER. THE UNIVERSITY ENJOINED THEM TO COMPENSATE FOR THE ECONOMIC LOSS. FEELING RESENTFUL OF THIS, FOREIGN STUDENTS PUSHED DOWN THE REERECTED WALL THE THIRD TIME AT NOON OF 29 NOVEMBER AND THEN BESIEGED AND HARASSED STAFF MEMBERS OF THE FINANCIAL DIVISION OF THE UNIVERSITY FOR AS LONG AS FIVE HOURS.

ON THE EVENING OF 24 DECEMBER, FOREIGN STUDENTS HELD A CHRISTMAS DANCE PARTY ON THE CAMPUS. BETWEEN 7 AND 9 : 30 P.M. SIX FOREIGN STUDENTS SUCCESSIVELY TRIED TO BRING CHINESE WOMEN INTO THE CAMPUS THROUGH THE FRONT GATE. SOME FRICTION WAS CREATED BETWEEN THE FOREIGN STUDENTS AND THE DOORMEN AS FOUR OF THEM REFUSED TO REGISTER AND EVEN FORCED THEIR WAY INTO THE CAMPUS. ON THEIR WAY ON THE CAMPUS, ONE FOREIGN STUDENT BEAT UP, WITHOUT CAUSE OR REASON, CAO LEBAO, A STAFF MEMBER OF THE UNIVERSITY FOREIGN AFFAIRS OFFICE. AT ABOUT 10 P.M. OVER 20 FOREIGN STUDENTS FROM CHINA MEDICINE UNIVERSITY WENT FOR THE PARTY TAKING ALONG SEVERAL CHINESE WOMEN WITH THEM. AGAIN, THEY REFUSED TO REGISTER AND FORCED THEIR WAY THROUGH THE GATE. SOON AFTER THIS, MORE THAN 30 FOREIGN STUDENTS STORMED OUT OF THE FOREIGN STUDENTS' DORMITORY WIELDING CLUBS, STEEL WHIPS, KNIVES, BEER BOTTLES STONES AND OTHER ASSAULT WEAPONS. ON THEIR WAY, SOME OF THEM ATTACKED ANY CHINESE THEY CAME ACROSS AND SMASHED ANYTHING WITHIN SIGHT. SOME OF THE DOOR AND WINDOW GLASSES OF THE PRESIDENT'S OFFICE AND THE UNIVERSITY'S GUESTHOUSE WERE SMASHED. EVEN FOUR GUESTS FROM OUTSIDE UNITS STAYING AT THE GUESTHOUSE WERE BEATEN UP. ZHANG JITAO, A STAFF MEMBER OF THE UNIVERSITY'S SECURITY OFFICE WAS KNOCKED UNCONSCIOUS ON THE SPOT AND SERIOUSLY WOUNDED. THOUGH OUT OF DANGER AFTER AN EMERGENCY TREATMENT, HE IS STILL IN HOSPITAL. ALL TOGETHER 11 CHINESE WERE BEATEN UP IN THE INCIDENT IN WHICH TWO AFRICAN STUDENTS RECEIVED MINOR INJURIES.

BEING INDIGNANT AT THE ASSAULT ON PERSONS BY A SMALL NUMBER OF AFRICAN STUDENTS, CHINESE STUDENTS TWICE GATHERED IN FRONT OF THE DORMITORY FOR FOREIGN STUDENTS THAT NIGHT AND AT NOON ON THE FOLLOWING DAY DEMANDING THAT THE ASSAILANTS BE SEVERELY PUNISHED. IN THEIR AGITATION, A SMALL

NUMBER OF CHINESE STUDENTS SMASHED DOOR AND WINDOW GLASSES IN THE DORMITORY WITH STONE AND SHOUTED SOME ERRONEOUS SLOGANS. THE UNIVERSITY'S LEADERSHIP AT ALL LEVELS AND ITS TEACHING STAFF WENT AMONG THE STUDENTS TO ADVISE THEM AGAINST SUCH AN ACTION. PUBLIC SECURITY OFFICERS AND MEN ALSO RUSHED TO THE SCENE IMMEDIATELY AND TOOK MEASURES TO SEPARATE CHINESE AND FOREIGN STUDENTS SO AS TO PREVENT A POSSIBLE CLASH BETWEEN THEM.

AT 4 : 30 P.M. ON 25 DECEMBER, FOREIGN STUDENTS, IGNORING DISSUASION, LEFT THE UNIVERSITY FOR THE NANJING RAILWAY STATION. THEY ATTEMPTED TO FORCE THEIR WAY ON BOARD A BEIJING-BOUND TRAIN AND SMASHED GLASSES ON DOORS AND WINDOWS IN THE RAILWAY STATION. FOLLOWING THIS, TEACHERS AND STAFF OF VARIOUS UNIVERSITIES OR INSTITUTES WENT TO THE RAILWAY STATION TO PERSUADE THE FOREIGN STUDENTS TO LEAVE THE WAITING ROOM AND MOVE TO A SAFER PLACE. HOWEVER, IN SPITE OF OVER 20 HOURS' PATIENT PERSUASION, FOREIGN STUDENTS REFUSED TO RETURN TO THEIR UNIVERSITIES OR INSTITUTES EXCEPT THREE. AROUND 7 : 30 P.M. ON 26 DECEMBER, SEVERAL THOUSAND CHINESE STUDENTS TOOK TO THE STREET IN DEMONSTRATION AND MARCHED TOWARDS THE NANJING RAILWAY STATION, THUS GIVING RISE TO AN EXPLOSIVE SITUATION. WHEN ALL THE PERSUASION EFFORTS FAILED, EMERGENCY MEASURES WERE TAKEN TO TRANSFER THE FOREIGN STUDENTS TO A GUESTHOUSE ON THE OUTSKIRTS OF NANJING IN ORDER TO AVOID A CLASH AND ENSURE THE SAFETY OF THE FOREIGN STUDENTS.

2. HANDLING OF THE INCIDENT

AFTER THE FOREIGN STUDENTS WERE TRANSFERRED FROM THE RAILWAY STATION TO A SAFER PLACE, SOME STUDENTS LATER RETURNED TO THEIR CAMPUSES FOR STUDY UPON REPEATED PERSUASION BY LEADING MEMBERS AND TEACHERS OF THE RELEVANT UNIVERSITIES OR INSTITUTES. BUT THE MAJORITY HAD ADOPTED A NON-COOPERATIVE ATTITUDE. THEY REFUSED TO PRESENT THEIR ID CARDS OR SUBJECT THEMSELVES TO THE MANAGEMENT OF THE GUESTHOUSE IN VIOLATION OF THE REGULATIONS CONCERNING THE RESIDENCE OF ALIENS IN CHINA. THEY SEIZED THE GUESTHOUSE BUILDING AND REFUSED TO LET IN CHINESE PERSONNEL, THUS IMPEDING THE INVESTIGATION INTO THE INCIDENT. THEY ENFORCED A STRICT CONTROL AMONG THEMSELVES AND FORCED THOSE WISHING TO RETURN TO CAMPUS FOR STUDY TO REMAIN AT THE GUESTHOUSE. A FEW WERE VERY HOSTILE AND SHOWED LITTLE SENSES, THREATENING TO KILL. DAGGERS, SHARP KNIVES, KITCHEN KNIVES AND HANDSAWS WERE FOUND HIDDEN IN THEIR ROOMS IN THE GUESTHOUSE.

THE NANJING MUNICIPAL DEPARTMENT OF PUBLIC SECURITY, HAVING OBTAINED EVIDENCE FROM ITS INVESTIGATION, EXECUTED THE LAW ON 31 DECEMBER LAST YEAR ON THE CULPRITS RESPONSIBLE FOR THE INCIDENT. THEY TOOK ONE FOREIGN STUDENT INTO CUSTODY IN ACCORDANCE WITH THE CRIMINAL LAW AND CRIMINAL PROCEDURAL LAW FOR HE WAS SUSPECTED OF INFLECTING SEVERE WOUNDS ON OTHERS AND SUMMONED THREE OTHER FOREIGN STUDENTS SUSPECTED OF HAVING CREATED THE TROUBLE. WHEN SECURITY OFFICERS STARTED TO ENFORCE THE LAW, SOME FOREIGN STUDENTS, BOOING

AND HOOTING, SMASHED WINDOWS AND DINNER SETS, THUS SERIOUSLY HAMPERING THE PERFORMANCE OF PUBLIC DUTY. THE POLICE HAD NO CHOICE BUT TO TAKE COERCIVE MEASURES IN ACCORDANCE WITH LAW BY DETAINING OR SUMMONING THE FOUR FOREIGN STUDENTS. IT MUST BE POINTED OUT THAT THE POLICEMEN, IN FACE OF THE ROUGH CONDUCT OF A FEW STUDENTS, EXERCISED GREAT RESTRAINT AND SUCCEEDED IN AVOIDING A HEAD-ON CLASH WITH THE FOREIGN STUDENTS. AFTER FURTHER INVESTIGATION, ONE OF THE THREE SUMMONED FOREIGN STUDENTS WAS RELEASED AND THE OTHER TWO ARE UNDER DETENTION IN ACCORDANCE WITH ADMINISTRATIVE RULES. THE JUDICIARY DEPARTMENT CONCERNED WILL MAKE A FAIR JUDGEMENT ON THE ONE UNDER DETENTION IN ACCORDANCE WITH THE CRIMINAL LAW AND THE CRIMINAL PROCEDURAL LAW.

IN ORDER TO FACILITATE PERSUASION WORK BY VARIOUS UNIVERSITIES AND PROPER HANDLING OF THIS INCIDENT, WE SEPARATED THE FOREIGN STUDENTS OF HEHAI UNIVERSITY FROM THOSE OF OTHER SCHOOLS ON THE DAY OF THE LAW ENFORCEMENT. THEREAFTER, FOREIGN STUDENTS STARTED TO RETURN TO THEIR RESPECTIVE UNIVERSITIES OR INSTITUTES ONE AFTER ANOTHER AFTER PAINS-TAKING PERSUASION WORK BY LEADERS AND TEACHERS OF VARIOUS UNIVERSITIES AND INSTITUTES CONCERNED. BY 5 JANUARY, ALL THE FOREIGN STUDENTS INVOLVED IN THE INCIDENT HAD RETURNED TO THEIR RESPECTIVE SCHOOLS AND WERE WELCOMED BY THE SCHOOL AUTHORITIES AND THEIR SCHOOLMATES. SOME OF THEM HAVE ALREADY BEGUN TO RESUME THEIR STUDY. NOW THINGS ARE QUIET ON THE CAMPUS OF HEHAI UNIVERSITY AND TEACHERS ARE WORKING OUT NEW TEACHING PROGRAMS TO MAKE UP A MISSED LESSON AND FOR NEW ONES.

**ACTION
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FM PEKIN WJGR3067 26JAN89
TO EXTOTT PNR DELIVER BY 260900
INFO HKONG SHNGI
DISTR FGB PND PNC PGP CPP INP INE
---PRC WEEKLY NEWS SUMMARY:19-25JAN

RETURN TO RENOYER AU	BICO	FOR FILING POUR - ETRE PORTE AU DOSSIER
ACC	REF	DATE
FILE	20- <i>China</i> -1-4	
DOSSIER		

GENERAL

-29 MORE CITIES AND COUNTIES ARE NOW OPEN TO FOREIGNERS BRINGING THE TOTAL TO 571.18JAN XINHUA.

-CHINESE AIRLINES CRASHED FOUR TIMES IN 1988 KILLING A TOTAL OF 172 PEOPLE.21JAN XINHUA.

-THE NUMBER OF CRIMINAL CASES IN CHINA IN 1988 ROSE 45 PERCENT OVER THE PREVIOUS YEARS TOTAL.80 PERCENT OF THESE CASES INVOLVED THEFT.MURDER,ARMED ROBBERY AND GANG DISTURBANCES ALSO INCREASED. 23JAN XINHUA.

-A NATL CONF ON LAW AGREED THAT STRICT ENFORCEMENT OF LAWS TO COMBAT INCREASING CRIMES AND SAPOTAGE BY OVERSEAS ESPIONAGE AGENCIES WERE MAJOR TASKS FACING THE JUDICIAL SYSTEM.QUOTE FACTORS AFFECTING SOCIAL STABILITY INCLUDED DISCONTENT ABOUT INFLATION, UNEMPLOYMENT,THE AFTERMATH OF NATURAL DISASTERS AND A TINY MINORITY OF PEOPLE,WAVING THE FLAGS OF DEMOCRACY AND FREEDOM,WHO SPREAD RUMOURS AND ATTEMPT TO CREATE DISTURBANCES UNQUOTE.19JAN XINHUA.

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POLITICAL

-CHEN ZUOLIN DEPUTY SECRETARY OF THE CENTRAL COMMISSION FOR DISCIPLINE INSPECTION TOLD A NATL CONF THAT THE PARTYS ENFORCEMENT OF DISCIPLINE HAD BECOME LAX AND VIOLATIONS OF DISCIPLINE AND LAW BY PARTY MEMBERS WERE BECOMING MORE SERIOUS. IN 1988 DISCIPLINE INSPECTION DEPTS AT PROVINCIAL AND MINISTERIAL LEVELS HANDLED 1,944 CASES. FOUR OF 590 PARTY MEMBERS PUNISHED WERE PROVINCIAL OR MINISTERIAL LEADERS. 23JAN XINHUA.

-FOURTH STANDING CTTEE OF THE 7TH NATL CTTEE OF THE CHINESE PEOPLES POLITICAL CONSULTATIVE CONF OPENED 23JAN. YAO YILIN BRIEFED MEMBERS ON THE ECON SITU AND ON THE STATE COUNCILS WORK PLAN FOR 1989. DRAFT PROVISIONAL REGS ON POLITICAL CONSULTATION AND DEMOCRATIC SUPERVISION WERE SUBMITTED TO THE CTTEE FOR APPROVAL. 23JAN XINHUA.

FOREIGN POLICY

-CHINESE FOREIGN MIN MET WITH VIETNAMESE DEPUTY FOREIGN MIN DINH NHO LIEN 19JAN (SEE OURTEL WJGR3065 26JAN FOR FULL REPORT). 19JAN XINHUA.

-ON RETURN FROM PARIS, PRINCE SIHANOUK STRESSED THAT VIETNAM MUST FIRST WITHDRAW ALL ITS TROOPS FROM KAMPUCHEA AND THEN AID TO RESISTANCE FROM CHINA AND OTHER FRIENDLY COUNTRIES SHOULD CEASE.

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PAGE THREE WJGR3067 UNCLAS

SIHANOUK DEEMED HUN SENS PROPOSAL THAT A NATL RECONCILIATORY COMMISSION WITHIN THE FRAMEWORK OF THE PEOPLES REPUBLIC OF KAMPUCHEA UNACCEPTABLE.24JAN XINHUA.

-CUBAN FOREIGN MIN MALMIERCA BECAME FIRST CUBAN FM TO VISIT CHINA 19JAN.MALMIERCA NOTED THAT MAINTAINING PEACE,WAGING A COMMON STRUGGLE AGAINST THE ARMS RACE AND FIGHTING A SPECIAL BATTLE FOR DEVELOPMENT WERE THE MAINSTAYS IN THE DEVELOPMENT OF RELNS BETWEEN THE TWO COUNTRIES.20JAN XINHUA.

ECONOMIC

-INTEREST RATES ON SAVINGS WILL GO UP BY AN AVERAGE OF 3 PERCENT AND ON LOANS WILL INCREASE ALMOST 2 PERCENT FROM 01FEB(SEPARATE REPORT TO FOLLOW).21JAN XINHUA.

-CIVIL AVIATION ADMINISTRATION OF CHINA NOTED THAT NEGS ARE UNDERWAY TO BUY 29 ADDITIONAL AIRCRAFT.20JAN XINHUA.

-TOTAL WAGES EARNED BY CHINESE WORKERS INCREASED 22.1 PERCENT IN 1988 DESPITE 1.5 INFLATION A GOVT OFFICIAL NOTED.WAGES WERE UP 34.1 PERCENT IN GUANGDONG AND 32 PERCENT IN SHANDONG.24JAN XINHUA.

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FM PEKIN WJGR3054 19JAN89
TO EXTOTT PNR DELIVER BY 190900
INFO HONG SHNGI

DISTR PGB PND PNC PGP CPP INP INE
---PRC WEEKLY NEWS SUMMARY:12-18JAN
GENERAL

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-SNOW AND RAINFALL IN MANY PARTS OF CHINA IN EARLY JAN HAVE HELPED ALLEVIATE DROUGHT IN HALF OF THE COUNTRYS DROUGHT STRICKEN AREAS.
15JAN XINHUA.

-PEKINS MAJOR POWER CONSUMERS ARE LIKELY TO SUFFER HEAVY CUTS(UP TO 30 PERCENT)DURING PEAK HOURS.THE SEVERE POWER SHORTAGE IS WORSE THAN USUAL BECAUSE OF A LACK OF SUITABLE COAL AND THE DETERIORATION OF MACHINES IN MAJOR POWER PLANTS IN NORTH CHINA.
17JAN CHINA DAILY.

POLITICAL

-YANG ZHENHUAI, MINISTER OF WATER RESOURCES HAS MADE A SELF CRITICISM FOR USING STATE MONEY TO GIVE EMPLOYEES NATL DAY BONUSES LAST YEAR.THE AUDITING ADMINISTRATION HAS ISSUED A CIRCULAR SAYING THAT INSTITUTIONS WHICH INDISCRIMINATELY DISTRIBUTE CASH AND GOODS TO STAFF WILL BE DEALT WITH SEVERELY.17JAN XINHUA.

-TWO FOREIGN STUDENTS WHO HAD BEEN DETAINED IN CONNECTION WITH THE HEHAI UNIV INCIDENT WERE RELEASED AFTER SERVING 14 DAYS OUT OF A 15

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PAGE TWO WJGR3054 UNCLAS

DAY TERM. THREE CHINESE STUDENTS WERE ALSO PLACED IN DETENTION FOR 15 DAYS FOR OFFENCES AGAINST PUBLIC ORDER. 14 JAN XINHUA.

FOREIGN POLICY

-CHINESE PRESS HAS NOT/NOT COMMENTED ON MGS BETWEEN CHINESE AND VIETNAMESE OFFICIALS STILL REPORTEDLY UNDERWAY IN PEKIN.

-THE RED CROSS SOCIETIES OF CHINA AND TAIWAN ARE NEGOTIATING TO ESTABLISH A COMPUTERIZED NETWORK TO TRACE FAMILY MEMBERS ON BOTH SIDES OF THE STRAIT. 13 JAN XINHUA.

-AUSTRALIAN FOREIGN AFFAIRS MINISTER GARETH EVANS IS TO VISIT CHINA 29 JAN-01 FEB. 12 JAN XINHUA.

ECONOMIC

-LI GUIXIAN, GOV OF CENTRAL BANK ANNOUNCED MEASURES TO STRENGTHEN FINANCIAL CONTROL AT NATL CONF OF PEOPLES BANK OF CHINA. NO/NO NEW LOANS WILL BE EXTENDED TO COLLECTIVE OR INDIVIDUAL ENTERPRISES FOR NEW FIXED ASSETS. CENTRAL BANK WILL RAISE THE RATIO OF ITS RESERVES AND INTEREST RATES FOR BOTH LENDING AND SAVING WILL BE INCREASED. 12 JAN XINHUA.

-THE INDUSTRIAL AND COMMERCIAL BANK INCREASED LOANS BY ANOTHER YUAN 26 BILLION TO ENSURE THE SUPPLY OF DAILY NECESSITIES AND TO ENABLE THE PURCHASE OF NON-STAPLE FOOD ITEMS. 17 JAN PEOPLES DAILY.

-THE PRICE OF PORK HAS BEEN DROPPING IN MANY AREAS. IN PEKIN, TIANJIN AND SHNGI, MEAT IS BEING STORED IN RAILWAY STATIONS AND

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**ACTION
SUITE A DONNER**

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TO EXTOTT PNR DELIVER BY 120900

INFO HKONG SHNGI

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---PRC WEEKLY NEWS SUMMARY:06-12JAN

GENERAL:

-THREE TOP OFFICIALS HAVE BEEN CLEARED IN FIRST OF MANY INVESTI-
GATIONS INTO CORRUPTION IN HIGH PLACES IN GOVT AND THE PARTY. CASES
OF 14 OTHER HIGH RANKING OFFICIALS ARE STILL UNDER INVESTIGATION.
(CHINA DAILY, 11JAN).

-IN COOP WITH CDA, SHANGHAIS JIAOTONG UNIV HAS DEVELOPED FOUR
KINDS OF ROBOTS FOR UNDERSEA OPERATIONS. (XINHUA, 07JAN).

-BY 2000, CHINAS POPULATION WILL BREAK 1.3 BILLION MARK, ONE HUNDRED
MILLION MORE THAN TARGET, (ECONOMIC DAILY, 10JAN).

-ZHAO ZIYANG SPEAKING ON REFORM SAYS: QUOTE IT IS AS MUCH WRONG
TO DOUBT THE CORRECTNESS OF REFORM JUST BECAUSE OF THE CURRENT
DIFFICULTIES, AS TO DOUBT THE SOCIALIST SYSTEM ITSELF UNQUOTE.
(CHINA DAILY, 12JAN).

-ALTHOUGH A STATE STATISTICS BUREAU POLL SHOWED THAT 57.6 PERCENT
OF WORKERS BELIEVE THAT SEPARATION OF GOVT AND PARTY FUNCTIONS
HOLDS KEY TO SUCCESS OF POLITICAL REFORM, 27 PERCENT SAID THAT
OPEN GOVT WOULD BE OF QUOTE NO/NO PRACTICAL USE UNQUOTE.

-THE MINISTRY OF CIVIL AFFAIRS HAS TAKEN FIRST STEP IN RECRUITING

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ROUTE A LETTER
MAY 1988

PAGE TWO WJGR3017 UNCLAS

NON-PARTY MEMBERS TO CIVIL SERVICE BY HIRING 30 OF 892 APPLICANTS IN PUBLIC EXAMINATION FOR CIVIL SERVICE. (CHINA NEWS SERVICE VIA SOUTH CHINA MORNING POST 04JAN).

-IN BEIJING AN 18-DAY EXHIBITION OF OIL PAINTINGS FEATURING NUDES ATTRACTED OVER 10,000 VIEWERS A DAY. VICE MINISTER OF CULTURE YING RUOCHENG SAID IT WAS QUOTE NO/NO DOUBT A SHOCK TO PEOPLE STILL HARBOURING FEUDAL CONCEPTS UNQUOTE. (XINHUA, 07JAN).

FOREIGN AFFAIRS:

-THE PLO BEIJING OFFICE HAS BEEN RENAMED EMBASSY OF THE STATE OF PALESTINE ACCORDING TO MFA. (XINHUA, 07JAN).

-SOVIET FOREIGN MINISTER SHEVARDNADZE WILL VISIT CHINA IN EARLY FEB TO PREPARE FOR SINO-SOVIET SUMMIT LATER THIS YEAR. (XINHUA, 09JAN).

ECONOMIC:

-CHINA'S INDUSTRIAL PRODUCTION VALUE IN 1988 SHOT UP TO 1213.5 BILLION YUAN, CALCULATED ACCORDING TO 1980 PRICE LEVELS, A 17.7 PERCENT INCREASE OVER 1987 ACCORDING TO THE STATE STATISTICAL BUREAU. (CHINA DAILY, 11JAN).

-CHINA IS DRAFTING A COMMODITY QUALITY CONTROL LAW WHICH WILL ALLOW FOR COMPENSATION TO CONSUMERS. (CHINA DAILY, 11JAN).

-LACK OF RAW MATERIALS HAS MEANT THAT SUPPLIES OF SOAP AND DETERGENTS WILL CONTINUE TO FALL FAR SHORT OF DEMAND. CONSUMERS ARE USING

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PAGE THREE WJGR3017 UNCLAS

MORE DETERGENTS BECAUSE NBR OF WASHING MACHINES HAS INCREASED
DRAMATICALLY AND BECAUSE PEOPLE ARE CHANGING CLOTHES AND WASHING
MORE FREQUENTLY. (CHINA DAILY, 09JAN).

-BECAUSE OF CONTINUING SHORTAGES OF FUNDS, SEVERAL CITIES AND
COUNTIES IN ZHEJIANG ARE PAYING FARMERS FOR PIGS WITH IOUS
(CHINA YOUTH, 10JAN).

-CHINAS TEXTILE INDUSTRY IS EXPANDING OVERSEAS TO ALLEVIATE
RAW MATERIALS SHORTAGES AT HOME. (CHINA DAILY, 07JAN).

-SHANGHAIS INDUSTRIAL PROFITS FOR 1988 INCREASED BY 1.3 PERCENT
OVER 1987 ENDING A TWO YEAR DECLINE. (XINHUA, 04JAN).

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CARRIAGES AS STOREHOUSES ARE FULL.14JAN XINHUA.

SOCIAL

-CHINAS POPULATION WILL REACH 1.1 BILLION BY THE END OF MAR89.VICE PREMIER TIAN JIYUN NOTED THAT EACH YEAR THE POPULATION IS GROWING BY 4 TO 5 MILLION,WHILE FARMLAND IS DECREASING.12JAN XINHUA.

-INTESTINAL DISEASES ACCOUNT FOR 60 PERCENT OF ALL EPIDEMICS IN CHINA,SAYS THE INSTITUTE OF EPIDEMIOLOGY.EXPERTS PREDICT A HIGHER INCIDENCE OF VENERAL DISEASE ESPECIALLY IN THE OPEN COASTAL CITIES. EPIDEMICS OF DIPHTHERIA,WHOOPING COUGH,MEASLES AND POLIO WILL CONTINUE TO FALL.17JAN XINHUA.

-DEMAND FOR COLLEGE GRADUATES THIS YEAR WILL BE GREATER THAN SUPPLY.CHINA EXPECTS 530,000 COLLEGE GRADUATES INCLUDING 40,000 POST GRADUATES.THE MAJORITY OF THESE WILL BE ASSIGNED JOBS BY THE STATE.OFFICIALS ARE ASKING WORK UNITS TO TREAT FEMALE AND MALE GRADUATES EQUALLY.17JAN ECONOMIC INFORMATION.

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C O N F I D E N T I E L

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---CHINESE AFRICAN STUDENT CLASHES: ANOTHER LESSON IN MIDDLE KINGDOM

ETHNOCENTRICISM

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---NANJING: FOREIGN STUDENT DISTURBANCES

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---NANJING: FOREIGN STUDENT DISTURBANCES
FYI PRC EMB IN BDOS CIRCULATED 11JAN A 9-PAGE NEWS BULLETIN
PROVIDING BLOW BY BLOW ACCOUNT OF THEIR VERSION OF QUOTE
CAMPUS LAW AND ORDER INCIDENT IN HCHAI UNIV, NANJING UNQUOTE
INVOLVING FOREIGN STUDENTS. NEWS BULLETIN CONCLUDES WITH 3 PAGE
CHINESE DENUNCIATION OF VOA 06JAN BROADCAST ABOUT INCIDENT.
DO YOU WISH TEXT BY BAG? *no - probably same as sent
out here -*
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---CHINESE-AFRICAN STUDENT CLASHES: ANOTHER LESSON IN MIDDLE KINGDOM
 ETHNOCENTRISM

RACIAL PROBLEMS BETWEEN AFRICAN STUDENTS AND CEINESE HAVE BEEN
 A PERENNIAL PROBLEM. LATEST INCIDENT IN NANJING AND DEMOS IN HANGZHOU
 AND BEIJING HAVE HOWEVER DEMONSTRATED A PARTICULAR INSENSITIVITY
 ON PART OF CHINESE AUTHS TOWARDS THE HANDLING OF THESE PROBLEMS.
 FURTHERMORE, DEGREE TO WHICH THE SITU WAS ALLOWED TO DETERIORATE
 MAY SERVE AS A REMINDER THAT A LATENT XENOPHOBIA LIES JUST BENEATH
 THE SURFACE OF CHINESE SOCIETY.

2. WE HAD OPPORTUNITY TO SPEAK RECENTLY WITH MEMBERS OF AFRICAN
 AMBS CONTACT GROUP WHICH WAS HASTILY ESTABLISHED TO ACT AS
 INTERLOCUTOR WITH CHINESE AUTHS. GROUP HAD BEEN FRUSTRATED BY
 CHISE OFFICIALS WHO AT FIRST REFUSED TO DEAL WITH THEM AND
 WHO HAD IN SOME INSTANCES PREVENTED AFRICAN STUDENTS FROM COMMUNICAT-
 ING WITH THEIR EMBASSIES. CONTACT GROUP OF AFRICAN AMBS HAS GIVEN
 ITSELF DUAL OBJECTIVE. FIRST, AND EASIER ONE TO SOLVE IS TO DEAL
 WITH IMMED SITU AND ENABLE ALL STUDENTS TO RETURN TO CAMPUSES

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PAGE TWO WJGR3016 CONF

SAFELY. SECOND IS TO ESTABLISH WITH RESPONSIBLE CHINESE AUTHS PROCEDURES DESIGNED TO AVOID REPETITION OF SUCH INCIDENTS. THIS WILL BE COMPLICATED BY CHINESE BUREAUCRATIC BUCK PASSING (CONTACT GROUP WAS REFERRED TO PROVINCIAL AUTHS BY MFA, THEN TO MUNICIPAL GOVTS, TO UNIV ADMINISTRATIONS AND BACK TO PEKIN STATE EDUCATION COMMISSION, ETC), AND BY CHINESE PRACTICE OF BUILDING QUOTE CORDON SANITAIRE AROUND BLACKS (TROUBLES IN NANJING STARTED WITH BUILDING OF BRICK WALL AROUND BLACK STUDENT DORMITORY WHICH STUDENTS WERE DISMANTLING AS IT WAS BEING ERECTED). RECENT PRC PRESS ARTICLES ABOUT IMPORTANCE OF CONTINUED PRC-AFRICAN STUDENT EXCHANGES REFLECT CHINESE CONCERN ABOUT DAMAGE TO CHINAS RELNS WITH BLACK AFRICA AND CONSIDERATION REPORTEDLY BEING GIVEN IN SOME AFRICAN CAPITALS TO ALTERNATIVES TO CHINA AS DESTINATIONS FOR AFRICAN OVERSEAS STUDENTS.

3. AFRICAN DIPS HAVE BEEN PARTICULARLY INCENSED BY ALLEGED DISCRIMINATORY TREATMENT OF THEIR STUDENTS SUCH AS CASE OF CONGOLESE WHO WAS TOLD BY CHINESE AUTHS THAT HIS EMB WISHED TO SEE HIM IN BEIJING AND UPON ARRIVAL FOUND HIMSELF BEING ESCORTED BY A GLOVED INDIVIDUAL TO BE TESTED FOR AIDS. AFRICAN STUDENTS IN HANGZHOU BOYCOTTED CLASSES AFTER A UNIV TELEPHONE OPERATOR ALLEGEDLY TOLD CALLERS THAT THE AFRICANS THERE HAD AIDS.

4. THERE IS LITTLE DOUBT THAT 1500 AFRICANS STUDYING IN CHINA ARE OFTEN SUBJ TO DISCRIMINATION AND THERE ARE MANY REASONS FOR

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PAGE THREE WJGR3016 CONF

IT:THE GENERALLY PRIVILEGED LIVING CONDITIONS OF AFRICAN STUDENTS --GENEROUS ALLOWANCES,DORMS WITH TWO TO A ROOM INSTEAD OF 6-8 FOR CHINESE STUDENTS;THE AIDS SCARE;SENSITIVITIES OVER AFRICANS GOING OUT WITH CHINESE WOMEN;DIFFERING SOCIAL BEHAVIOUR PATTERNS;AND EASY IDENTIFICATION TO NAME JUST A FEW.IN ADDITION IT MUST BE SAID THAT LIVING AND WORKING CONDITIONS FOR CHINESE STUDENTS ARE DEPLORABLE AND THE OPPORTUNITY FOR STUDENTS TO RALLY AND SHOW THEIR STRENGTH WAS PROBABLY IRRESISTABLE.

5.SITU,HOWEVER,NOW APPEARS TO BE UNDER CONTROL WITH MOST STUDENTS HAVING RETURNED TO CLASSES.ACCORDING TO XINHUA,GHANAIAN STUDENT ACCUSED OF SERIOUSLY INJURING UNIV EMPLOYEE,IS BEING HELD UNDER CRIMINAL DETENTION AND TWO OTHER AFRICAN STUDENTS ARE SUBJ TO A 15-DAY DISCIPLINARY DETENTION.THREE CHINESE HAVE ALSO BEEN DETAINED.ACCORDING TO REPORTED STATEMENTS BY THE DETAINED STUDENTS AND REMARKS MADE BY THE DIPLO CONTACT GROUP WHICH FINALLY WAS ABLE TO TALK TO PROVINCIAL AND MUNICIPAL AUTHS OVER THE WEEKEND, SOME AFRICAN STUDENTS HAVE ADMITTED BREAKING UNIV REGS.HOWEVER SINCE THEY APPARENTLY BELIEVED THAT THEY WERE BEING SINGLED OUT FOR DISCRIMINATION,IT IS UNDERSTANDABLE WHY THE VIOLENT INCIDENT AT HEHAI UNIV OCCURED.

6.CHINESE GOVT AND AFRICAN EMBASSIES STILL QUARREL OVER BASIC FACTS IN THIS SORRY AFFAIR.DESPITE OFFICIAL PRC DENIALS,AFRICAN AMBS MAINTAIN THAT TORTURE,INCLUDING BEATINGS AND USE OF CATTLE

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PAGE FOUR WJGR3016 CONF

PRODS WAS USED AGAINST STUDENTS SEGREGATED IN NANJING GUEST HOUSE. EVENTS WILL NOT/NOT BE EASILY FORGOTTEN BY AFRICANS; ONE AFRICAN AME COMMENTED AT RECENT COMMONWEALTH LUNCH THAT QUOTE CHINESE OFTEN CONSIDER BLACKS AS SOMEWHAT LESS THAN FULLY HUMAN UNQUOTE.

7. WHAT STANDS OUT FROM THE EVENTS OF THE LAST TWO WEEKS IS THE CHINESE AUTHS CLUMSY ATTEMPTS TO COVER UP WHAT WAS HAPPENING; THEIR POLICY OF ISOLATING THE AFRICAN STUDENTS FROM THEIR EMBASSIES; THEIR INABILITY TO IMMEDIATELY QUASH INFLAMMATORY RUMOURS, EG THAT AFRICANS HAD KILLED A CHINESE; AND THEIR APPARENT RELUCTANCE OR INABILITY TO PROMPTLY QUELL THE VIOLENT AND PROVOCATIVE REACTION OF CHINESE STUDENTS. PERHAPS IN CHINAS HIGHLY BUREAUCRATIC SOCIETY TRANSPARENCY AND RESOLUTE ACTION ARE NOT/NOT HIGHLY SOUGHT AFTER VALUES. IN ADDITION, HOWEVER, ANTI-FOREIGN SENTIMENT SEEMS NEVER/NEVER TO BE VERY FAR BELOW THE SURFACE OF THE CHINESE PSYCHE: INCIDENTS INVOLVING AFRICAN STUDENTS IN TIANJIN IN MAY 86 AND THE ANTI-FOREIGN VIOLENCE THAT ERUPTED FOLLOWING A HKONG-PRC FOOTBALL MATCH IN BEIJING THREE YEARS AGO BEAR WITNESS TO THIS. CDN EMP STAFF AND OTHER DIPLOS ARE ALSO AWARE OF IT WHEN MINOR TRAFFIC ACCIDENTS IN WHICH THEY ARE INVOLVED SOMETIMES DEGENERATE INTO NASTY RACIAL CONFRONTATIONS WITH POLICE TURNING A BLIND EYE TO ACTIONS OF AN ANGRY MOB OR EVEN TAKING PART IN VIOLENCE THEMSELVES.

8. THIS PHENOMENON IS PARTIALLY EXPLAINED BY A DEEPLY INGRAINED CHAUVINISM THAT IS PART OF CHINAS EDUCATIONAL TRADITION (IT IS

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PAGE FIVE WJGR3016 CONF

PRESENT IN TAIWAN AS WELL)AND WHICH SITS UNCOMFORTABLY WITH THE REALITIES OF THE MODERN WORLD.LOSS OF NATIONAL PRIDE AND FACE AS WELL AS ENVY OF FOREIGNERS VISIBLE WEALTH ARE SIGNIFICANT FACTORS IN IGNITING SUCH SENTIMENT.SO TOO IS THE CONFUSION THAT MUST BE PRESENT IN PEOPLES MINDS WHEN WESTERNERS, FOR INSTANCE, HAVE BEEN OFFICIALLY TRANSFORMED FROM BEING IMPERIALISTS AND PAPER TIGERS IN THE 1960S AND EARLY 1970S TO BEING FRIENDS AND HONOURED GUESTS IN THE 1980S.

9. IF THERE IS A LESSON IN THIS FOR CDNS, IT IS THAT SEEMINGLY MINOR PROBLEMS INVOLVING FOREIGNERS WHEN COMBINED WITH LOSS OF FACE CAN LEAD TO UNEXPECTEDLY VIOLENT REACTIONS OVER WHICH CHINESE AUTHS WILL NOT/NOT ALWAYS EXERCISE THE DEGREE OF CONTROL THAT WOULD BE EXPECTED IN A WESTERN COUNTRY.CDN LONG-TERM RESIDENTS SUCH AS STUDENTS AND DIPLO STAFF NEED TO BE ACUTELY SENSITIVE TO VOLATILE ENVIRONMENT IN WHICH THEY LIVE.

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F.H.
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**ACTION
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---NANJING:FOREIGN STUDENT DISTURBANCES
FYI PRC EMB IN BDOS CIRCULATED 11JAN A 9-PAGE NEWS BULLETIN
PROVIDING BLOW BY BLOW ACCOUNT OF THEIR VERSION OF QUOTE CAMPUS
LAW AND ORDER INCIDENT IN HCHAI UNIV,NANJING UNQUOTE INVOLVING
FOREIGN STUDENTS.NEWS BULLETIN CONCLUDES WITH 3 PAGE CHINESE
DENUNCIATION OF VOA 06JAN BROADCAST ABOUT INCIDENT.

2.DO YOU WISH TEXT BY BAG?ADVISE.

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OTTAWA, ONTARIO
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11 January 1989

His Excellency Hiroshi Kitamura
Ambassador of Japan
255 Sussex Drive
OTTAWA, CANADA

RETURN TO RENOYER AU		BICO	FOR FILING POUR = ÊTRE PORIE AU DOSSIER
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Excellency:

I have the honour to acknowledge receipt of your letter dated 6 January 1989, addressed to the Right Honourable Joseph C. Clark, Secretary of State for External Affairs, informing him that His Imperial Highness Crown Prince Akihito assumed his duties as the new Emperor of Japan on 7 January 1989. I wish to assure you that your letter has been duly transmitted.

Please accept, Excellency, the assurances of my highest consideration.

T. J. Arcand

T.J. Arcand
Chief of Protocol

EMBASSY OF JAPAN
OTTAWA

A-00146-89 PND
info: MINA/JUDD
MINA/NORTON

January 6, 1989

Dear Minister Clark,

I have the honour to inform you, Sir, that, as the successor of His late Majesty the Emperor, His Imperial Highness Crown Prince Akihito assumed his duties as the new Emperor of Japan on January 7, 1989.

I avail myself of this opportunity to renew to you, Sir, the assurances of my highest consideration.



Hiroshi Kitamura
Ambassador of Japan

The Right Honourable Joseph C. Clark, P.C., M.P.
Secretary of State for External Affairs
Government of Canada

O T T A W A

OFFICE OF THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS
CABINET DU SECRETAIRE D'ETAT AUX AFFAIRES EXTERIEURES

ACTION REQUEST/FICHE DE SERVICE

From/De : HIROSHI KITAMURA, AMBASSADOR
EMBASSY OF JAPAN

No. : A-00146-89

Subject/Sujet : SUCCESSION OF PRINCE AKIHITO
Classification: POLITICS ASIA PAC NORTH * POLITIQUE ASIE PAC NORD

Action div./Dir. resp.: **PND**
Info div(s)/Dir(s) informee(s): MINA/JUDD, NORTON

Let./Tel. dated Let./Tel. en date du =====	Date sent to division Date d'envoi a la direction =====	Deadline date Echeance =====
06 JAN 89	13 JAN 89	**27 JAN 89**

Comments/Commentaires

PND

ACTION REQUIRED/SUITE A DONNER

FOR DIVISIONAL USE
RESERVE A LA DIRECTION

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| <input type="checkbox"/> Reply for signature of SSEA
Reponse pour la signature du SEAE | Date received/Date recue
<i>13 JAN 89</i> |
| <input type="checkbox"/> Reply for the signature of
Reponse pour la signature de | Action officer/Agent resp.
<i>16 JAN 89</i> |
| <input type="checkbox"/> Reply by division
Reponse de la direction | Disposition and/et date
<i>A. Preston</i> |
| <input checked="" type="checkbox"/> For information and any necessary action
Pour examen et suite a donner, s'il y a lieu | <i>J. BANIK S.</i> |
| <input type="checkbox"/> CAMPAIGN: Reply for signature of SSEA
CAMPAGNE: Reponse pour la signature du SEAE | |
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Reserve a MINA |
| <input type="checkbox"/> CAMPAIGN: For information and any necessary action
CAMPAGNE: Pour examen et suite a donner, s'il y a lieu | |

ALL TRANSFERS TO BE REPORTED TO MINA RECORDS 995-1047 OR/OU
LES ARCHIVES DE MINA DOIVENT ETRE AVISEES DE TOUT CHANGEMENT 992-6428

White - Return to MINA registry when action completed
Blanche Retourner aux archives de MINA lorsque suite a ete donnee
Yellow - Divisional secretary Green - File with original incoming letter
Jaune Secretaire de direction Verte Au dossier avec la lettre recue

ACTION
SUITE A DONNER

John

UNCLASSIFIED

FM PEKIN WJGR3005 05JAN89

TO EXTOTT (PNR DELIVER BY 050900

INFO HKONG SHNGI

DISTR PGB PND PNC PGP CPP INP INE GMB

---PRC WEEKLY NEWS SUMMARY:29DEC88-05JAN89

GENERAL

-SITE HAS BEEN CHOSEN FOR NUCLEAR POWER STATION IN NORTHEAST CHINA AND FEASIBILITY STUDY IS READY FOR APPROVAL.(NEWS REPORTS DID NOT/NOT DISCLOSE LOCATION BUT GENERALLY BELIEVED TO BE NEAR DALIAN)29DEC88 XINHUA

-MORE THAN 80 CHINESE STUDENTS HELD CAMPUS DEMO ON 03JAN AT BEIJING LANGUAGE INSTITUTE TO QUOTE DEFEND WOMENS RIGHTS UNQUOTE. CHINESE STUDENT CLAIMED THAT SHE WAS ACCOSTED BY MAN AT 0430 HRS. 04JAN CHINA DAILY.

POLITICAL

-53 YR OLD LUO GAN WAS APPOINTED AS SECRETARY-GENERAL OF THE STATE COUNCIL REPLACING CHEN JUNSHENG WHO WAS REMOVED FROM POST FOR HEALTH REASONS.LUO WAS MINISTER OF LABOUR.WU SHAOZU, PREVIOUSLY POLITICAL COMMISSAR TO COMMISSION OF SCIENCE AND TECHNOLOGY AND INDUSTRY FOR NATIONAL DEFENCE WAS NAMED MINISTER OF STATE PHYSICAL CULTURE AND HEAD OF SPORTS COMMISSION.WU REPLACED LI MENGHUA.29DEC88 XINHUA.

...2

RETURN TO RENYOYER AU	BICO	FOR FILING POUR - ETRE PORTE AU DOSSIER
ACC	REF	DATE
FILE	DOSSIER	
20-China-1-4		

PAGE TWO WJGR3005 UNCLAS

-7TH NPC STANDING CTTEE HELD ITS 5TH MTG AND APPROVED LAW ON
STANDARDIZATION AND REVISIONS TO LAND-USE LAW. VICE PREMIER
YAO YILIN REPORTED ON THE COUNTRY'S CURRENT ECONOMIC SITU. 29DEC88
XINHUA.

ECONOMIC

-CHINA'S TOTAL FOREIGN TRADE IN 1988 IS EXPECTED TO TOP ONE HUNDRED
BILLION USA DOLLARS. AN INCREASE OF 21 PERCENT OVER LAST YEAR.
APPROXIMATELY TWO THIRDS OF EXPORTS WERE MANUFACTURED INDUSTRIAL
GOODS. 01JAN XINHUA.

UUU/078 050600Z WJGR3005

Fib

**ACTION
SUITE A DONNER**

UNCLASSIFIED

FM SHNGI ZPCS0014 04JAN89

TO EXTOTT/ *J* PNR

INFO PEKIN

DISTR PGP PND PNC CFX JIS JISA BMM INP

REF YOURTEL PNR2851 29DEC88

J
---NANKING

RETURN TO REVOYER AU	BICS	FOR FILING POUR - ETRE PORTE AU DOSSIER
ACC	REF	DATE 890605
585548	8812	
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20-CHINA	-1-4	

RECENT EYEWITNESS REPORTS LEAD US TO AGREE WITH PEKIN THAT IT IS NOT/NOT NECESSARY TO SEND OFFICER TO NANKING AT THIS TIME. WE ALSO HAVE NO/NO REASON TO CHANGE EARLIER ASSESSMENT THAT CDNS ARE IN NO/NO DANGER. ANTI AFRICAN SENTIMENT HAD BEEN BUILDING UP FOR SOME TIME RELATING MOSTLY TO AFRICAN STUDENTS LIFESTYLE AND THEIR RELATIONS WITH CHINESE WOMEN. CHINESE AUTHORITIES HAD UNSUCCESSFULLY ATTEMPTED TO BUILD WALL AROUND AFRICAN DORMITORY IN PART TO ISOLATE AFRICAN STUDENTS FROM CHINESE YOUTH.

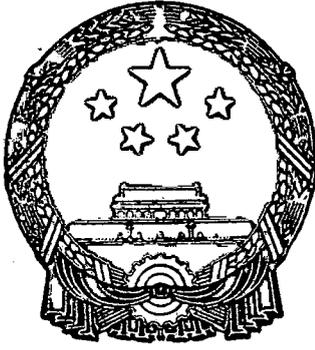
2. NUMBER OF NON/NON AFRICAN FOREIGN STUDENTS HAS BEEN WARNED TO STAY AWAY FROM PARTY WHERE INITIAL INCIDENT TOOK PLACE AND THEY BELIEVE FRACAS WAS NOT/NOT ACCIDENTAL AND THAT CHINESE AUTHORITIES HAD DECIDED TO CRACK DOWN ON AFRICAN STUDENTS EXCESSES TO SOOTHE GROWING RESENTMENT. SITUATION WAS OBVIOUSLY MISHANDLED AND PROTESTS SNOWBALLED. IN DEMONSTRATIONS THAT ENSUED FOCUS OF CHINESE ANGER WAS CLEARLY AFRICAN (HEIGUI) AND DID NOT/NOT EXTEND TO ANTI FOREIGN MANIFESTATIONS. SECURITY AUTHORITIES HAVE NOW TAKEN EFFECTIVE MEASURES TO CONTROL CROWDS AND FURTHER DEMONSTRATIONS ARE NOT/NOT EXPECTED.

.../2

PAGE TWO ZRCS0014

3. CHINESE AUTHORITIES HAVE ARRESTED AFRICAN STUDENTS WHOM THEY
CONSIDER RESPONSIBLE FOR IGNITING TROUBLES AND PLAN TO CHARGE
THEM WITH ASSAULT. THIS MAY WELL LEAD TO FURTHER PROTESTS BUT FROM
AFRICAN SIDE.

UUU/777 040510Z ZRCS0014



新闻公报

NEWS BULLETIN

中华人民共和国大使馆
THE EMBASSY OF THE PEOPLE'S REPUBLIC OF CHINA

Jan 1, 1989

2

GENERAL INFORMATION ABOUT THE CAMPUS LAW AND ORDER INCIDENT IN HEHAI UNIVERSITY, NANJING

1. CAUSE AND

DEVELOPMENT OF THE INCIDENT PARAGRAPHS SINCE LAST SEPTEMBER,

HEHAI UNIVERSITY HAS REAFFIRMED AND FORMULATED A SERIES OF SECURITY MEASURES TO IMPROVE MANAGEMENT ON CAMPUS, INCLUDING A REGULATION WHICH REQUIRES VISITORS TO THE UNIVERSITY TO REGISTER THEMSELVES. AT THE SAME TIME, IN ORDER TO IMPROVE THE SECURITY

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FOR FOREIGN STUDENTS, IT IS DECIDED TO BUILD A WALL AROUND THE DORMITORY OF FOREIGN STUDENTS. SOME FOREIGN STUDENTS RESENTED THE ABOVE-MENTIONED NORMAL MANAGERIAL MEASURES. CONSEQUENTLY, THEY TWICE PULLED DOWN THE NEWLY BUILT WALL ON THE EVENING

OF 17 NOVEMBER AND AT NOON OF 18 NOVEMBER. THE UNIVERSITY ENJOINED THEM TO COMPENSATE FOR THE ECONOMIC LOSS. FEELING RESENTFUL OF THIS, FOREIGN STUDENTS PUSHED DOWN THE REERECTED WALL THE THIRD TIME AT NOON OF 29 NOVEMBER AND THEN BESIEGED AND

OF THE UNIVERSITY FOR AS LONG AS FIVE HOURS. PARA
0 THE EVENING OF 24 DECEMBER, FOREIGN STUDENTS
HELD A CHRISTMAS DANCE PARTY ON THE CAMPUS. BETWEEN
7 AND 9 COLON 30 P.M. SIX FOREIGN STUDENTS SUCCESSIVELY

TRIED TO BRING CHINESE WOMEN INTO THE CAMPUS THROUGH
THE FRONT GATE. SOME FRICTION WAS CREATED BETWEEN
THE FOREIGN STUDENTS AND THE DOORMEN AS FOUR OF
THEM REFUSED TO REGISTER AND EVEN FORCED THEIR
WAY INTO THE CAMPUS. ON THEIR WAY ON THE CAMPUS,

ONE FOREIGN STUDENT BEAT UP, WITHOUT CAUSE OR REASON,
CAO LEBAO, A STAFF MEMBER OF THE UNIVERSITY FOREIGN
AFFAIRS OFFICE. AT ABOUT 10 P.M. OVER 20 FOREIGN
STUDENTS FROM CHINA MEDICINE UNIVERSITY WENT FOR
THE PARTY TAKING ALONG SEVERAL CHINESE WOMEN WITH

THEM. AGAIN, THEY REFUSED TO REGISTER AND FORCED
THEIR WAY THROUGH THE GATE. SOON AFTER THIS, MORE
THAN 30 FOREIGN STUDENTS STORMED OUT OF THE FOREIGN
STUDENTS' DORMITORY WIELDING CLUBS, STEEL WHIPS,
KNIVES, BEER BOTTLES, STONES AND OTHER ASSAULT

WEAPONS. ON THEIR WAY, SOME OF THEM ATTACKED ANY
CHINESE THEY CAME ACROSS AND SMASHED ANYTHING WITHIN
SIGHT. SOME OF THE DOOR AND WINDOW GLASSES OF THE
PRESIDENT'S OFFICE AND THE UNIVERSITY'S GUESTHOUSE
WERE SMASHED. EVEN FOUR GUESTS FROM OUTSIDE UNITS

JITAO, A STAFF MEMBER OF THE UNIVERSITY'S SECURITY OF HE WAS KNOCKED UNCONSCIOUS ON THE SPOT AND SERIOUSLY WOUNDED. THOUGH OUT OF DANGER AFTER AN EMERGENCY TREATMENT, HE IS STILL IN HOSPITAL.

ALL TOGETHER 11 CHINESE WERE BEATEN UP IN THE INCIDENT IN WHICH TWO AFRICAN STUDENTS RECEIVED MINOR INJURIES. PARA BEING INDIGNANT AT THE ASSAULT ON PERSONS BY A SMALL NUMBER OF AFRICAN STUDENTS, CHINESE STUDENTS TWICE GATHERED IN FRONT OF THE DORMITORY

FOR FOREIGN STUDENTS THAT NIGHT AND AT NOON ON THE FOLLOWING DAY DEMANDING THAT THE ASSAILANTS BE SEVERELY PUNISHED. IN THEIR AGITATION, A SMALL NUMBER OF CHINESE STUDENTS SMASHED DOOR AND WINDOW GLASSES IN THE DORMITORY WITH STONE AND SHOUTED

SOME ERRONEOUS SLOGANS. THE UNIVERSITY'S LEADERSHIP AT ALL LEVELS AND ITS TEACHING STAFF WENT AMONG THE STUDENTS TO ADVISE THEM AGAINST SUCH AN ACTION. PUBLIC SECURITY OFFICERS AND MEN ALSO RUSHED TO THE SCENE IMMEDIATELY AND TOOK MEASURES TO SEPARATE

CHINESE AND FOREIGN STUDENTS SO AS TO PREVENT A POSSIBLE CLASH BETWEEN THEM. PARA AT 4 COLON 30 P.M. ON 25 DECEMBER, FOREIGN STUDENTS, IGNORING DISSUASION, LEFT THE UNIVERSITY FOR THE NANJING RAILWAY STATION. THEY ATTEMPTED TO FORCE THEIR

WAY ON BOARD A BEIJING-BOUND TRAIN AND SMASHED
GLASSES ON DOORS AND WINDOWS IN THE RAILWAY STATION.
FOLLOWING THIS, TEACHERS AND STAFF OF VARIOUS UNIVERSITIES
OR INSTITUTES WENT TO THE RAILWAY STATION TO PERSUADE
THE FOREIGN STUDENTS TO LEAVE THE WAITING ROOM

AND MOVE TO A SAFER PLACE. HOWEVER, IN SPITE OF
OVER 20 HOURS' PATIENT PERSUASION, FOREIGN STUDENTS
REFUSED TO RETURN TO THEIR UNIVERSITIES OR INSTITUTES
EXCEPT THREE. AROUND 7 COLON 30 P.M. ON 26 DECEMBER,
SEVERAL THOUSAND CHINESE STUDENTS TOOK TO THE STREET

IN DEMONSTRATION AND MARCHED TOWARDS THE NANJING
RAILWAY STATION, THUS GIVING RISE TO AN EXPLOSIVE
SITUATION. WHEN ALL THE PERSUASION EFFORTS FAILED,
EMERGENCY MEASURES WERE TAKEN TO TRANSFER THE
FOREIGN STUDENTS TO A GUESTHOUSE ON THE OUTSKIRTS

OF NANJING IN ORDER TO AVOID A CLASH AND ENSURE
THE SAFETY OF THE FOREIGN STUDENTS. PARA 2. HANDLING
OF THE INCIDENT PARA AFTER THE FOREIGN STUDENTS
WERE TRANSFERRED FROM THE RAILWAY STATION TO A
SAFER PLACE, SOME STUDENTS LATER RETURNED TO THEIR

CAMPUSES FOR STUDY UPON REPEATED PERSUASION BY
LEADING MEMBERS AND TEACHERS OF THE RELEVANT UNIVERSITIES
OR INSTITUTES. BUT THE MAJORITY HAD ADOPTED A NON-COOPERATIVE
ATTITUDE. THEY REFUSED TO PRESENT THEIR ID CARDS
OR SUBJECT THEMSELVES TO THE MANAGEMENT OF THE

GUESTHOUSE IN VIOLATION OF THE REGULATIONS CONCERNING THE RESIDENCE OF ALIENS IN CHINA. THEY SEIZED THE GUESTHOUSE BUILDING AND REFUSED TO LET IN CHINESE PERSONNEL, THUS IMPEDING THE INVESTIGATION INTO THE INCIDENT. THEY ENFORCED A STRICT CONTROL AMONG

THEMSELVES AND FORCED THOSE WISHING TO RETURN TO CAMPUS FOR STUDY TO REMAIN AT THE GUESTHOUSE. A FEW WERE VERY HOSTILE AND SHOWED LITTLE SENSES, THREATENING TO KILL. DAGGERS, SHARP KNIVES, KITCHEN KNIVES AND HANDSAWS WERE FOUND HIDDEN IN THEIR

ROOMS IN THE GUESTHOUSE. PARA THE NANJING MUNICIPAL DEPARTMENT OF PUBLIC SECURITY, HAVING OBTAINED EVIDENCE FROM ITS INVESTIGATION, EXECUTED THE LAW ON 31 DECEMBER LAST YEAR ON THE CULPRITS RESPONSIBLE FOR THE INCIDENT. THEY TOOK ONE FOREIGN STUDENT

INTO CUSTODY IN ACCORDANCE WITH THE CRIMINAL LAW AND CRIMINAL PROCEDURAL LAW FOR HE WAS SUSPECTED OF INFLECTING SEVERE WOUNDS ON OTHERS AND SUMMONED THREE OTHER FOREIGN STUDENTS SUSPECTED OF HAVING CREATED THE TROUBLE. WHEN SECURITY OFFICERS STARTED

TO ENFORCE THE LAW, SOME FOREIGN STUDENTS, BOOING AND HOOTING, SMASHED WINDOWS AND DINNER SETS, THUS SERIOUSLY HAMPERING THE PERFORMANCE OF PUBLIC DUTY.

THE POLICE HAD NO CHOICE BUT TO TAKE COERCIVE MEASURES IN ACCORDANCE WITH LAW BY DETAINING OR

SUMMONING THE FOUR FOREIGN STUDENTS. IT MUST BE
POINTED OUT THAT THE POLICEMEN, IN FACE OF THE
ROUGH CONDUCT OF A FEW STUDENTS, EXERCISED GREAT
RESTRAINT AND SUCCEEDED IN AVOIDING A HEAD-ON
CLASH WITH THE FOREIGN STUDENTS. AFTER FURTHER

INVESTIGATION, ONE OF THE THREE SUMMONED FOREIGN
STUDENTS WAS RELEASED AND THE OTHER TWO ARE UNDER
DETENTION IN ACCORDANCE WITH ADMINISTRATIVE RULES.

THE JUDICIARY DEPARTMENT CONCERNED WILL MAKE A
FAIR JUDGEMENT ON THE ONE UNDER DETENTION IN ACCORDANCE

WITH THE CRIMINAL LAW AND THE CRIMINAL PROCEDURAL
LAW. PARAGRAPH IN ORDER TO FACILITATE PERSUASION WORK
BY VARIOUS UNIVERSITIES AND PROPER HANDLING OF
THIS INCIDENT, WE SEPARATED THE FOREIGN STUDENTS
OF HEHAI UNIVERSITY FROM THOSE OF OTHER SCHOOLS

ON THE DAY OF THE LAW ENFORCEMENT. THEREAFTER,
FOREIGN STUDENTS STARTED TO RETURN TO THEIR RESPECTIVE
UNIVERSITIES OR INSTITUTES ONE AFTER ANOTHER AFTER
PAINS-TAKING PERSUASION WORK BY LEADERS AND TEACHERS
OF VARIOUS UNIVERSITIES AND INSTITUTES CONCERNED.

BY 5 JANUARY, ALL THE FOREIGN STUDENTS INVOLVED
IN THE INCIDENT HAD RETURNED TO THEIR RESPECTIVE
SCHOOLS AND WERE WELCOMED BY THE SCHOOL AUTHORITIES
AND THEIR SCHOOLMATES. SOME OF THEM HAVE ALREADY
BEGUN TO RESUME THEIR STUDY. NOW THINGS ARE QUIET

ON THE CAMPUS OF HEHAI UNIVERSITY AND TEACHERS
ARE WORKING OUT NEW TEACHING PROGRAMMES TO MAKE
UP A MISSED LESSON AND FOR NEW ONES.)

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(NANJING, JANUARY 6 (XINHUA)--LIANG RUIJU, PRESIDENT OF HEHAI
UNIVERSITY, CRITICIZED A REPORT BROADCAST BY THE "VOICE OF
AMERICA" (VOA) THIS MORNING ON THE CLASH BETWEEN CHINESE AND
FOREIGN STUDENTS IN NANJING AS "PURELY FICTITIOUS" AND "SHEER
NONSENSE."

VOA REPORTED EARLIER TODAY THAT THE CHINESE AUTHORITIES HAVE
IMPOSED NEW RESTRICTIONS ON THE SOCIAL ACTIVITIES OF AFRICAN
STUDENTS IN CHINA. THE REPORT SAID HEHAI UNIVERSITY REGULATIONS
STIPULATE THAT "ONE AFRICAN STUDENT CAN ONLY HAVE ONE CHINESE
GIRLFRIEND WITH OFFICIAL APPROVAL".

"THIS IS RUMORMONGERING," THE PRESIDENT SAID, "THERE IS NO
SUCH A THING AT ALL."

IN AN INTERVIEW WITH XINHUA THIS AFTERNOON, LIANG POINTED OUT
THAT IN THE LAST FEW DAYS, SOME WESTERN PRESS UNITS HAVE WRITTEN
MANY STORIES WHICH HAVE DISTORTED THE FACTS.

HE DESCRIBED AS "FABRICATIONS" REPORTS THAT THE CHINESE POL-
ICE TORTURED OVERSEAS STUDENTS, STRIPPED THEIR CLOTHES AND HIT
THEM WITH ELECTRIC PRODS. HE SAID THAT HE TALKED WITH FOREIGN
STUDENTS ONE BY ONE IN A GUEST HOUSE ON THE OUTSKIRTS OF NANJING
AND NONE OF THEM SAID THEY HAD SUFFERED PHYSICAL ASSAULTS OF
SUCH KINDS.

'I WOULD LIKE TO REMIND EVERYBODY THAT SOME PEOPLE WITH ULTERIOR MOTIVES ARE TRYING TO DESCRIBE THE INCIDENT--A PURELY PUBLIC ORDER ISSUE ON THE UNIVERSITY CAMPUS--AS A RACIAL CONFLICT, IN AN ATTEMPT TO DISRUPT THE FRIENDLY RELATIONS BETWEEN CHINA AND AFRICAN COUNTRIES,' THE PRESIDENT SAID.

HE SAID CHINA HAD LONG SUFFERED FROM RACIAL DISCRIMINATION IN THE PAST AND 'WE ARE RESOLUTELY OPPOSED TO RACIAL DISCRIMINATION,'

HOWEVER, HE ADMITTED THAT DURING THE CLASH, A SMALL NUMBER OF CHINESE STUDENTS HAD SHOUTED DEROGATORY SLOGANS WHILE THEY WERE ANGRY. 'WE ARE AGAINST THE SLOGANS AND HAVE CRITICIZED THESE STUDENTS,' HE NOTED.

LIANG DESCRIBED AS 'UNTRUE' UOAR'S REPORT THAT 45 AFRICAN STUDENTS RETURNED TO THE UNIVERSITY AFTER A TWO-DAY HUNGER STRIKE. THE PRESIDENT SAID THAT THE STUDENTS HAD RETURNED OF THEIR OWN FREE WILL AFTER HE AND SOME OTHER TEACHERS PERSUADED THEM OF THE WISDOM OF THIS COURSE.

HE SAID THE STUDENT CLASH IS NOW BEING HANDLED IN ACCORDANCE WITH THE LAW AND THAT LIFE ON THE HEHAI UNIVERSITY CAMPUS HAS RETURNED TO NORMAL. SOME FOREIGN STUDENTS HAVE RESUMED CLASSES.

LIANG SAID HEHAI UNIVERSITY HAS ALWAYS HELPED PROMOTE FRIENDSHIP TOWARDS THE AFRICAN PEOPLE AND PEOPLE OF OTHER COUNTRIES. SINCE 1975, THE UNIVERSITY HAS ENROLLED OVER 140 AFRICAN STUDENTS, SOME 70 OF WHOM HAVE FINISHED THEIR STUDIES AND RETURNED HOME.

NANJING, JANUARY 6 (XINHUA)--THE WAY CHINA HAS DEALT WITH SOME LAW-BREACHING FOREIGN STUDENTS IN NANJING IS THE ENFORCEMENT OF LAW, NOT AT ALL RACIAL DISCRIMINATION, LIANG RUIJU, PRESIDENT OF HEBAI UNIVERSITY, TOLD A GROUP OF AFRICAN DIPLOMATS HERE THIS EVENING.

PRIOR TO THE DECEMBER 24 INCIDENT IN HIS UNIVERSITY IN NANJING, HE SAID, SOME FOREIGN STUDENTS OF THE SCHOOL OCCUPIED THE SCHOOL'S FINANCE OFFICE AND DETAINED NINE CHINESE EMPLOYEES FOR AS LONG AS FIVE HOURS.

IN HANDLING THE CASE, THE UNIVERSITY AUTHORITIES TOOK A VERY RESTRAINED ATTITUDE. "BUT A SMALL NUMBER OF FOREIGN STUDENTS TOOK THIS FOREBEARANCE AS BEING WEAK AND EASY TO BULLY," THE PRESIDENT SAID.

ACCORDING TO HIM, DURING THE DECEMBER 24 INCIDENT, A RIB OF A UNIVERSITY VICE-PRESIDENT WAS BROKEN BY FOREIGN STUDENTS AND ANOTHER UNIVERSITY EMPLOYEE WAS BEATEN NEARLY TO DEATH.

LIANG SAID ALL LAW BREACHERS, NO MATTER CHINESE OR FOREIGN STUDENTS, SHOULD BE PUNISHED ACCORDING TO LAW AND THOSE VIOLATORS OF SCHOOL REGULATIONS SHOULD BE DEALT WITH ACCORDING TO SCHOOL REGULATIONS.

"THIS IS NOT AT ALL RACIAL DISCRIMINATION," HE STRESSED. THE PRESIDENT EXPRESSED HIS HOPE THAT THE DIPLOMATS WOULD PERSUADE STUDENTS FROM THEIR OWN RESPECTIVE COUNTRIES TO CONCENTRATE ON THEIR STUDY AND PREPARE FOR THE COMING TERMINAL EXAMINATIONS.

"WE STILL WELCOME AFRICAN STUDENTS TO COME TO HEBAI UNIVERSITY TO STUDY," HE CONCLUDED. ENDITEN)

CD
+Bw

ACTION
SUITE A DONNER

UNCLASSIFIED

FM SHNGI ZRCS1688 30DEC88

TO EXTOTT/ PNR

DELIVER BY 300900

INFO PEKIN

DISTR PGP PND PGP PNC CFX JIS JISA BCM INP

REF YOURTEL PNR2851 29DEC88

---DISTURBANCES IN NANKING

RETURN TO RENVOYER AU		BICO	FOR FILING POUR - ETRE PORTE AU DOSSIER
ACC	REF	DATE	
585547		890103	
FILE		DOSSIER	
20 CHINA-1-4			

HAVE SINCE BEGINNING OF NANKING DISTURBANCES BEEN IN CONTACT WITH USA CONGEN SHNGI AND OUR INFO IS ESSENTIALLY AS REPORTED IN PEKIN WJGR4658 28DEC88. USA CONSUL GENERAL LEFT FOR NANKING 29DEC AND WE PLAN TO DEBRIEF HIM AFTER HIS RETURN THIS WEEK END.

2. OUR UNDERSTANDING SIMILAR TO YOURS AND WE HAVE NO/NO EVIDENCE CDNS ARE IN ANY DANGER. DISTURBANCES WERE SPARKED BY SPECIFIC INCIDENT AND WERE AIMED AT AFRICANS. NO/NO OTHER INCIDENTS OF HOSTILITY AGAINST FOREIGNERS HAS BEEN REPORTED AND SITUATION IS NOW CALM IN NANKING. DIFFICULT TO SAY AT THIS POINT WHETHER DISTURBANCES ARE LIKELY TO FLARE UP AGAIN. HOPEFULLY WILL BE ABLE TO PROVIDE MORE INFORMED ASSESSMENT AFTER RETURN OF USA CONSUL GENERAL. WILL ALSO ADVISE AT THAT POINT ON DESPATCH OF CDN OFFICER IN NANKING.
3. EMB/PEKIN HAS BEEN IN CONTACT WITH ONTARIO-JIANGSU CENTRE AND WILL REPORT SEPARATELY.
4. ONE CDN STUDENT LAURANA CHOO HAS ASKED US THROUGH USA CONGEN (OURTEL ZRCS1688 29DEC88 NOTAL) TO CONTACT HER PARENTS TO ADVISE SHE IS FINE.

UUU/777 300300Z ZRCS1688

UNCLASSIFIED

FM PEKIN WJGR4064 30DEC88
TO EXTOTT PNR DELIVER BY 300900

INFO SHNGI

DISTR PGB PND PGP PNC CFX JIS BCM INP

REF YOURTEL PNR2851 29DEC

---DISTURBANCES IN NANJING

CDNS IN NANJING ARE NOT/NOT IN DANGER. THREATS WHICH EXISTED WERE DIRECTED AT AFRICAN STUDENTS. CHINESE AUTHS HAVE ISSUED BAN ON FURTHER PROTESTS AND SITU IS MUCH QUIETER IN NANJING. IN OUR VIEW DISTURBANCES ARE UNLIKELY TO BE PROLONGED. EXTREMELY IMPROBABLE THAT HOSTILITY WILL BE DIRECTED AGAINST FOREIGNERS IN GENERAL. SHNGI IS TO REPORT SEPARATELY ON THEIR OWN INFO ON SITU. IN VIEW OF PRESENT SITU WE DO NOT/NOT CONSIDER IT NECESSARY TO SEND OFFICER TO NANJING AT THIS TIME.

2. WE SPOKE THIS AM TO CUI LIMING OF ONTARIO-JIANGSU EDUCATIONAL EXCHANGE. TWO INDIVIDUALS DIRECTLY INVOLVED WITH EXCHANGE STUDENTS ARE ON HOLIDAYS. CENTRE HAS NOT/NOT SEEN ANY OF EXCHANGE STUDENTS OVER HOLIDAY PERIOD (SOME OF STUDENTS ARE THEMSELVES VACATIONING OUTSIDE NANJING) BUT ARE CONFIDENT THAT THEY ARE SAFE. CUI TOLD US THERE WERE NO/NO MARCHERS OUT TODAY. GIVEN TIME AVAILABLE CENTRE COULD NOT/NOT DIRECTLY CONTACT STUDENTS. WE ASKED CENTRE TO ENCOURAGE THOSE STUDENTS IT HAS CONTACT WITH TO PHONE THEIR FAMILIES AND REASSURE THEM THAT THEY WERE SAFE. FEW IF ANY STUDENTS THOUGH WILL PROBABLY CONTACT CENTRE OVER NEW YEARS HOLIDAY PERIOD.

3. EMB WILL BE CLOSED UNTIL 03JAN89 0800HRS LOCAL TIME. SHOULD YOU NEED TO PHONE US DUTY OFFICER IS P GIRLING HOME PHONE NBR 532-1751/532-1751.

UUU/078 300320Z WJGR4064

**ACTION
SUITE A DONNER**

PD
+ Bico

RETURN TO RENVOYER AU	BICO	FOR FILING POUR - ETRE PORTE AU DOSSIER
ACC	REF	DATE
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FILE	20-china-14	

MESSAGE

Accession/Référence
File/Dossier
29 DEC 88 22 12 22 10

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SECURITY / SÉCURITÉ
FM/DE
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INFO
DISTR
REF
SUBJ/SUJ

UNCLASSIFIED

FM EXTOTT PNR 2961 29DEC88

TO PEKIN

DELIVER BY 300900

INFO SHGNI **DELIVER BY 300900** HKONG

DISTR PGB PND PGP PNC CFX JIS BCM INP

REF ~~YOURTEL~~ XBGR

- DISTURBANCES IN NANJING

UNREST IN NANJING, APPARENTLY AIMED AT AFRICAN STUDENTS, HAS ATTRACTED MEDIA ATTN IN CDA. AS WELL, WE HAVE RECVD ENQUIRIES FM ONT GOVT AND UNIVS, CONCERNING CDN SCHOLARS AND STUDENTS IN NANJING.

2. GRATEFUL FOR YOUR ADVICE AS TO WHAT WE (AS WELL AS JIS AND BCM) SHOULD TELL INDIVS ANXIOUS TO KNOW IF RESIDENTS AND VISITORS IN JNANJING ARE IN ANY DANGER. OUR INITIAL POSITION HAS BEEN SIMPLY TO INDICATE THAT ON BASIS OF YOUR REFTEL AND PRESS COVERAGE THAT IT IS OUR VIEW THAT AUTHORITIES APPEAR TO HAVE TAKEN MEASURES TO REESTABLISH ORDER, AND THAT CDN CITS ARE SAFE. (NAMES WE HAVE BEEN GIVEN ARE PAUL COOPER AT NANDA AND BRIAN HOCKARTZ AT NANJING NORMAL.)

3. IN RESPONSE TO ENQUIRY FM ONT GOVT, GRATEFUL YOU CONTACT ONT-JIANGSU EDUCATIONAL EXCHANGE TO CONFIRM THAT CDNS ASSOCIATED WITH EXCHANGE PROGRAM ARE SAFE.

4. IN SEEKING INFO REGARDING NANJING SITU YOU MAY WISH TO OBTAIN

FOR FILING / POUR - ETRE PORTÉ AU DOSSIER

BICO

RETURN TO / RENOYER AU

ACC	REF	DATE
585548		890 103
FILE	20 - China - 1-4	

DOSSIER

cc. / 2

DRAFTER/RÉDACTEUR	DIVISION/DIRECTION	TELEPHONE	APPROVED/APPROUVÉ
SIG <i>Gordon Houlden</i> GORDON HOULDEN			SIG <i>Howard Balloch</i> HOWARD BALLOCH 000224



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PAGE TWO PNR 2961 UNCLAS

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10

ASSISTANCE OF MFA. IF IN YOUR VIEW DISTURBANCES ARE LIKELY TO BE
PROLONGED, OR SPREAD TO INVOLVE HOSTILITY AGAINST FOREIGNERS IN
GENERAL, YOU (OR SHNGI) MAY ALSO WISH TO CONSIDER SENDING OFFICER
TO NANJING TO MEET WITH CDN CITS AND LOCAL AUTHORITIES.
5. GRATEFUL FOR RESPONSE BY 300900.

CA
FBW

**ACTION
SUITE A DONNER**

UNCLASSIFIED

FM PEKIN WJGR4058 28DEC88
TO EXTOTT ✓ PNR DELIVER BY 280900
INFO HKONG SHNGI
DISTR INP PGB PGP

---STUDENT UNREST IN NANJING

YOU WILL BY NOW HAVE HEARD MEDIA REPORTS OF STUDENT DEMOS IN
NANJING PROTESTING ACTIVITIES OF AFRICAN STUDENTS. POST HAS HAD
ENQUIRIES FROM CBC ON ITEM.

2. FOLLOWING IS SUMMARY OF EVENTS PIECED TOGETHER FROM JOURNALISTS
AND AMERICAN EMBASSY INFO:

-23DEC: TWO AFRICAN STUDENTS AND THEIR CHINESE GIRLFRIENDS ATTEMPTED
TO ENTER HE HAI(?) UNIV IN NANJING TO ATTEND CHRISTMAS DANCE. GUARDS
ASKED FOR STUDENT ID BUT AT LEAST SOME MEMBERS OF GROUP (PRESUMABLY
GIRLFRIENDS) HAD NONE/NONE. SCUFFLE BROKE OUT. LATER CHINESE STUDENTS
MARCHED TO FOREIGN STUDENTS DORMITORY. IN VARIOUS STRUGGLES MORE
THAN TEN CHINESE WERE INJURED, ONE OF THEM SERIOUSLY AND TWO AFRICANS
HURT.

-25DEC: APPROX 140/140 AFRICAN AND SIX AMERICAN STUDENTS ATTEMPTED
TO BOARD TRAIN FOR BEIJING. CHINESE AUTHS FIRST PROMISED THEM
TWO RAIL CARS BUT LATER RETRACTED OFFER AND PREVENTED STUDENTS
FROM BOARDING TRAINS. AMERICANS MAY HAVE JOINED AFRICAN STUDENTS
IN SHOW OF SOLIDARITY. NONE/NONE OF AMERICANS REPORTEDLY FELT IN
DANGER.

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20 - CHINA - 1 - 4			

PAGE TWO WJGR4058 UNCLAS

-26DEC: WHILE STUDENTS WERE STILL AT NANJING STATION REPORTED 5,000/5,000 CHINESE MARCHED ON TRAIN STATION DEMANDING THAT AFRICAN STUDENTS BE PUNISHED FOR THEIR MISDEMEANOURS. 2,000/2,000 OF THESE MANAGED TO GET PASSED POLICE BARRICADES. SOMETIME ON 26DEC CHINESE AUTHS BUSSED STUDENTS FROM TRAIN STATION TO HOTEL ON OUTSKIRTS OF NANJING.

3. AMERICAN STUDENTS WERE RELEASED NIGHT 27DEC AROUND 2100HRS. THEY WERE APPARENTLY TREATED WELL. SOME OF THEM ARE RETURNING TO USA AS THEY WERE HERE ON SHORT TERM BASIS, OTHERS WERE STUDENTS IN SHNGI. REMAINDER, AS FAR AS WE ARE AWARE, WILL CONTINUE STUDIES IN NANJING. WE HAVE NOT/NOT HEARD WHETHER AFRICAN STUDENTS HAVE BEEN RELEASED.

4. INCIDENT IS LATEST MANIFESTATION OF CHINESE RACISM AGAINST BLACKS. THAT SUCH PETTY INCIDENT COULD SPARK RELATIVELY LARGE SCALE DEMO IS HOWEVER ILLUSTRATIVE OF SPEED AT WHICH PROTESTS CAN SNOWBALL AND OF STUDENTS WILLINGNESS TO TAKE TO STREETS ON ISSUE WHERE DEMO IS PERMITTED.

UUU/078 280730Z WJGR4058

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FM PEKIN WJGR4058 28DEC88

TO EXTOTT PNR DELIVER BY 280900

INFO HKONG SHNGI

DISTR INP PGB PGP

---STUDENT UNREST IN NANJING

YOU WILL BY NOW HAVE HEARD MEDIA REPORTS OF STUDENT DEMOS IN NANJING PROTESTING ACTIVITIES OF AFRICAN STUDENTS. POST HAS HAD ENQUIRIES FROM CBC ON ITEM.

2. FOLLOWING IS SUMMARY OF EVENTS PIECED TOGETHER FROM JOURNALISTS AND AMERICAN EMBASSY INFO:

-23DEC: TWO AFRICAN STUDENTS AND THEIR CHINESE GIRLFRIENDS ATTEMPTED TO ENTER HE HAI(?) UNIV IN NANJING TO ATTEND CHRISTMAS DANCE. GUARDS ASKED FOR STUDENT ID BUT AT LEAST SOME MEMBERS OF GROUP (PRESUMABLY GIRLFRIENDS) HAD NONE/NONE. SCUFFLE BROKE OUT. LATER CHINESE STUDENTS MARCHED TO FOREIGN STUDENTS DORMITORY. IN VARIOUS STRUGGLES MORE THAN TEN CHINESE WERE INJURED, ONE OF THEM SERIOUSLY AND TWO AFRICANS HURT.

-25DEC: APPROX 140/140 AFRICAN AND SIX AMERICAN STUDENTS ATTEMPTED TO BOARD TRAIN FOR BEIJING. CHINESE AUTHS FIRST PROMISED THEM TWO RAIL CARS BUT LATER RETRACTED OFFER AND PREVENTED STUDENTS FROM BOARDING TRAINS. AMERICANS MAY HAVE JOINED AFRICAN STUDENTS IN SHOW OF SOLIDARITY. NONE/NONE OF AMERICANS REPORTEDLY FELT IN DANGER.

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PAGE TWO WJGR4058 UNCLAS

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3.AMERICAN STUDENTS WERE RELEASED NIGHT 27DEC AROUND 2100HRS.THEY WERE APPARENTLY TREATED WELL.SOME OF THEM ARE RETURNING TO USA AS THEY WERE HERE ON SHORT TERM BASIS,OTHERS WERE STUDENTS IN SHNGI.REMAINDER,AS FAR AS WE ARE AWARE,WILL CONTINUE STUDIES IN NANJING.WE HAVE NOT/NOT HEARD WHETHER AFRICAN STUDENTS HAVE BEEN RELEASED.

4.INCIDENT IS LATEST MANIFESTATION OF CHINESE RACISM AGAINST BLACKS.THAT SUCH PETTY INCIDENT COULD SPARK RELATIVELY LARGE SCALE DEMO IS HOWEVER ILLUSTRATIVE OF SPEED AT WHICH PROTESTS CAN SNOWBALL AND OF STUDENTS WILLINGNESS TO TAKE TO STREETS ON ISSUE WHERE DEMO IS PERMITTED.

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**ACTION
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INFO HKONG SHNGI

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---PRC WEEKLY NEWS SUMMARY:15-21DEC

GENERAL

RETURN TO RENYOYER AU		BICO	FOR FILING POUR - ETRÉ PORTE AU DOSSIER
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<i>20 - China - 1-4</i>			

-SEVERE DROUGHT IS THREATENING MORE THAN 17 MILLION HA OF WINTER AND AUTUMN CROPS INCLUDING BARLEY AND WHEAT.ZHEJIANG PROVINCE HAS HAD LESS THAN ONE FIFTH OF USUAL RAINFALL.SHANDONG,JIANGSU, HENAN,ANHUI AND HEBEI PROVINCES ARE ALSO AFFECTED.19DEC XINHUA.
FOREIGN POLICY

-ON 19DEC PRIME MINISTER RAJIV GANDHI BECAME FIRST INDIAN PM TO VISIT CHINA IN 34 YRS.HIS DISCUSSIONS WITH SENIOR CHINESE LEADERS FOCUSSED MAINLY ON THE SINO-INDIAN BORDER ISSUE AND THE SITU IN TIBET.GANDHI REITERATED THE INDIAN POSITION THAT TIBET IS AN AUTONOMOUS REGION IN CHINA AND THE INDIAN GOVT DOES NOT/NOT PERMIT ANY POLITICAL FORCES TO CONDUCT POLITICAL ACTIVITIES HARMFUL TO CHINAS INTERNAL AFFAIRS.VISIT ENDS 22DEC. 20DEC CHINA DAILY.

-CHINESE FOREIGN MINISTRY SPOKESMAN DECRIED TAIWANS QUOTE ELASTIC DIPLOMACY UNQUOTE.TAIWAN WAS ATTEMPTING TO CREATE TWO CHINAS BY DEVELOPING OFFICIAL RELNS WITH COUNTRIES ALREADY HAVING DIPLO RELNS WITH CHINA AND BY SEEKING TO REJOIN INNATL

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SECRET

DATE 11/18/88
PAGE TWO
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ECONOMIC

INTERGOVERNMENTAL ORGANIZATIONS. SPECIAL ARRANGEMENT AT ASIAN DEV. BANK (TAIWAN GOES BY NAME TAIPEI CHINA) CANNOT/NOT BE REGARDED AS MODEL APPLICABLE TO OTHER INNATL ORGS. 19DEC XINHUA.

-ACCORDING TO STATE STATISTICAL BUREAU, MONTHLY RATE OF INCREASE IN INFLATION HAS BEEN SLOWING. MONTHLY RATE OF INCREASE DECREASED FROM 3-4 PC IN JUL AND AUG TO 2.2PC IN SEP AND .7 PC IN OCT. 17DEC XINHUA.

-CHINAS MONTHLY TRADE DEFICITS ARE GETTING PROGRESSIVELY HIGHER. JAN TO NOV FIGURE USDLRS 5.36 BILLION IS NEARLY DOUBLE 1987 DEFICIT FOR SAME PERIOD. HEAVIER DEFICIT IS ATTRIBUTED TO SHARP RISES OF IMPORTS BY FOREIGN INVESTMENT COMPANIES AND COASTAL PROCESSING INDUSTRIES. 17DEC XINHUA.

-BECAUSE OF ITS AUSTERITY PROG, CHINA WILL DECREASE ITS INVOLVEMENT IN JOINT VENTURES. IT HOPES HOWEVER TO INCREASE NUMBER OF SOLELY FOREIGN OWNED ENTERPRISES. DETAILED RULES OF THE SOLELY FOREIGN OWNED ENTERPRISE LAW, CONTRACTUAL JOINT VENTURE LAW AND A REVISED VERSION OF THE EQUITY JOINT VENTURE LAW ARE TO BE PUBLISHED NEXT YEAR. 18DEC CHINA DAILY.

-BEGINNING 01JAN89 CHINA WILL BAN EXPORT OF SIX COMMODITIES AND LIMIT EXPORTS OF 12 PRODUCTS THAT ARE IN SHORT SUPPLY DOMESTICALLY. VALID EXPORT LICENCES FOR THE SIX COMMODITIES (COPPER AND COPPER BASED ALLOYS, ALUMINUM AND ALUMINUM BASED ALLOYS, NICKEL,

...3

PAGE THREE WJGR5434 UNCLAS

NICKEL PRODUCTS, PLATINUM AND YELLOW PHOSPHOROUS) WILL BE HONOURED
IF DELIVERIES ARE MADE BEFORE 28 FEB 89. 20 DEC XINHUA.

SOCIAL

-A RECENT SURVEY INDICATES THAT GUANGDONG PROV HAS 557,000 UNMARRIED
MEN AND 27,000 UNMARRIED WOMEN BETWEEN 30 AND 45. UNMARRIED
MEN BETWEEN THE AGES OF 30 AND 34 ARE TEN TIMES MORE NUMEROUS
THAN SINGLE WOMEN IN THE SAME AGE BRACKET. 15 DEC XINHAU.

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**Pages 233 to / à 235
are withheld pursuant to section
sont retenues en vertu de l'article**

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**of the Access to Information Act
de la Loi sur l'accès à l'information**

RESTRICTED

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INWARD CABLEGRAM

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- AND THUS CAUSE MAJOR EMBARRASSMENT TO THE AUTHORITIES
AND THE GOVERNMENT

. HOWEVER, JOURNALISTS WHO SPOKE WITH THE DEMONSTRATORS SAID THE
DEMONSTRATION HAD NOT BEEN MOTIVATED BY THE CAUSE OF TIBETAN
INDEPENDENCE

- BUT RATHER, AND MORE SIMPLY, BY CONCERN AT THE
MANNER IN WHICH THE LHASA DEMONSTRATION OF 10
DECEMBER HAD BEEN HANDLED.

ACTION: DEP FOREIGN + TRADE
ASIO (C) T/T

PRIME MINISTER
DEP DEFENCE
ONA
PSCC

MIN FOREIGN + TRADE
D.I.L.G.E.A.(C)
AUST FEDERAL POLICE.

MIN FOR TRADE NEGS
DEP P M AND CABINET
JIO T/T

ACTION: PA
EA
CP
PA(CMD)
SECOM

JFB
JAAI
JFB
JFB
JFB

SEC	DEPSEC-GRIBBLE	DEPSEC-FIELD		
DEPSEC-JONES	SPECIAL-ADVISER	EX	PRO	
MLS	SW	FAS(NSEA)	PA(NSEA)	CN CH
FAS(SAMS)	PA(SAMS)	SAM	FAS(IOIC)	IO
AACR	FAS(LC)	IGL	FAS(DDN)	IDB PPB
CTP	DPR	FAS(CMD)	DS	FAREP-P
FAREP-S				

BANGKOK HANOI MOSCOW RANGOON SEOUL SINGAPORE TOKYO VIENTIANE
WASHINGTON

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DEPARTMENT OF FOREIGN AFFAIRS AND TRADE
DIPLOMATIC COMMUNICATIONS NETWORK

ACTION
SUITE A DONNER

UNCLASSIFIED

FM PEKIN WJTD1114 16DEC88

TO EXTOTT PNC PNR PND

INFO HKONG/DESLOGES SHNGI

---MAJOR EVENTS-COMMERCIAL SECTION, BEIJING, WEEK OF 18DEC-24DEC

(NC20-6-MJH)

ALL IS NOW QUIET IN THE MIDDLE KINGDOM. NO/NO MORE REPORTS
UNTIL JAN. MERRY CHRISTMAS AND A HAPPY NEW YEAR.

UUU/078 160730Z WJTD1114

RETURN TO RENOYER AU	BICO	FOR FILING POUR - ETRE PORTE AU DOSSIER
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20 - China - 1-4		

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FM PEKIN WJGR4039 15DEC88
TO EXTOTT PNR DELIVER BY 150900
INFO HKONG SHNGI
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---PRC WEEKLY NEWS SUMMARY:08-14DEC
GENERAL

RETURN TO RENYOYER AU		BICO	FOR FILING POUR - ETRE PORTE AU DOSSIER
ACC	REF	DATE	
FILE		DOSSIER	
		<i>20-China-1-4</i>	

-ONE MONK WAS KILLED AND 13 PEOPLE WOUNDED WHEN POLICE OPENED FIRE ON DEMONSTRATORS CALLING FOR TIBETAN INDEPENDENCE IN LHASA.
(XINHUA 13DEC) OTHER REPORTS SUGGEST THAT 3 WERE KILLED IN DEMO HELD TO COINCIDE WITH 40TH ANNIVERSARY OF UNIVERSAL DECLARATION OF HUMAN RIGHTS.

-ACCORDING TO OFFICIAL ESTIMATES, THERE ARE ONE MILLION UNREGISTERED CHILDREN IN CHINA, A PHENOMENON CAUSED PRINCIPALLY BY MOVEMENT OF TRANSIENTS AND THOSE WHO LEAVE THEIR HOMETOWNS FOR PURPOSE OF HAVING MORE CHILDREN THAN ALLOWED UNDER FAMILY PLANNING GUIDELINES.
(CHINA DAILY 08DEC88)

-WITH SHARP INCOME DIFFERENTIAL BETWEEN SALARIES PAID TO INTELLECTUALS AND THOSE PAID IN TRADE AND OTHER OCCUPATIONS, NUMBER OF STUDENTS APPLYING FOR GRADUATE STUDIES HAS CONTINUED TO DROP SINCE 1986. FOR FIRST TIME, THERE ARE FEWER APPLICANTS THAN PLACES OFFERED. (BEIJING DAILY 07DEC88)

FOREIGN AFFAIRS

-INDIAN PM RAJIV GANDHI WILL PAY OFFICIAL VISIT TO CHINA 19-23DEC.
(XINHUA 08DEC88).

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PAGE TWO WJGR4039 UNCLAS

-CHINA WELCOMES PLO CHAIRMAN ARAFATS RECOGNITION OF ISRAELS RIGHT TO EXIST. (XINHUA 08DEC88)

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ECONOMIC

-A 2-YEAR LONG REEXAMINATION OF 3 GORGES PROJECT BY CTTEE OF EXPERTS ESTABLISHED BY STATE COUNCIL HAS CONCLUDED THAT THREE GORGES WATER CONTROL PROJECT SHOULD GO AHEAD. (BEIJING REVIEW 12-18DEC)

-CHINAS INDUSTRIAL GROWTH FOR NOV DROPPED BY 2.5 PERCENT FROM OCT TO 17.9 PERCENT OVER LAST YEAR ACCORDING TO STATE STATISTICAL BUREAU. (XINHUA 07DEC88)

-FOREIGN INVESTORS WILL SOON BE ALLOWED TO ENGAGE IN DEVELOPMENT AND MGMT OF REAL ESTATE IN CHINA, SAID LABOUR MINISTER LIN HANXIANG. (XINHUA 12DEC)

-CHINAS FOREIGN DEBT NOW STANDS AT USA DLRS 35 BILLION. (CHINA DAILY 11DEC)

-6.3 MILLION WORKERS ARE EXPECTED TO LOSE THEIR JOBS OVER NEXT TWO YEARS DUE TO CUTBACKS IN CAPITAL CONSTRUCTION. THIS IS APPROX 25 PERCENT OF ALL CONSTRUCTION JOBS. (CHINA DAILY 13DEC88)

-NEW REGS COVERING MANDATORY AUDITS FOR STATE ADMINISTRATIVE DEPTS, BANKS AND STATE-OWNED ENTERPRISES WILL COME INTO EFFECT 01JAN89. (XINHUA 07DEC88)

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FM PEKIN WJGR4039 15DEC88

TO EXTOTT PNR DELIVER BY 150900

INFO HKONG SHNGI

DISTR PGB PND PNC PGP CPP INP INE

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GENERAL

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北美事務協調委員會駐美辦事處新聞組

Information & Communications Division
Coordination Council for North American Affairs

Office in U.S.A.
PNR

BACKGROUNDER

RETURN TO RENOYER AU	BICO	FOR FILING POUR - ETRE PORTE AU DOSSIER	BW
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FILE	4201 Wisconsin Avenue, N.W. Washington, D.C. 20016 (202) 795-1850/6		
20-China-14			December 5, 1988

Political Development in the Republic of China 1988: First Year of the Post-Chiang Era

1988 marks the third consecutive year of political reform in the Republic of China (ROC) on Taiwan, following the establishment of new opposition parties in 1986 and the lifting of the emergency decree (commonly known as "martial law") in 1987. President Chiang Ching-kuo died on January 13, 1988, so 1988 has been designated the first year of the post-Chiang era in the ROC's political development. Many important political events which occurred this year have shaped the future direction of ROC political development.

Leadership Transition

President Chiang Ching-kuo passed away on January 13, 1988. Within four hours, Vice President Lee Teng-hui was sworn in as President of the Republic of China in accordance with the constitution. Dr. Lee is the first Taiwan-born President of the Republic of China. Within two weeks, President Lee was elected acting chairman of the ruling party.

Parliamentary Reform

Following the lifting of the emergency decree, the remaining sensitive issue is how to rejuvenate the aging Congress, particularly with the upcoming parliamentary election to be held in December 1989. The Standing Central Committee of the ruling Kuomintang party, chaired by President Lee, approved a plan to rejuvenate the parliament on February 4, 1988.

About two-thirds of the members of ROC Legislative Yuan were elected on mainland China in 1947. Since new elections could not be held on the mainland, these legislators have retained their offices. However, representation of the Taiwan province in the Legislative Yuan has steadily increased since 1973. This has become the most difficult political issue in Taiwan, because on one hand, the ROC government has to maintain the legitimacy of its 1947 Constitution, while on the other hand, the parliament must be reformed to reflect the existing political reality.

The parliamentary reform program includes four major points:

- * Senior parliamentarians who were elected on the mainland in 1947 will be phased out through voluntary retirement. Those who have not been able to exercise their parliamentary duties by attending meetings for an extended period of time shall be regarded as voluntary retirees.

- * The number of parliamentarians representing government-controlled areas (including Taiwan, Penghu, Kinmen, and Matsu) will increase sharply. The National Security Council and the Cabinet will decide the exact number and whether the quota is to be reached immediately or in stages.
- * The practice of appointing alternate deputies to fill National Assembly vacancies shall be discontinued.
- * No seats are to be reserved for mainland representatives in new elections.

In late 1988, the government proposed to increase the number of parliamentary seats open for election. The number of legislative seats open to election will increase from 73 in 1986 to 130 in 1989 and to 150 in 1992. The number of members of the National Assembly elected locally will increase from 84 in 1986 to 230 in 1992 and 375 in 1998. The number of locally elected members of the Control Yuan will increase to 54 in 1990. This proposal is still subject to the approval by the parliament. Although the pace of retirement by senior members remains to be seen, it is expected that locally elected members will become the majority in this law-making body as more senior members retire and elections are held.

The 1989 national election is important since the opposition parties will have been in operation for more than three years. This will give both sides a fresh opportunity to prove their popularity. Whether this rejuvenation plan can be implemented successfully will certainly affect the outcome of the 1989 election.

13th Party Congress

The ruling Kuomintang, or Nationalist Party, completed its 13th National Congress in mid-July. President Lee Teng-hui was elected overwhelmingly (1176 out of 1184 votes cast) as party chairman by the Congress, adding a new mandate to his leadership, both from the nation and the party.

One of the major changes of this party congress was the procedure for electing delegates to it. The selection process now more closely resembles the primary and caucus systems in the United States. Thus, the composition of the delegates is more reflective of existing political reality. A total of 1209 delegates attended the meeting.

The delegates elected 180 members to the Central Committee. 360 candidates ran for the 180 seats on the Central Committee. 180 candidates were nominated by the chairman while each of the remaining candidates was endorsed by at least five delegates. Of the winners, 147 were nominated by the chairman while 33 were endorsed by the delegates. Sixty per cent of the 180-member Central Committee hold their posts for the first time and the average age of the Central Committee is now 58.68 years, down from 70 years in the 12th Central Committee.

Thirty-one of the 180 new Central Committee members were elected to the Central Standing Committee, which meets weekly to discuss policy issues. Twelve are new members and 19 were reelected. For the

first time, a woman and a labor representative were elected to the Central Standing Committee. It was also the first time that the Taiwanese members became the majority (16 out of 31) of this policy-making body. The average age for the new Central Standing Committee is 63, down from 70 in the 12th Central Standing Committee.

Cabinet Reshuffle

Following the change of the new Central Standing Committee, several new Cabinet appointments were announced in late July, including that of Vice Premier; Secretary-General of the Cabinet; Ministers of the Interior, Foreign Affairs, Finance and Justice; Chairman of the Council for Economic Planning and Development; Chairman of the Science Council; and Chairman of the Research and Development and Evaluation Commission.

There are two noticeable changes in this personnel reshuffle. One is the first woman minister (Dr. Shirley Kuo, Minister of Finance) in the ROC government. The second is that all the ministers in the economic sector have been changed as the ROC government is vigorously pursuing a policy of internationalization and liberalization in its economic development and financial system.

Policies Toward Chinese Mainland

Since November 2, 1987, ROC citizens have been allowed to visit their relatives on the mainland. Since then, about 213,000 people have visited the mainland. Indirect trade between the two sides of the Taiwan Straits through third countries was estimated at \$1.52 billion in 1987. In the first seven months of 1988, this indirect trade amounted to \$1.325 billion or a 63.42 per cent increase compared with the same period of 1987. It is expected to increase to \$2 billion in 1988. The government still prohibits direct trade.

Policy toward the mainland was one of the major issues debated in the 13th Party Congress. The Congress passed a resolution calling for a "forward-looking" approach and a more flexible policy in dealing with the mainland. However, the government's fundamental policy of "no compromise, no negotiation, no contact" with the Communist government in Peking remains unchanged.

After the Congress, a "Mainland Affairs Working Team" was established within the KMT to provide guidelines in dealing with the mainland, and an ad hoc government committee was established to coordinate policies regarding mainland affairs among various government agencies.

A guiding principle of differentiating "the Chinese communist regime" from "the Chinese people" was emphasized at the party congress. Its purpose is to ensure that measures taken must be private and indirect and security factors must always be considered.

Since the party Congress, the ROC government has taken the following steps:

1. Allow imports of academic, scientific, artistic, and literary publications from the mainland to Taiwan, with copyrights protected,

while restricting publications propagating communism.

2. Further relax the restrictions of ROC citizens visiting their relatives on the mainland.

3. Athletes and academic scholars will be allowed to participate in the international sports and academic activities sponsored by international organizations and held on the Chinese mainland. In September, the ROC government permitted three scholars from Taiwan to attend the conference of The International Council of Scientific Unions held in Peking.

4. The ROC government announced 50 kinds of raw materials which can be imported indirectly from the mainland. Also an information system was established to monitor indirect trade with the mainland in order to maintain indirect trade at an acceptable level.

5. The ROC government decided that, effective November 9, the mainland Chinese will be allowed to visit their seriously ill immediate family members (parents, children and spouses) or to attend their funerals in Taiwan. However, members of the Chinese Communist Party will not be allowed to visit Taiwan.

Press Liberalization

Since the first of the year, restrictions on publishing new newspapers have been lifted. The number of daily newspapers in Taiwan has increased dramatically. However, competition has become so keen that it is questionable how many of them can survive. Another negative side effect of this competition is that some of the news reports have not been following the best journalistic practices and accepted norms of journalism.

Social changes

As the country is moving toward further democratization, more interest groups have formed and become important players in the politics of ROC. Many of them have taken to the streets to exercise their political weight and put pressure on the government. In the past year, there were about 2000 rallies and demonstrations. Most of them were peaceful, although a few became violent.

The most noticeable incidents were the "May 20 incident" which originally was organized to protest the government's position in negotiating with the U.S. on agricultural imports. The second involved a series of demonstrations by stockholders in late October protesting the government's decision to tax profits from the stock exchange effective early 1989. The third was a confrontation between environmentalists and private industry which led to a three-day shutdown of a petrochemical complex in southern Taiwan. These incidents illustrate how the emergence of special interest groups has complicated politics in the Republic of China and created a more vital political environment.

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**ACTION
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FM PEKIN WJGR3999 02DEC88
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DISTR PGB PND PNC PGP CPP INP INE
---PRC WEEKLY NEWS SUMMARY:22-30NOV
FOREIGN POLICY

RETURN TO: RENVOYER AU	D100	FOR FILING POUR ETRE PORTE AU DOSSIER
ACC	REF	DATE
FILE	20 - China - 1-4	
		DOSSIER

-PLO:FOREIGN MINISTRY HAS EXPRESSED REGRET OVER USA STATE DEPT
DECISION TO DENY PLO CHAIRMAN ARAFAT ENTRY VISA TO ADDRESS UNGA.
(XINEUA 28NOV).

-MONGOLIA:CHINA AND MONGOLIA SIGNED A TREATY ON THE BORDER SYSTEM
AND ON SETTLEMENT OF BORDER ISSUES 28NOV.THIS IS FIRST TREATY
OF ITS KIND THAT CHINA HAS SIGNED WITH NEIGHBOURING COUNTRY.
(XINHUA 28NOV).

-PREMIER LI PENG HAS RETURNED FROM SUCCESSFUL OFFICIAL VISIT
TO THAILAND,AUSTRALIA AND NEW ZEALAND.(XINHUA 25NOV).

-TWO CHINAS:COMMERCIAL REP OFFICES,MUTUALLY ESTABLISHED IN
CHINA AND SAUDI ARABIA(WHICH HAS DIPLO RELNS WITH TAIWAN),
ARE UNOFFICIAL ORGANS AND DO NOT/NOT CONSTITUTE MODEL FOR TWO-
CHINA POLICY ACCORDING TO MFA SPOKESWOMAN.(XINHUA 24NOV).

-VIETNAM:CHINA HAS DENIED THAT ITS WARSHIPS OPENED FIRE ON A
VIETNAMESE VESSEL IN THE NANSHA ISLANDS(SPRATLEYS).(XINHUA 24NOV).

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PAGE TWO WJGR3999 UNCLAS

ECONOMIC

- CHINA WILL RECEIVE 10 PERCENT INCREASE IN ITS ANNUAL LOANS FROM WORLD BANK IN YEARS AHEAD ACCORDING TO FINANCE MINISTRY OFFICIAL. SINCE CHINA RESUMED SEAT IN WORLD BANK IN MAY80, IT HAS ACCEPTED USA DLRS 7.2 BILLION IN LOANS. LOANS INCLUDE 61 PERCENT AT LOW INTEREST, 39 PERCENT INTEREST-FREE. (XINHUA 26NOV).
- STATE STATISTICAL BUREAU REPORTS THE RETAIL PRICE INDEX FOR FIRST TEN MONTHS OF 1988 ROSE BY 17 PERCENT BUT INDEX FOR OCT ALONE WAS 26.1 HIGHER THAN SAME MONTH LAST YEAR. (XINHUA 28NOV).
- SOME GOVT INSTITUTIONS ARE BEGINNING TO HIRE EMPLOYEES THROUGH PUBLIC ADVERTISEMENTS AND EXAMS RATHER THAN THROUGH ARBITRARY GOVT ASSIGNMENT PROCESS. (CHINA DAILY 29NOV).
- ENTERPRISE SHARES ARE FINDING A SLOW MARKET. OF 6,000 PARTICIPATING BUSINESSES, MOST ACTUALLY SOLD BONDS AT FIXED INTEREST SINCE PEOPLE FOUND SHARE INVESTMENT TOO RISKY. SOME FIRMS RAISED MONEY IN THIS WAY JUST TO GIVE THEIR WORKERS A BONUS. (CHINA DAILY 29NOV).
- FIRST FUTURES MARKET IN A SOCIALIST COUNTRY IS EXPECTED TO BE LAUNCHED ON TRIAL BASIS IN HENAN BY END OF 1989, ACCORDING TO RESEARCHERS INVOLVED IN FEASIBILITY STUDY. MARKET WILL DEAL IN GRAINS. (CHINA DAILY 01DEC).

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PAGE THREE WJGR3999 UNCLAS

-RECENT REGULATION TO PROTECT SAVERS BY GUARANTEEING INTEREST RATES AHEAD OF INFLATION IS COSTING CHINAS BANKS AN EXTRA YUAN 10 BILLION A YEAR. HOWEVER, SINCE BORROWERS ARE STILL ABLE TO BORROW AT ORIGINAL LOWER INTEREST RATE, THIS HAS ENCOURAGED ENTERPRISES TO BORROW EVEN MORE AND INCREASE INVESTMENT. (CHINA DAILY 26NOV).

POLITICAL

-LIU YUAN, 37-YEAR OLD SON OF FORMER CHINESE PRES LIU SHAOQI AND VICE-GOVERNOR OF HENAN WAS QUOTED BY HKONG BASED MING BAO THAT QUOTE THE CCP INTERFERES TOO MUCH, INCLUDING IN AFFAIRS NOT/NOT OF ITS CONCERN OR AFFAIRS IT CANNOT HANDLE UNQUOTE. HE SAID HIS OPINIONS WERE SOUGHT ON TRIVIAL MATTERS EVERY 30 MINUTES. (AFP-SOUTH CHINA MORNING POST 29NOV).

-FRONT PAGE EDITORIAL IN PEOPLES DAILY SAYS THAT LEADERS WHO IGNORE POLICIES OF CENTRAL CTTEE SHOULD NOT/NOT BE INDULGED. EDITORIAL COMMENTS ATTITUDE OF THOSE WHO DO NOT/NOT FEAR POWERFUL PERSONALITIES, WHO ARE NOT/NOT AFRAID TO STAND UP TO BLOWS AND ALSO COURAGEOUSLY STAND UP FOR PRINCIPLES. (PEOPLES DAILY 28NOV).

-NEXT YEAR CHINA WILL START STREAMLINING GOVT ADMINISTRATION AT PROVINCIAL AND LOCAL LEVELS, SAID MINISTER OF PERSONNEL ZHAO DONGWEN. BASIC GOALS OF CHANGING GOVT FUNCTIONS, DECENTRALIZING POWER, READJUSTING INSTITUTIONS AND REDUCING STAFF HAVE BEEN

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PAGE FOUR WJGR3999 UNCLAS

ACHIEVED AT NATL LEVEL.FOCUS OF LOCAL STREAMLINING WILL COVER SEPARATION OF GOVT AND ENTERPRISE FUNCTIONS,DEFINITION OF MGMT OF DIFFERENT GOVT DEPTS,ESTABLISHMENT OF LEGAL MECHANISMS TO REGULATE LEADING POSTS AND STAFFING LEVELS.STATE COUNCIL ORGANIZATIONS HAVE ALREADY BEEN REDUCED FROM 75 TO 44 AND STAFF CUT BY 10,000.(XINHUA 29NOV).

-QIAO SHI,PROMINENT CPP POLITBURO CENTRAL CITEE MEMBER,SAID REFORMS WILL NOT/NOT STOP NOR WILL THEIR OBJECTIVES CHANGE SINCE REVAMP OF ECONOMY IS AIMED AT CREATING BETTER CONDITIONS FOR REFORM.(XINHUA 29NOV).

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**ACTION
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FM PEKIN WJGR3960 23NOV88

TO EXTOTT/PNR DELIVER BY 230900

INFO HKONG SHNGI

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---PRC WEEKLY NEWS SUMMARY:14-22NOV

GENERAL

RETURN TO RENOYER AU		BICO	FOR FILING POUR - ETRE PORTE AU DOSSIER
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20-CHINA		-1-4	

-TRAVEL ABROAD:A DREAM NOW REALIZED.DEPOSIT OF CERTAIN AMOUNT OF FOREIGN EXCHANGE WILL ENABLE MORE CHINESE TOURISTS TO TRAVEL ABROAD.240,000 HAVE JOINED 8-DAY PACKAGE TOURS TO HKONG.SPORE AND JPN WILL BE ADDED NEXT YEAR(XINHUA 19NOV).

-YUNNAN QUAKE:TOLL CLIMBS TO 730.4,015 INJURED.MATERIAL LOSSES EXCEED YUAN 1.4 BILLION(XINHUA 18NOV).

-1,000 HIGH RANKING OFFICIALS EXPELLED OR DISCIPLINED,MAINLY FOR CORRUPTION.BRINGS TOTAL TO 899,000 SINCE 1982(XINHUA 15NOV).

FOREIGN POLICY

-PAKISTAN:CHINA HAPPY THAT PAKISTAN ELECTION PROCEEDING SMOOTHLY. CHINA WILL RESPECT CHOICE OF PEOPLE FOR PM(XINHUA 17NOV).

-VIETNAM:FM SPOKESPERSON REITERATES LI PENG STATEMENT IN BNGKK THAT VIETNAM SHOULD WITHDRAW FROM KAMPUCHEA BEFORE JUN89 (XINHUA 17NOV).

-SINO-USA INTERVIEW OF RONG YIREN(CITIC CHAIRMAN)AND FEI

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ACTION
SUNSHINE & POWER

REMITTANCE
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REMITTANCE
NOV 18 1988

PAGE TWO WJGR3960 UNCLAS

XIAOTONG IN BEIJING REVIEW ON PROSPECTS UNDER BUSH. MESSAGE IS ELECTION STIRS HOPES. BUSH FAMILIAR WITH PRC, AND IS ANTI-PROTECTIONIST (BEIJING REVIEW, XINHUA 20 NOV).

ECONOMIC

-MTG COMORAN PRESIDENT, ZHAO OPTIMISTIC ON REFORM. QUOTE WE CANNOT/NOT GIVE THEM UP IN FEAR OF DIFFICULTIES; WE CAN ONLY SOLVE PROBLEMS BY CARRYING OUT REFORMS. WE ARE DOING JUST THAT UNQUOTE (XINHUA, CHINA DAILY 15 NOV).

-CHINA TO RECEIVE DLRS USA 1.05 BILION 15-YEAR LOAN PACKAGE FROM JPN TO DEVELOP ENERGY INDUSTRY. PROJECTS IN INNER MONGOLIA TO INCLUDE COAL CLEANING PLANT, 260,000 KWT POWER STATION, WATER SUPPLY PROJECT, RAILWAY LINE (CHINA DAILY 21 NOV).

-REFORM NOT/NOT PLUNGING CHINA INTO DEBT CRISIS. BY END OF LAST YEAR CHINA'S LONG AND MEDIUM TERM DEBTS ACCOUNTED FOR 6 PERCENT OF GNP. WHETHER CHINA CAN AVOID BECOMING HEAVY DEBTOR DEPENDS ON SUCCESS OF ECON REFORM (OUTLOOK WEEKLY 18 NOV).

-CHINA AND WORLD BANK TO REACH AGREEMENT FOR ANOTHER DLRS USA 100 MILLION PORT CONSTRUCTION LOAN. TARGETS: NINGBO, SHENGI, XIAMEN (XINHUA 17 NOV).

-NOTED ECONOMISTS STRESSES CHINA HAS 20 MILLION REDUNDANT WORKERS IN STATE-OWNED ENTERPRISES AND STATE ORGANS. THIS

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PAGE THREE WJGR3960 UNCLAS

CRIPPLES ECONOMY AND FUELS INFLATION. BETWEEN 1984 AND 1986
LABOUR COST PER UNIT SHOT UP 25 PERCENT. SOLUTIONS INCLUDE
RETHINKING CONCEPT OF UNEMPLOYMENT AND INTRODUCE SOCIAL SECURITY
SYSTEM (ECONOMIC WEEKLY 18NOV).

-LOW OIL PRICES PUTS CHINESE OILFIELDS IN RED. LOSSES FOR
INDUSTRY AS A WHOLE THIS YEAR ESTIMATED AT YUAN 12 BILLION
(CHINA DAILY 19NOV).

PRC-TAIWAN

-PRC AND TAIWAN AGREE TO SET UP JOINT COMMERCIAL COORDINATION
ASSOCIATION IN HKONG TO SOLVE COMMERCIAL DISPUTES AND PROMOTE
TRADE (XINHUA 14NOV).

-TAIWAN AUTHORITIES GAVE GREEN LIGHT 14NOV TO FIRST FOUR MAINLANDERS
WHO WISH TO VISIT AILING RELATIVES OR ATTEND FAMILY FUNERALS
(XINHUA 16NOV).

-CCPIT VICE PRESIDENT CALLS FOR MARITIME LAW DIALOGUE WITH
TAIWAN TO START DIRECT TRADE AT EARLY DATE (XINHUA 15NOV).

BILATERAL

-BANK OF CHINA OPENS ITS REP OFFICE IN TRNTO. IT HAS BRANCHES
IN 13 COUNTRIES AND REGIONS (XINHUA 17NOV).

-USA, CDN FIRMS WIN NEW OFFSHORE OIL CONTRACTS FOR AREA IN
BEIBU GULF IN SOUTH CHINA SEA (XINHUA 15NOV).

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---RAPPORT SUR LES RELATIONS FEDERALE/PROVINCIALES POUR LA
COMMISSION D ETAT DE RESTRUCTURATION DU SYSTEME ECONOMIQUE
AVONS ETE CONTACTE PAR LE BUREAU DU SOUS MINISTRE EN TITRE DE CETTE
COMMISSION POUR REQUETE SUIVANTE(RELATIVEMENT URGENTE):OBTENIR
DOCUMENTATION DETAILLEE SUR 1)LES RELATIONS FEDERALE/PROVINCIALES,
2)DES ANALYSES DE CAS CONCERNANT LES PROVINCES ONTARIO ET QUEBEC,
EN RELATION AVEC OTTAWA;3)DES INFORMATIONS CONCERNANT LES
RELATIONS ENTRE LE PALLIER MUNICIPAL ET LES AUTRES NIVEAUX
(PROVINCIAL/FEDERAL);4)DES ANALYSES DE CAS POUR TORONTO ET
MONTREAL.

2.L ELEMENT ESSENTIEL DE CETTE REQUETE CONCERNE TROIS VARIABLES:
LEGISLATION,PROCESSUS DE DECISION(AVEC OU SANS CONCERTATION),ET
CIRCULATION D INFORMATION.

3.LE SECRETAIRE DU SOUS MINISTRE DOIT SOUMETTRE RAPPORT DETAILLE
D ENVIRON 150 PAGES POUR LE 15DEC88.

4.SI SOUS MINISTRE EN TITRE SATISFAIT DU RAPPORT ET CONVAINCU DE
LA PERTINENCE DE L EXPERIENCE CDNNE FACE AUX TRAVAUX DE CETTE
COMMISSION CONCERNANT LE PROCESSUS DE DECENTRALISATION(AU COEUR
DES REFORMES EN COURS TANT AU NIVEAU ECONOMIQUE QUE POLITIQUE),

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SECRET
COMMUNICATIONS SECTION

PAGE DEUX WJFC7362 PROTEGE

CE SOUS MINISTRE ORGANISERAIT UNE DELEGATION IMPORTANTE DE SA COMMISSION AU CDA EN-1989.

5. LA PREOCCUPATION ESSENTIELLE DE CETTE COMMISSION CONCERNE LES PROBLEMES QU ILS RENCONTRENT MAINTENANT DANS L APPLICATION DE DIFFERENTES TENTATIVES DE DECENTRALISATION ENTRE LES TROIS PALLIERS (NATIONAL/PROVINCIAL/MUNICIPAL).

6. L AMBASSADE SUPPORTE FORTEMENT CETTE REQUETE, NON SEULEMENT A CAUSE DE L IMPORTANCE DE CETTE COMMISSION AU SEIN DU PROCESSUS DE REFORME, MAIS AUSSI PCQ JUSQU A DATE NOUS N AVONS EU QUE RELATIVEMENT PEU DE RELATIONS AVEC CETTE COMMISSION, ET QUE CETTE OUVERTURE VERS LE CDA POURRAIT NOUS ETRE TRES UTILE EN TERMES D ANALYSE ET DE COOPERATION AVEC CES CIT POLICY/DECISION-MAKERS FINCIT.

7. NB: LE SECRETAIRE DU SOUS MINISTRE REVIENT DU CDA OU IL A COMPLETE DES ETUDES GRADUEES A L ECOLE NATIONALE D ADMINISTRATION PUBLIQUE EN ADM PUBLIQUE INTL SOUS LA DIRECTION DU PROF SABOURIN. SI VOUS AVEZ PEU DE PUBLICATIONS RECENTES OU SI VOTRE DOCUMENTATION ETAIT SURTOUT CLASSIFIEE, SVP CONTACTER SABOURIN, ENAP, MTL (514) 522-3641 ET LUI DEMANDER D ENVOYER DOCUMENTATION A AMBASSADE A

CHARRON, POUR QUE NS LA TRANSMETTIONS DIRECTEMENT A LIN XIAO MING.

8. SECRETAIRE EN CHARGE DE REDACTION DU RAPPORT EST FRANCOPHONE. APPRECIERAIT D ABORD ET AVANT TOUT DOCUMENTATION EN FRANCAIS.

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FRANCOPHONE ?
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Bilingue
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PAGE TROIS WJFC7362 PROTEGE

9.COMPTE TENU DU DELAI(15DEC)POUR UN RAPPORT DE 150 PAGES,
APPRECIERIONS SI,EXCEPTIONNELLEMENT,VOUS POURRIEZ NOUS
TRANSMETTRE ENSEMBLE DOCUMENTATION AFF SCIENTIFIQUES/CULTURELLES
PAR COURRIER(DHL)OU VIA DELEGATION DE PASSAGE.

10.EN CONCLUSION,A NOTER QUE LE PROGRAMME DE FORMATION DES
RESSOURCES HUMAINES ET EDUCATION,LORSQUE LES CHINOIS REVIENNENT
EN CHINE,NOUS OFFRE UNE VOIE D ACCES PRIVILEGIEE A CERTAINS
MINISTERES NOUS DEMEURANT INACCESSIBLES PAR LES VOIES
TRADITIONNELLES.

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INFO HKONG SHNGI

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---PRC WEEKLY NEWS SUMMARY:04-10NOV

EARTHQUAKE REGISTERING 7.6 ON RICHTER SCALE STRUCK LANCANG

AREA OF SOUTHWESTERN YUNNAN PROV AT 9.03 PM 06NOV.TV NEWS PUTS

DEATH TOLL AT 900.07,09NOV XINHUA,CCTV.

2.POLITICAL:

DENG XIAO PING TOLD URUGUAYAN PRESS SANGUINETTI THAT ZHAO AND LI PENG ARE NOW IN CHARGE.HE SAID IN THE PAST TEN YEARS OF REFORMS QUOTE WE HAVE MADE NO/NO CAPITAL MISTAKES BUT HAVE NEVER STOPPED MAKING SMALL MISTAKES.08NOV PEOPLES DAILY.

3.PEOPLES LIBERATION ARMY IS TO CHECK ITS OWN FINANCIAL DEALINGS. INVESTIGATORS WILL BE LOOKING FOR POSSIBLE VIOLATIONS OF STATE TAX LAWS AND FOR FINANCIAL AND PRICE IRREGULARITIES.TOTAL INDUSTRIAL OUTPUT VALUE OF ARMY-RUN ENTERPRISES REACHED MORE THAN USA DLRS 1.4 BILLION IN 1987.02NOV XINHUA.

4.FOREIGN MINISTRY SPOKESMAN SAID CHINA HOPES USSR WILL EARNESTLY IMPLEMENT GENEV ACCORDS BY WITHDRAWING ALL ITS TROOPS FROM AFGHANISTAN AS SCHEDULED INSTEAD OF FINDING PRETEXTS FOR DELAYING ITS TROOP WITHDRAWAL.05NOV XINHUA.

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5. FOREIGN MINISTRY SPOKESMAN SAYS IF VATICAN SINCERELY INTENDS TO RESUME RELATIONS WITH THE CHINESE CATHOLIC CHURCH, IT MUST SEVERE ITS SO-CALLED DIPLO RELATIONS WITH TAIWAN. 04 NOV XINHUA.

6. FROM JAN TO OCT 88, JIANGSU PROV RECEIVED 230,000 TAIWANESE VISITORS. OF THESE, ONLY 40,000 WERE LISTED AS RETURNING TO VISIT RELATIVES AND FRIENDS OR TO PAY RESPECTS AT ANCESTRAL GRAVES. THE REMAINDER CAME TO SEE THINGS ON THE MAINLAND OR TO DISCUSS BUSINESS MATTERS. 06 NOV XINHUA.

7. CHU BAO TAI, DEPUTY DIRECTOR OF CHINESE MINISTRY OF FOREIGN ECONOMIC RELATIONS AND TRADE SAID CHINA HAS INVITED SOUTHKOREAN BUSINESSMEN TO TAKE PART IN JOINT VENTURES IN A BID TO DEVELOP ECON AND TRADE RELATIONS WITH S KOREA. AS FAR AS CHINESE POLICY IS CONCERNED, BUSINESSMEN FROM S KOREA ENJOY EQUAL TREATMENT WITH OTHER FOREIGN BUSINESS PEOPLE. CHU ADDED THAT TRADE VOLUME BETWEEN THE TWO SIDES HAD REACHED A CERTAIN SCALE—MOSTLY/MOSTLY IN INDIRECT TRADE. 04 NOV XINHUA.

8. ECONOMIC:

THE TOTAL BORDER TRADE VOLUME BETWEEN CHINA AND THE USSR THIS YEAR IS EXPECTED TO QUADRUPLE 1987 FIGURE. IN ADDITION TO PARTER TRADE, JOINT PRODUCTION, TECHNICAL TRANSFER, COMPENSATION TRADE AND LABOUR SERVICES ARE ALSO BEING CONDUCTED. 04 NOV XINHUA.

9. STATE PLANNING COMMISSION HAS URGED ALL LOCALITIES AND DEPTS

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PAGE THREE WJGR3930 UNCLAS

TO SLOW DOWN EXCESSIVELY RAPID GROWTH OF INDUSTRIAL PRODUCTION.
MANUFACTURES OF GOODS WHICH ARE NOT/NOT ESSENTIAL FOR PEOPLES
EVERYDAY LIFE CONSUME SCARCE RAW MATERIALS AND ELECTRICITY
- SUCH AS CANNED DRINKS, ALUMINUM ALLOY WINDOW FRAMES AND AIR
CONDITIONERS - MUST STOP PRODUCTION. FACTORIES MAKING MACHINE
TOOLS, AUTOMOBILES, INTERNAL COMBUSTION ENGINES AND INDUSTRIAL
BOILERS ARE REQUIRED TO CURTAIL PRODN IN REMAINING TWO MONTHS
OF YEAR. BANKS WILL STOP ISSUING LOANS TO COLLECTIVELY OWNED
ESTABLISHMENTS AND VILLAGE RUN FACTORIES WICH COMPETE WITH
LARGE FACTORIES FOR NEW MATERIALS BUT ARE TURNING OUT SUBSTANDARD
PRODUCTS. 05NOV XINHUA.

10. WANG DEYAN, PRESIDENT OF BOC DISCLOSED THAT CHINA HAD FOREIGN
DEBTS TALLING USA DLRS 30 MILLION. LESS THAN 10 PERCENT OF
FOREIGN DEBTS WERE DUE TO BE PAID OFF AT END OF 1987. REVALUATION
OF THE YEN HAS PLACED AN EXTRA BURDEN ON SOME CHINESE ENTERPRISES
BECAUSE THEY HAVE BORROWED LARGE AMOUNTS IN JPNSE CURRENCY.

03NOV XINHUA.

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ACTION
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FILE 20-CHINA-1-4	DOSSIER

---CHINA CRACKS DOWN ON CORRUPTION: BUT WILL IT WORK
SUMMARY: OFFICIAL CORRUPTION HAS BECOME A MAJOR POL/ECON PROBLEM
IN CHINA. ECON DECENTRALIZATION AND LEADERSHIPS INABILITY TO AGREE
ON A PLAN TO RAPIDLY IMPLEMENT FURTHER MARKET-ORIENTED REFORMS HAVE
CREATED VAST OPPORTUNITIES FOR PROFITEERING AT THE ENTERPRISE AND
AT THE LOCAL GOVT LEVEL. SO WORRIED IS DENG XIAOPING ABOUT THE RESULT-
ANT INABILITY OF THE GOVT AND PARTY TO COUNTER AN ECON BALKANIZATION
OF THE COUNTRY THAT HE HAS REPORTEDLY THREATENED TO DISMISS PROVIN-
CIAL OFFICIALS WHO REFUSE TO OBEY CENTRAL GOVT ORDERS. IT IS NONE-
THELESS DOUBTFUL THAT THE PRESENT ANTI-CORRUPTION CAMPAIGN WILL HAVE
MUCH OF AN EFFECT AS LONG AS CHINAS ECON SYSTEM REMAINS NEITHER FULLY
CENTRALLY PLANNED NOR MARKET REGULATED. CURRENT ANTI-CORRUPTION
MEASURES ARE NOT/NOT LIKELY TO SERIOUSLY AFFECT CDN COMMERCIAL
INTERESTS.

2. REPORT: OFFICIAL CORRUPTION IN CHINA HAS REACHED SUCH AN EXTREME
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PAGE TWO WJGR3901 CONF

THAT CHINAS PARAMOUNT LEADER, DENG XIAOPING, HAS REPORTEDLY THREATENED TO DISMISS PROVINCIAL LEADERS WHO FAIL TO OBEY ORDERS OF THE CENTRAL GOVT. THE WARNING CAME IN AN ADDRESS AT A CLOSED SESSION OF PROVINCIAL PARTY SECRETARIES IN LATE SEP AND IS PART OF A GOVT AND PARTY CRACKDOWN ON OFFICIAL CORRUPTION THAT IS CAUSING GROWING CHAOS IN CHINAS ECONOMY AND REFORM PROGRAM AND WHICH THREATENS TO HAVE SEVERE DESTABILIZING POLITICAL CONSEQUENCES. SINCE MID-SEP, BARELY A DAY HAS GONE BY WITHOUT A FRONT PAGE NEWS ITEM EXPOSING ANOTHER CASE OF OFFICIAL PROFITEERING WHICH HAS INFECTED A LARGE PART OF CHINESE OFFICIALDOM. THE MOST SPECTACULAR OF THESE WAS AN EXPOSE IN THE PEOPLES DAILY OF A RACKET REMINISCENT OF 1985 HAINAN SCANDAL INVOLVING ARMY, PUBLIC SECURITY AND POSTAL OFFICIALS, THAT BOUGHT CARS IMPORTED TO GUANGDONG AND THEN RESOLD THEM AT GREAT PROFIT IN OTHER PARTS OF THE COUNTRY.

3. IN REACTION, TEAMS OF OFFICIALS ARE NOW PREPARING TO FAN OUT TO ALL PARTS OF THE COUNTRY IN A MASSIVE AUDIT AND INVESTIGATION EXERCISE. AT THE SAME TIME, NEWS HAS BROKEN OFFICIALLY AND UNOFFICIALLY OF A SPATE OF MEASURES DESIGNED TO CURB SPENDING POWERS OF LOCAL GOVT AND ENTERPRISES. SOME OF THESE, SUCH AS PROHIBITION AGAINST HIRING FAMILY MEMBERS IN THE SAME UNIT, SCREENING OF COMPANIES TO ELIMINATE THOSE WHOSE EXECUTIVES

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PAGE THREE WJGR3901 CONF

ARE ALSO OFFICERS IN GOVT OR PARTY ORGANIZATIONS, AND THE ELIMINATION OF COSTLY OFFICIAL BANQUETING PRACTICES WERE PERHAPS TO BE EXPECTED. ON THE OTHER HAND, A SURPRISE WAS THE REMOVAL OF SPECIAL TRADING PRIVILEGES FROM KANG HUA DEVELOPMENT CORP, A SPRAWLING BUSINESS CONGLOMERATE CLOSELY LINKED TO THE CHINA WELFARE FUND FOR THE HANDICAPPED THAT IS RUN BY DENG XIAOPING'S CRIPPLED ELDEST SON, DENG PUFANG. THE ACTION, REPORTEDLY ORDERED BY THE ELDER DENG HIMSELF, DEMONSTRATES THE SERIOUSNESS WITH WHICH THE ARCHITECT OF CHINA'S REFORM PROGRAM VIEWS THE CORRUPTION ISSUE.

4. CORRUPTION IS DAMAGING CHINA BOTH ECONOMICALLY AND POLITICALLY. IN ECON TERMS, IT IS CAUSING MASSIVE DISRUPTION TO STATE PLANS. ENTERPRISES AND INDIVIDUALS AS WELL AS LOCAL GOVTS HAVE BEEN ENGAGED IN MANY FORMS OF SPECULATION WHICH HAVE RESULTED IN EXPORT AND PRODUCTION EFFORT IN, FOR EXAMPLE, SILK, BEING SEVERELY DAMAGED. THE SCRAMBLE FOR RAW MATERIALS AND ENERGY IN CHINA'S OVERHEATED ECONOMY HAS PROVIDED OPPORTUNITY FOR MIDDLEMEN AND EVEN PROVINCIAL GOVTS TO MANIPULATE THE MARKET FOR THEIR OWN ENDS. FACTORIES IN SOME SECTORS HAVE HAD TO CLOSE DOWN FOR WANT OF RAW MATERIALS; OTHERS HAVE MADE PROFITS BUT OFTEN THROUGH SPECULATION IN MARKETS THAT HAVE NOTHING TO DO WITH THEIR BUSINESS. VICE MINISTER OF LIGHT INDUSTRY RECENTLY COMPLAINED THAT HIS

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PAGE FOUR WJGR3901 CONF D

MINISTRY DID NOT AS RESULT OF DECENTRALIZATION POLICY HAVE POWER TO ALLOCATE SCARCE RESOURCES TO PRIORITY PROJECTS. AS A RESULT COMPANIES OFTEN SECURE THESE DIRECTLY THROUGH HEFTY BRIBES. REVENUES THAT WOULD NORMALLY ACCRUE TO THE CENTRAL GOVT ARE SLIPPING THROUGH THE TAX NET AND SAVINGS ARE BEING HOARDED OR INVESTED IN UNPRODUCTIVE OR NON-ESSENTIAL VENTURES SUCH AS LUXURY HOTELS.

5. THE MASSIVE INVOLVEMENT OF PARTY AND GOVT OFFICIALS IN CORRUPTION HAS LED TO A PUBLIC LOSS OF CONFIDENCE IN OFFICIALS AND PARTY MEMBERS AND THIS HAS DEALT A BLOW TO THE ONCE HIGH PRESTIGE OF THE PARTY. KUOMINTANG CORRUPTION BEFORE REVOLUTION HAD BEEN INSTRUMENTAL IN SECURING SUPPORT OF NON-COMMUNIST SEGMENTS OF POPULATION TO CCP. CLEAN GOVT WAS PRIDE OF NEW COMMUNIST LEADERSHIP. ONE OFTEN HEARS TODAY THAT TODAY'S COMMUNISTS ARE JUST AS BAD AS YESTERDAY'S NATIONALISTS.

6. RELATIONSHIPS BETWEEN ENTERPRISES AND PROVINCIAL PARTY AND STATE OFFICIALS ARE SO CLOSE THAT NOT/NOT ONLY ECONOMIC BUT ALSO POLITICAL POWER IS IN DANGER OF SLIPPING AWAY FROM CENTRAL GOVT CONTROL. THE CHINESE LEADERSHIP OBVIOUSLY FEARS THAT THIS TENDENCY COULD LEAD TO A POL/ECON BALKANIZATION OF CHINA INTO LOCAL FIEFDOMS, A NOT/NOT UNCOMMON STATE OF AFFAIRS IN EARLIER PERIODS OF CHINESE HISTORY.

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PAGE FIVE WJGR3901 CONFID

7. THE PROBLEM OF CORRUPTION IN CHINA IS SERIOUS NOT/NOT ONLY BECAUSE OF ITS POL AND ECON RAMIFICATIONS BUT ALSO BECAUSE OF THE ALL-PERVASIVENESS OF THE PHENOMENON. WITH NO/NO SOLID TRADITION OF WESTERN-STYLE LAW TO FALL BACK ON, CHINAS EIGHT YEARS OF LOOSENING UP THE POL AND BUREAUCRATIC APPARATUS HAS ENCOURAGED RELIANCE ON PERSONAL RELATIONSHIPS AND LOYALTY TO LOCAL UNITS RATHER THAN TO THE SYSTEM AS A WHOLE. THIS NATURAL TENDENCY IS SIMPLY EXACERBATED BY THE OPPORTUNITIES THAT PRESENT THEMSELVES THROUGH TWO-TIER PRICING AND BY THE REFORMS THAT HAVE DECENTRALIZED ECON DECISION-MAKING.

8. THE QUESTION OF COURSE IS WHETHER THE PRESENT CRACKDOWN WILL SUCCEED IN ITS GOAL OF QUOTE IMPROVING THE ECON ENVIRONMENT AND RECTIFYING THE ECON ORDER UNQUOTE. THE WORKERS DAILY, COMMENTING ON THE RECENT CASE OF AN OFFICIAL WHO WAS STRIPPED OF HIS LOCAL PARTY POST FOR TAKING A HARD LINE AGAINST BUREAUCRATIC PROFITEERING SAID QUOTE BEHIND EVERY PROFITEER IS THE MAGINOT LINE OF HIS OFFICIAL PATRON UNQUOTE. IT IS INCONCEIVABLE THAT, IN THE PRESENT RELATIVELY RELAXED ATMOSPHERE OF DENG'S CHINA, THE TENDENCY FOR ENTERPRISE MANAGERS AND OFFICIALS TO FORM PERSONAL AND MUTUALLY BENEFICIAL RELATIONSHIPS SHOULD SUDDENLY COME TO A HALT AS LONG AS CHINAS ECON SYSTEM REMAINS NEITHER CENTRALLY PLANNED NOR MARKET REGULATED, BUT A CONFUSING AND UNWORKABLE CONTINUATION OF BOTH. BECAUSE ECON THINKING AT

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PAGE SIX WJGR3901 CONFD

THE TOP IS MUDDLED(SEE OURTEL WJGR3808 29SEP)THE CURRENT ANTI-CORRUPTION CAMPAIGN IS UNLIKELY TO HAVE ANY DECISIVE EFFECT SINCE BOTH INSTITUTIONAL FRAMEWORK AND POLITICAL RESOLVE ARE INSUFFICIENT.

9.FINALLY A NOTE SHOULD BE SAID ON THE EXTENT TO WHICH FOREIGN BUSINESS LINKS WITH CHINA WILL BE AFFECTED BY THE MOVES AGAINST TRADING COMPANIES SUCH AS KANG HUA.CHINESE LEADERS APPEAR TO BE SENSITIVE TO THIS ISSUE AND HAVE SAID ON A NUMBER OF OCCASIONS(MOST RECENTLY BY PREMIER LI PENG),THAT ALL SIGNED CONTRACTS FOR ORDERING GOODS AND JOINT VENTURES WILL BE HONOURED. WHILE WE BELIEVE THAT THE GOVT WILL BE SINCERE IN ITS EFFORTS TO MINIMIZE ANY ADVERSE FALLOUT AFFECTING FOREIGN BUSINESSES (AND INDEED HAS A GREAT STAKE IN MAINTAINING BUSINESS CONFIDENCE), THE MEASURES TO TIGHTEN CREDIT ACCOMPANYING THE ANTI-CORRUPTION DRIVE WILL EFFECTIVELY REDUCE THE MARKET FOR MANY GOODS AND SERVICES IN WHICH FOREIGN COMPANIES HAVE AN INTEREST.HOWEVER, LARGE INFRASTRUCTURAL PROJECTS(ESPECIALLY THOSE DESIGNATED STATE KEY PROJECTS),INVOLVING DEVELOPMENT OF ENERGY,COMMUNICATIONS, PORTS,TRANSPORTATION AND RAW MATERIALS,MAIN FOCI OF CDN INTEREST, ARE NOT/NOT LIKELY TO BE AFFECTED.

CCC/078 250530Z WJGR3901

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TO EXTOTT (PNR)
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DISTR PGB PND PNC PGP CPP INP INE
---PRC WEEKLY NEWS SUMMARY:08-14OCT
POLITICAL

FILE
20-china-1-A

-THIRD SESSION OF THE STANDING CTTEE OF SEVENTH NATL CTTEE OF CHINESE PEOPLES POLITICAL CONSULTATIVE CONF(CPPCC) OPENED 12OCT IN PEKIN. PARTICIPANTS WILL DISCUSS IMPLEMENTATION OF THE CENTRAL CTTEES CALL TO IMPROVE THE ECON ENVIRONMENT AND RECTIFY THE ECON ORDER. 12OCT XINHUA.

-AT THE NATL ECON SYSTEM REFORM THEORIES FORUM, LIU GUOGUANG, VICE PRES OF THE CHINESE ACADEMY OF SOCIAL SCIENCES NOTED QUOTE THE TRADITIONAL CONCEPT CALLING FOR CONSTANTLY ELEVATING THE DEGREE OF PUBLIC OWNERSHIP TO ESTABLISH A PURELY SOCIALIST ECON SYSTEM HAS BEEN REPUDIATED. IN ITS PLACE ARE NEW IDEAS SUPPORTING DIVERSIFIED MODES OF OWNERSHIP UNQUOTE. 09OCT XINHUA.

-BY MUTUAL AGREEMENT THE SOVIET CHAMBER OF INDUSTRY AND COMMERCE AND THE CHINESE COUNCIL FOR THE PROMOTION OF INNATL TRADE WILL REGULARLY EXCHANGE EXHIBITIONS BEGINNING IN 1990. SINO-SOVIET TRADE GREW BY NEARLY 30 PERCENT IN THE FIRST EIGHT MONTHS THIS YEAR TO REACH USA DLRS 1.8 BILLION. 11OCT XINHUA.

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PAGE TWO WJGR3864 UNCLAS

-FOR THE FIRST TIME IN 30 YEARS SENIOR OFFICIALS FROM THE BANK OF CHINA VISITED THE SOVIET UNION. DESPITE PROGRESS ON OTHER FRONTS A BANK OFFICIAL POINTED OUT THAT PROBLEMS SUCH AS OPENING A BANK ACCOUNT AND SETTLING A TRADE ACCOUNT ARE YET TO BE SOLVED. 11 OCT XINHUA.

-THE NAVY IS DEVELOPING A NEW TYPE OF SHIP-BASED STRATEGIC MISSILE AND HAS MADE BREAKTHROUGHS IN THE TECHNOLOGY AND LAUNCHING CAPABILITIES OF TACTICAL MISSILES SAYS A SENIOR NAVY OFFICER. 08 OCT LIBERATION ARMY DAILY.

ECONOMIC

-PREMIER LI PENG AT A FULL MTG OF THE STATE COUNCIL SAID THAT SUCCESS OF THE DRIVE TO IMPROVE ECON ENVIRONMENT AND RECTIFY THE ECON ORDER NOW DEPENDED ON THE ATTITUDES AND ACTIONS OF THE STATES LEADING ORGANS. QUOTE WE OURSELVES MUST DO WHAT WE ASK OUR SUBORDINATES TO DO UNQUOTE. THE STATE PLANNING COMMISSION WILL BE RESPONSIBLE FOR CUTTING DOWN THE SCALE OF INVESTMENT; THE CENTRAL BANKS FOR CONTROLLING THE ISSUING OF CREDITS AND CURRENCY; THE MINISTRY OF FINANCE FOR CONTROLLING FINANCIAL DEFICITS AND REDUCING SOCIAL GROUP PURCHASING POWER, AND THE MINISTRY OF MATERIALS FOR PUNISHING GOVT-BACKED COMPANIES SPECULATING IN THE CIRCULATION OF THE MEANS OF PRODUCTION.

12 OCT XINHUA.

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PAGE THREE WJGR3864 UNCLAS

-DESPITE NATIONWIDE CUTBACKS IN CAPITAL CONSTRUCTION, THE BANK OF CHINA, THE PRINCIPAL BANK FOR GRANTING LOANS TO JOINT VENTURES, HAS PROMISED TO GIVE PRIORITY TO EXPORT-ORIENTED PROJECTS.

11OCT XINHUA.

-300 TRANSPORT EXPERTS NOTED THE LOADS ON CHINAS RAILWAYS, HIGHWAYS, CIVIL AVIATION AND WATERWAYS HAVE LONG EXCEEDED THEIR CAPACITIES. THEY SAID TRANSPORT WAS THE WEAKEST LINK IN THE NATL ECONOMY. THE TRANSPORT SECTOR ACCOUNTS FOR ONLY 14 PERCENT OF CHINAS CAPITAL CONSTRUCTION INVESTMENT COMPARED WITH 20-28 PERCENT IN OTHER DEVELOPING COUNTRIES. 11OCT GUANGMING DAILY.

-THERE ARE NOW 14.3 MILLION PRIVATE HOUSEHOLD BUSINESSES IN CHINA, EMPLOYING 22.24 MILLION PEOPLE WITH A TOTAL REGISTERED CAPITAL OF YUAN 27.12 BILLION. THE GROWTH RATE OF PRIVATE ENTERPRISES AND THEIR EMPLOYEES IN THE FIRST SIX MONTHS OF 1988 WAS MUCH SLOWER THAN THAT REGISTERED IN PREVIOUS YEAR. 09OCT PEOPLES DAILY.

-FROM NOW ON, WEEKLY SUMMARY WILL REACH YOU ON THURSDAYS.

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---PRC WEEKLY NEWS SUMMARY

POLITICAL

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-THIRD PLENUM OF 13TH CENTRAL CTTEE MTG CLOSED WITH CALL TO RECTIFY ECON ENVIRONMENT, DEEPEN REFORM AND STRENGTHEN PARTY DISCIPLINE. SEE OURTELS WJGR3827 06OCT; 3831 07OCT.

-ZHAO ZIYANG, IN DISCUSSING SOME FOREIGN REACTIONS TO THIRD PLENARY SESSION OF 13TH CENTRAL CTTEE MTG, SAID IT WAS NOT/NOT COMPLETELY RIGHT TO SAY THAT CHINA WILL SLOW DOWN ITS PACE OF REFORM. QUOTE WHAT WE ARE DOING NOW TO OVERCOME THESE PROBLEMS IS JUST DESIGNED TO CREATE BETTER CONDITIONS FOR CONTINUING REFOR UNQUOTE. XINHUA 05OCT.

✓ there's a lot of work on this - we might try a summary of one or two points in a week or so.

-YASSER ARAFAT SPENT THREE DAY WORKING VISIT TO PEKIN DURING WHICH HE MET TOP LEADERSHIP. XINHUA 05OCT.

-HEBEI PROVINCE PARTY CTTEE RECENTLY FORMULATED RULES TO ERADICATE NEPOTISM IN ALLOCATION OF PARTY AND GOVT POSTS. RULES INCLUDE FORBIDDING LEADING PARTY AND GOVT OFFICIALS FROM WORKING IN SAME ADMINISTRATIVE ORGANIZATION WITH ANYONE WITH FAMILY OR BLOOD TIES. XINHUA 05OCT.

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ECONOMIC

-PREMIER LI PENG IS HEADING A CAMPAIGN TO CALL AN IMMEDIATE HALT TO THOUSANDS OF CONSTRUCTION PROJECTS INCLUDING SOME WHICH ARE ALREADY UNDERWAY. THE PREMIER HAS SET UP A SPECIAL OFFICE COMPRISING HIGH-RANKING GOVT OFFICIALS WITH CHEN GUANGJIANG, DEPUTY MIN OF STATE PLANNING COMMISSION AS DIRECTOR. SANCTIONS TO BACK UP ACTIONS OF NEW BODY INCLUDE ORDERING BANKS TO WITHHOLD LOANS AND ORDERING DEPTS UNDER STATE CONTROL TO CEASE PROVIDING PROJECTS WITH NECESSARY RAW MATERIALS. PROJECTS INVOLVING ENERGY SUPPLY, TRANSPORTATION, TELECOMMUNICATIONS, RAW MATERIALS PRODUCTION AND AGRICULTURE WILL BE PROTECTED AND THOSE THAT USE IMPORTED TECHNOLOGY AND FOREIGN FUNDS ARE ALSO EXPECTED TO RECEIVE PROTECTION. CHINA DAILY 07OCT.

-CHINA ACHIEVED SHARP INCREASE OF 14.8 PERCENT IN ITS EXPORTS, TOTALLING USA DLRS 28.5 BILLION BY 20SEP SAID ZHENG TUOBIN, MINISTER OF FOREIGN ECON RELNS AND TRADE. PROPORTION OF INDUSTRIAL GOODS EXPORTS HAS RISEN FROM 61.2 PERCENT TO 68.2 PERCENT OF TOTAL. XINHUA 04OCT.

-CHINA AND USSR SIGNED A BILATERAL FISHING AGMT THAT ALLOWS THE TWO SIDES TO FISH IN EACH OTHERS TERRITORIAL WATERS AND COOPERATE IN THE RATIONAL USE OF BIOLOGICAL RESOURCES IN NORTH PACIFIC AND BORDER RIVERS. XINHUA 04OCT.

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PAGE THREE WJGR3832 UNCLAS

-CHINA HAS ISSUED PROVISIONAL TAX REGS FOR LAND USE IN URBAN AREAS. THE RATES WHICH COME INTO EFFECT 01NOV RANGE FROM 50 CENTS TO YUAN 10 PER SQ METRE IN LARGE CITIES, DECREASING IN SMALLER AGGLOMERATIONS. XINHUA 04OCT.

MIRACLE CURES

-CHINESE RESEARCHERS CLAIM TO HAVE LOCATED ANOTHER ACCUPUNCTURE POINT AT THE INNER END OF THE LOWER LIP. NEEDLING THIS NEW POINT IS SAID TO BE EFFECTIVE IN TREATING 30 DISEASES INCLUDING BED WETTING, MASTITIS AND EXTERNAL PILES. XINHUA 03OCT.

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---THIRD PLENUM COMMUNIST PARTY 13TH CENTRAL CTTEE:POLITICAL
IMPLICATIONS

SUMMARY:THE PRINCIPAL POLITICAL MESSAGES EMERGING FROM THE THIRD
PLENUM OF THE 13TH CPC CENTRAL CTTEE MTG(26-30SEP)ARE:

- (A)PARTY DISCIPLINE IS TO BE STRENGTHENED AT ALL LEVELS;
- (B)THERE IS CONSENSUS WITHIN THE CENTRAL LEADERSHIP TO DEVOTE
ITS ENERGIES IN THE MEDIUM TERM TO ASSERTING BETTER CONTROL
OVER THE REFORM PROCESS BEFORE ANY MAJOR NEW REFORM INITIATIVES
ARE TAKEN;
- (C)CORRUPTION HAS BECOME A MAJOR ISSUE AND A PHENOMENON THAT
WILL DERAIL ECON REFORM AND DISCREDIT THE PARTY IF DECISIVE
ACTION IS NOT/NOT TAKEN TO CHECK IT.

2.REPORT:WHILE REFORM IS REAFFIRMED AS THE PRINCIPAL GUIDING
POLICY FOR THE ECONOMY,THE PARTY WILL NOW MOVE TO ENFORCE STRICTER
POLITICAL CONTROL OVER THE REFORM PROCESS.ALONGSIDE THE MAIN

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PAGE TWO WJGR3831 CONF

MTG COMMUNIQUE, THE CPC CENTRAL COMMISSION FOR DISCIPLINE INSPECTION ISSUED A SEPARATE COMMUNIQUE 30SEP STRESSING THAT QUOTE THOSE WHO CONTRAVENE THE CPC CENTRAL CTTEES PRINCIPLES, POLIGIES AND DECISIONS, DISTURB THE ECONOMIC ORDER, OR VIOLATE PARTY REGS, WILL BE DEALT WITH SEVERELY UNQUOTE. EXAMPLE LAST WEEK OF 50 PARTY WORKERS- EXPELLED FROM PARTY FOR CORRUPT PRACTICES AND INEFFICIENCY HAS BEEN REINFORCED BY THREAT IN COMMUNIQUE OF FURTHER EXPULSIONS FOR OFFENDERS (IN 1987 MORE THAN 100,000 PARTY MEMBERS WERE EITHER EXPELLED OR ASKED TO QUIT FOR ENGAGING IN CORRUPT PRACTICES ACCORDING TO XINHUA REPORT).

3. CHINAS LEADERS HAVE BEEN CAUGHT IN A PARADOXICAL SITUATION. PREVIOUSLY ECON REFORM, TO WHICH THE PARTY AND GOVT REMAIN COMMITTED, CALLED FOR DECENTRALIZATION OF DECISION MAKING BOTH TO ENTERPRISES AND TO GOVT BODIES. BUT CHINAS GRADUALIST APPROACH TO REFORM, ESPECIALLY ITS TWO-TIER PRICING SYSTEM, COUPLED WITH DECENTRALIZATION OF SPENDING POWER, HAS LED TO CORRUPTION THAT IS SO WIDESPREAD THAT IT PERHAPS MORE THAN ANY OTHER FACTOR THREATENS TO DERAIL THE REFORM PROGRAM. THE MOST SERIOUS FORM OF CORRUPTION IS THE EXPLOITATION OF PERSONAL RELATIONSHIPS WITHIN THE BUREAUCRACY BY MEMBERS OF LARGE STATE AND PRIVATE CORPS TO OBTAIN SCARCE SUPPLIES OF RAW MATERIALS AND GOODS AT STATE REGULATED PRICES WITH A VIEW TO RESELLING AT GREAT PROFIT ON THE FLEDGLING FREE

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PAGE THREE WJGR3831 CONFD

MARKET. NUMBER OF PEOPLE INVOLVED AND FIGURES QUOTED IN REPORTS AND DAILY PRESS ARE STAGGERING. ISSUE WILL BE ANALYSED IN SUBSEQUENT TEL.

4. CHINAS REFORMERS THEREFORE HAVE COME TO THE CONCLUSION THAT GREATER POLITICAL CONTROL AND SUPERVISION BASED ON THE PRINCIPLES OF DEMOCRATIC CENTRALISM AND TIGHTER CENTRAL GOVT CONTROL MUST ACCOMPANY ECON DECENTRALIZATION. IN THIS CONTEXT, CONTROL WILL MEAN PREVENTION OF ANY EXPRESSION OF STUDENT OR WORKER DISCONTENT OVER UNPALATABLE SOCIO-ECONOMIC ASPECTS OF REFORM; SUPERVISION WILL MEAN COMING TO GRIPS WITH MOUNTING OFFICIAL GREED AND INDISCIPLINE. HOW ECON DECENTRALIZATION AND SIMULTANEOUS TIGHTENING OF POLITICAL BELT CAN TAKE PLACE IN COUNTRY WHERE DISTINCTION BETWEEN PARTY AND STATE REMAINS BLURRED POSES INTERESTING PARADOX. HOW THIS CAN BE CARRIED OUT AND TO WHAT EXTENT IT WILL BE SUCCESSFUL IS STILL VERY MUCH A MOOT POINT. WHILE THE CPC IS STILL THE ONLY SIGNIFICANT ORGANIZATION IN CHINA, ITS PRESTIGE HAS FALLEN SINCE PRE-CULTURAL REVOLUTION DAYS; THE SANCTION OF BEING EXPELLED FROM THE PARTY IS NO/NO LONGER AS STRONG AS IN THE PAST, NOR IS PARTY MEMBERSHIP AS ESSENTIAL FOR SUCCESS IN CHINESE SOCIETY.

5. THE RESULTS OF THE THIRD PLENUM ALSO DEMONSTRATE THAT WHEREAS THERE ARE DIVISIONS WITHIN THE CHINESE LEADERSHIP OVER THE METHODS AND SPEED OF ECON REFORM, THESE PALE IN COMPARISON TO THE LEADERSHIPS

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PAGE FOUR WJGR3831 CONF

COLLECTIVE DETERMINATION TO CRACK DOWN ON CORRUPTION AND MODERATE CHINAS GALLOPING INFLATION, NOW OFFICIALLY AT 24 PERCENT BUT PROBABLY HIGHER.

6. ZHAO, AND TO LESSER EXTENT TIAN JIYUN, TEND TO FAVOUR POLICIES WHICH WOULD ENSURE QUICKER TRANSITION TO SOCIALIST ECONOMY RESPONSIVE TO MACRO-ECONOMIC MARKET MECHANISMS. LI PENG AND YAO YILIN HAVE A MORE HANDS-ON APPROACH AND SEE DANGER OF DISMANTLING MECHANISM OF STATE CONTROL. BUT AS INDICATED REFTEL, POLICY PRONOUNCEMENTS BY ALL LEADERS DISMISS THESIS OF SHARP CONFLICT BETWEEN QUOTE REFORMISTS UNQUOTE AND QUOTE CONSERVATIVES UNQUOTE.

7. DESPITE ZHAOS PUBLIC ADMISSION (OURTEL WJGR3743 09SEP) THAT IMMEDIATE RESPONSIBILITY FOR IMPLEMENTATION OF ECON REFORM HAS PASSED THIS SUMMER FROM ZHAO TO LI PENG, WE CANNOT/NOT CONCLUDE AT THIS STAGE THAT CURRENT RETREAT FROM IMPLEMENTATION OF PRICE REFORM AND OVERRIDING PREOCCUPATION WITH INFLATIONARY GROWTH AMOUNTS TO SIGNIFICANT LOSS OF POWER OR EVEN PRESTIGE FOR ZHAO. DENG REMAINS THE PARAMOUNT LEADER WHO CALLS THE SHOTS, AND THE PROGRAM OF ECON REFORM IS ESSENTIALLY HIS. IT IS HE WHO UNEQUIVOCALLY CALLED LAST SUMMER FOR BOLD MOVES ON DRASTIC PRICE REFORMS.

8. IF ONE LOOKS FOR EVENTUAL SCAPEGOAT IN CASE REFORM PROGRAM FOUNDERS, SOME SUGGEST THAT LI MAY BE IN MORE DANGER GIVEN HIS LACK OF POPULARITY IN SOME CIRCLES, HIS REALTIVELY FRAGILE POWER BASE

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PAGE FIVE WJGR3831 CONF

AND HIS INHERITANCE OF RESPONSIBILITY FOR IMPLEMENTING ECON REFORM PROGRAM(IF IT CAPSIZES,LI MAY BE FIRST TO BE BLAMED). BUT FOR TIME BEING,LEADERSHIP IS A WHOLE SHARES RESPONSIBILITY FOR ENSURING SUCCESSFUL QUOTE RECTIFICATION OF ECON ORDER UNQUOTE AND PUTTING REFORM BACK ON TRACK.IMMED ISSUE IS THAT THE PROBLEMS THAT ECON REFORM HAVE ENGENDERED REQUIRE URGENT POLITICAL SOLUTIONS AND LEADERSHIP HAS RECOGNIZED THAT THIS IS THE MOST URGENT TASK FACING THEM FOR THE NEXT 2-3 YEARS.

9.FOR BONN:WE WOULD BE GRATEFUL FOR ANY INSIGHTS PROVIDED BY YAO YILIN DURING HIS CURRENT VISIT TO FRG.AMB HAS REQUESTED CALL ON YAO AND/OR HIS SENIOR ADVISORS UPON HIS RETURN AS WE SENSE THAT HIS VOICE WILL CARRY IN THE CURRENT PREDICAMENT FACING THE LEADERSHIP.

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ATTN: D. LIVERMORE

I.M.H.S.

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FOLLOWING OFR YOUR INFORMATION IS A RETRANSMISSION OF A TELEX RECEIVED FROM GENEVA WHICH IS SELF EXPLANATORY.

QUOTE

43: NATURAL DISASTERS IN CHINA, 1988

PRIMO: DUE TO EXTREMELY ABNORMAL WEATHER PREVAILING SINCE SPRING OF THIS YEAR, A GREAT PART OF CHINA HAS BEEN HIT BY A SERIES OF SEVERE NATURAL DISASTERS. HEAVY CASUALTIES AND WIDESPREAD MATERIAL DAMAGES WERE REPORTED. MORE THAN 100 MILLION PEOPLE WERE AFFECTED WITH DIRECT ECONOMIC LOSS ESTIMATED AT 10 BILLION RMB (APPROX. CHF 4 BILLION). FLWG HAVE BEEN REPORTED BY THE CHINESE RC:

FOLLOWING SPRING-WATERLOGGING, MANY AREAS IN CHINA'S NORTH EASTERN HEILONGJIANG PROVINCE HAVE BEEN HIT BY RAINSTORMS AND FLOODS IN SUCCESSION SINCE JULY, CAUSING GREAT LOSSES BOTH IN LIFE AND PROPERTY. ACCORDING TO STATISTICS, THERE HAVE BEEN MORE THAN 9 MILLION POPULATION AFFECTED, 83 DEAD, AN AREA OF MORE THAN 3.3 MILLION HECTARES OF LAND AFFECTED, MORE THAN 220 THOUSAND HOUSES COLLAPSED WITH DIRECT ECONOMIC LOSS OF 1.87 BILLION RMB (CHF 750 MILLION).

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FROM JULY 29 TO 30 AND IN THE MORNING OF 8 AUGUST, EASTERN ZHEJIANG PROVINCE WAS SERIOUSLY ATTACKED BY RAINSTORMS, FLOODS AND TYPHOON IN SUCCESSION, CAUSING DIRECT ECONOMIC LOSS OF MORE THAN 2 BILLION RMB (CHF 800 MILLION). A ROUGH STATISTICS SAID THAT THERE WERE 12.7 MILLION PEOPLE AFFECTED, 424 DEAD AND 84 MISSING, 730 THOUSAND HOUSES PARTIALLY OR TOTALLY DESTROYED AND 290 THOUSAND HECTARES OF CROPS DAMAGED.

BECAUSE OF HEAT AND SCARCE RAIN THIS YEAR, MORE THAN 70 COUNTIES IN CENTRAL HUBEI PROVINCE HAVE BEEN STRICKEN BY DROUGHT. AND 287 MILLION HECTARES OF CROPS SO FAR HAVE BEEN AFFECTED AND 3 MILLION TONS OF GRAIN WILL BE LOST AS ESTIMATED. A SHARP YIELD DECREASE WILL ALSO BE EXPECTED FOR OTHER CROPS. ALL THESE WILL LEAD TO DIRECT ECONOMIC LOSS OF 2.5 BILLION RMB (CHF 1 BILLION).

APART FROM THE ABOVE PROVINCES, SHAANXI, INNER MONGOLIA, SICHUAN, SHANXI, JILIN, GUANGXI AND GUANGDONG PROVINCES HAVE ALSO BEEN AFFECTED BY RAINSTORMS AND FLOODS, RESULTING IN HEAVY LOSSES IN INDUSTRY, AGRICULTURE, TRANSPORTATION AND IN LIFE AND PROPERTY. SERIOUS DAMAGE HAS ALSO BEEN MADE TO HOSPITALS AND SCHOOLS.

SECUNDO: THE CHINESE RC, THROUGH ITS BRANCHES AT ALL LEVELS IN THE AFFECTED AREAS, HAS BEEN ACTIVELY INVOLVED IN RELIEF OPERATIONS ON BEHALF OF VICTIMS. RC MEMBERS AND FIRST AIDERS WERE ORGANISED TO HELP IN RESCUE, EVACUATION AND RESETTLEMENT OF AFFECTED FAMILIES.

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NEARLY 100 MEDICAL TEAMS HAVE BEEN SENT TO AFFECTED AREAS, PROVIDING EMERGENCY HEALTH CARE AND EPIDEMIC PREVENTION SERVICES. FUNDS HAVE BEEN ALLOCATED TO THE PROVINCIAL BRANCHES FOR PURCHASE AND DISTRIBUTION OF RELIEF ITEMS FOR THE VICTIMS. HOWEVER, FURTHER RED CROSS ASSISTANCE IS HAMPERED DUE TO THE LIMITED RESOURCES AVAILABLE TO THE CHINESE RC, PARTICULARLY COMPARED TO THE MAGNITUDE OF THE DISASTERS AND VAST AREAS AFFECTED.

TERTIO: THE LEAGUE SECRETARIAT IS REQUESTING THE CHINESE RC TO IDENTIFY THE OUTSTANDING PRIORITY NEEDS OF ITS CURRENT RELIEF PROGRAMMES. IN THE MEANTIME, WE SHALL APPRECIATE IF YOU CAN ADVISE US OF ANY ASSISTANCE YOU WILL ENVISAGE TO ASSIST THE CHINESE RC TO FURTHER EXTEND ITS VITAL SERVICES TO THE VICTIMS OF ABOVE MENTIONED DISASTERS.

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TA KUNG PAO REPORTS HU YAOBANG ON INSPECTION TOUR

HK0209021688 HONG KONG TA KUNG PAO IN CHINESE 2 SEP 88 P 2

[DISPATCH: "HUA GUOFENG IS IN BEIJING AND HU YAOBANG IS ON AN INSPECTION TOUR IN OTHER PARTS OF THE COUNTRY"]

[TEXT] BEIJING, 1 SEP (TA KUNG PAO)--IT WAS RUMORED OVERSEAS THAT FORMER CPC CENTRAL COMMITTEE CHAIRMAN HUA GUOFENG AND FORMER CPC CENTRAL COMMITTEE GENERAL SECRETARY HU YAOBANG HAD DEFECTED TO A FOREIGN COUNTRY. THIS TA KUNG PAO REPORTER INQUIRED OF AN AUTHORITATIVE FIGURE ON THIS MATTER AND WAS TOLD THAT SUCH RUMORS WERE SHEER FABRICATIONS. HUA GUOFENG IS NOW IN BEIJING, AND HU YAOBANG IS ON AN INSPECTION TOUR IN OTHER PARTS OF THE COUNTRY.

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---PRC WEEKLY NEWS SUMMARY:27AUG-02SEP

STATE COUNCIL AT MTG CHAIRED BY LI PENG HAS PLEDGED NOT/NOT TO INCREASE PRICES IN 1988 AND NOT/NOT TO UNDERTAKE ANY RADICAL STEPS ON PRICE REFORM IN 1989.COUNCIL URGED LOCALITIES TO ENSURE THE STATE PURCHASE OF GRAIN,COTTON AND EDIBLE OIL.COUNCIL SAID POLITBURO PLAN FOR PRICE REFORM IS STILL TENTATIVE AND UNDER REVISION.XINHUA 30AUG.

2.OVERSEAS EDITION OF PEOPLES DAILY NOTED GOVT TO RAISE PURCHASING PRICE OF WHEAT AND RICE AND MONOPOLIZE THE SALES OF PRODUCTION MATERIALS FOR AGRICULTURAL USE..WAGES WILL BE INCREASED FOR SOME INTELLECTUALS TO GRADUALLY ADJUST WAGE PARITY BETWEEN WHITE AND BLUE CCLLAR WORKERS.CHINA DAILY 31AUG.

3.THIRD MTG OF STANDING CTTEE OF NATL PEOPLES CONGRESS OPENED 29AUG. AGENDA ITEMS INCLUDED NEW DRAFT STATE SECRET LAW,DRAFT REGULATIONS CONCERNING MILITARY OFFICERS IN ACTIVE SERVICE,DRAFT STANDARDIZATION LAW.AMONG REPORTS MADE WERE THOSE ON CHINA ACCEDING TO CONVENTION AGAINST TORTURE,ON TWO PROTOCOLS ATTACHED TO SOUTH PACIFIC NUCLEAR-FREE ZONE TREATY,ON DRAFT WILDLIFE LAW AND ON DRAFT REVISION

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PAGE TWO WJGR3731 UNCLAS

TO LAND ADMINISTRATION LAW.XINHUA 29AUG.

4.NPC MEMBERS COMMENTED THAT CLASSIFICATION OF SECRETS SHOULD NOT/NOT BE TOO GENERAL IN ORDER NOT/NOT TO HINDER DEMOCRACY AND OPENNFSS. MATTERS DISCUSSED BETWEEN STATE AND PARTY LEADERS AND FORFIGNERS, WHICH ARE PUBLISHED BY FOREIGN NEWS MEDIA SHOULD ALSO BE MADE KNOWN TO CHINESE PEOPLE.DRAFT LAW STIPULATES THAT STATE SECRETS SHOULD BE GIVEN A TIME LIMIT.CHINA DAILY 02SEP.

5.(NO/NO SUESTANTIAL ANNOUNCEMENT WAS MADE ON SINO-SOVIET VICE MINISTERS MTG WHICH CONCLUDED 01SEP.)FOUR LENGTHY SESSIONS FOCUSSED ON KAMPUCHEAN ISSUE.THE MTG SHOWED TWO SIDES SHARE COMMON GROUND AND ALSO HAVE DIFFERENCES.CHINA DAILY 02SFP.DETAILED REPORT FOLLOWS.

6.CHINESE AND JPNSE GOVTS SIGNED INVESTMENT PROTECTION AGREEMENT 27AUG.CHINA HAS INVESTMENT AGREEMENTS WITH 21 OTHER COUNTRIFS.JPNSE AGREEMENT HOWEVER,IS FIRST PROVIDING FOR EQUAL TREATMENT WITH CHINESE ENTERPRISES IN OBTAINING RAW MATERIALS AND LABOUR.INNATL HERALD TRIBUNE 29AUG.SEE SEPARATE REPORT.

7.STATE TAXATION BUREAU ASKED LOCAL GOVT TO STOP UNAUTHORIZED TAX BREAKS FOR FORFIGN INVESTORS.BURFAU OFFICIAL NOTED THAT MORE PREFERENTIAL TAXATION POLICIES OFFERED BY LOCAL GOVTS VIOLATED LAWS APPROVED BY NATL PEOPLES CONGRESS.XINHUA 28AUG.

8.MORE THAN 6,000 STATE-OWNED INDUSTRIAL ENTERPRISES ARE RUNNING AT A LOSS.LOSSES FOR FIRST HALF OF 1988 ARE 27 PERCENT MORE THAN

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PAGE THREE WJGR3731 UNCLAS

FOR SAME PERIOD LAST YEAR.CHINA DAILY 01SEP.

9.FARMERS CONSUMPTION IS GROWING FASTER THAN INVESTMENT IN AGRICULTURAL PRODUCTION.MOST OF MONEY SPENT IS ON HOUSING.ECONOMIC DAILY ASCRIBES CAUSE OF FARMERS HIGH CONSUMPTION TO LACK OF CONFIDENCE IN STABILITY OF AGRICULTURAL REFORMS.CHINA DAILY 29AUG.

10.PRICES FOR RAW MATERIALS,FUEL AND POWER INCREASED 13.8 PERCENT OVER LAST YEAR.CURRENT COAL SHORTAGE HAS HAD NEGATIVE IMPACT ON BOTH INDUSTRIAL PRODUCTION AND POWER GENERATION.CHINA DAILY 30AUG.

11.SHNGI IS ACTING TO CONTAIN PANIC BUYING OF CONSUMER ITEMS INCLUDING TVS,BICYCLES,REFRIGERATORS,WASHING MACHINES AND SEWING MACHINES.XINHUA 31AUG.

12.WORST FLOODS SINCE 1949 HIT GUANXI.MORE THAN 100,000 PEOPLE HAVE HAD TO EVACUATE THEIR HOMES.XINHUA 30AUG.

13.PEOPLES INSURANCE COMPANY OF CHINA AND CROWN LIFE INSURANCE COMPANY OF CDA HAVE SIGNED A MEMORANDUM OF INTENT TO COOPERATE IN REINSURANCE AND ARRANGE TECHNICAL EXCHANGES.XINHUA 30AUG.

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HU YAOBANG ABSENT FROM BEIDAIHE MEETING

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[REPORT FROM THE "REFERENCE NEWS" COLUMN BY PAI MEI: "HU YAOBANG
DID NOT ATTEND THE MEETING IN THE SUMMER CAPITAL"]

[TEXT] ALTHOUGH HU YAOBANG'S FORMER SUBORDINATES AND THOSE
ELEMENTS OF THE YOUTH LEAGUE ORIGIN TRIED HARD TO SUPPORT HIM SO
THAT HE COULD STAGE A COMEBACK, THEIR EFFORTS WERE TO NO AVAIL. HU
HAS BEEN IN LOW SPIRITS RECENTLY. IT WAS REPORTED THAT HE DID NOT
ATTEND THE BEIDAIHE MEETING, AND THAT HE HAD GONE TO YANTAI.

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---PRC WEEKLY NEWS SUMMARY 20-26AUG

-EFFECTIVE 01SEP, RESERVE RATIO OF SPECIALIZED BANKS WILL BE RAISED FROM 12 PERCENT TO 13 PERCENT. FINANCIAL TRUST AND INVESTMENT INSTITUTIONS WILL ALSO HAVE SPECIAL DEPOSIT ACCOUNTS. LIU HONG RU, DEPUTY GOVERNOR OF PEOPLES BANK OF CHINA (JUST PRIOR TO HIS DEPARTURE FOR CDA) NOTED THAT OUTSTANDING PROBLEM IN CHINAS ECONOMY IS INFLATION AND THE EXCESSIVE INCREASE OF CURRENCY AND CREDIT. INCREASING RESERVE RATE IS DESIGNED TO WEAKEN THE LENDING CAPABILITY OF SPECIALIZED BANKS AND OTHER INSTITUTIONS. MOVE MEANS THAT CREDIT LOANS GRANTED BY SPECIALIZED BANKS WILL BE REDUCED BY MORE THAN YUAN 30 BILLION. SPECIALIZED BANKS WILL BE REQUIRED TO DEPOSIT ENTIRE RESERVE AMOUNT IN SEP OF EACH YEAR. ADDITIONAL ONE PERCENT LEVIED WILL BE HELD BY LOCAL PEOPLES BANKS. XINHUA 21AUG.

-PREMIER LI PENG REPORTED ON CORRUPTION IN COMMUNIST PARTY TO THE FIRST SESSION OF THE 7TH NPC. IN 1987 MORE THAN 100,000 PARTY MEMBERS WERE EITHER EXPELLED OR ASKED TO QUIT FOR ENGAGING ...2

PAGE TWO WJGR3712 UNCLAS

IN CORRUPT PRACTICES. TIANJIN MAJOR LI RUIHUA DECLARED GOVT OFFICIALS COULD NO/NO LONGER(SIC) ENGAGE IN BUSINESS ACTIVITIES OR EXTORT MONEY FROM THEIR SUBORDINATES. XINHUA 24AUG.

-CONSUMER SPENDING BY INSTITUTIONS AND ENTERPRISES SHOT UP 19.8 PERCENT OVER SAME PERIOD LAST YEAR, DESPITE STATE COUNCIL CALLS FOR 20 PERCENT CUTBACK. STATISTIC INCLUDED EXPENDITURE ON IEMS ENTERPRISES ARE PROHIBITED FROM PURCHASING: COLOUR TVS, MOTORCYCLES, AIR CONDITIONERS, SOFAS AND CARPETS. CHINA DAILY 20AUG.

-CHINA'S NEWEST PROVINCE HAINAN ELECTED ITS FIRST PROVINCIAL LEADERS 25AUG. LIANG XIANG ELECTED GOVERNOR AND XU SHIJIE CHAIRMAN OF THE STANDING CTTEE OF THE PROVINCIAL CONF OF PEOPLES REPRESENTATIVES. CHINA DAILY 26AUG.

-JPNSE PM NOBURU TAKESHITA ARRIVED 26AUG FOR SIX DAY VISIT. JPN WILL EXTEND YEN 810 BILLION (APPROX DLRS 6 BILLION) IN LOANS TO CHINA. DURATION OF THIS THIRD LOAN PROGRAMME WILL BE FROM 1990-1996. CHINA DAILY 26AUG.

-BECAUSE OF DROUGHTS IN 13 PROVINCES, FLOODS AND THE HIGH PRICES FOR FERTILIZER AND PESTICIDES, CHINA IS UNLIKELY TO MEET ITS 410 MILLION TON GRAIN PRODUCTION QUOTA. ACREAGE SOWED TO GRAIN HAS ALSO BEEN REDUCED AS FARMERS SWITCH TO MORE LUCRATIVE CASH CROPS (COTTON, SUGAR AND TOBACCO). CHINA

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DAILY 24AUG.

-LI TIEYING, MINISTER OF THE STATE EDUCATION COMMISSION, ANNOUNCED THAT CHINESE COLLEGES AND UNIVERSITIES WILL NO/NO LONGER BE AFFILIATED WITH THE CENTRAL GOVT. THEY WILL BE GIVEN MORE PER TO CONDUCT THEIR OWN AFFAIRS. CHINA DAILY 25AUG.

-OVER NEXT TEN YEARS LOCAL GOVTS WILL BE ASKED TO FINANCE THEIR OWN PUBLIC UTILITIES. LOCAL GOVT DEPTS WILL BE PERMITTED TO COLLECT FEES OR TAXES ON USE OF LAND AND PUBLIC FACILITIES TO BORROW BONDS. CHINA DAILY 25AUG.

-HALF OF CHINA'S STATE AND COLLECTIVE RUN ENTERPRISES AND 80 PERCENT OF ALL INDIVIDUAL BUSINESSES EVADE PAYING TAXES. XINHUA 19AUG.

-PRIMARY AND SECONDARY SCHOOL TEACHERS HAVE YET TO RECEIVE THE 10 PERCENT PAY RISE AWARDED TO THEM LAST YEAR. CHINA DAILY 26AUG.

-THERE ARE NOW 221 MILLION ILLITERATE ADULTS IN CHINA. SINCE 1949 THE ILLITERACY RATE HAS DROPPED FROM 80 TO 20.6 PERCENT. XINHUA 20AUG.

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---PUBLIC SECURITY FLEXES ITS MUSCLES

SUMMARY: ADDRESSING NATL CONF OF PUBLIC SECURITY DIRECTORS ON
04JUL, PREMIER LI PENG SAID PUBLIC SECURITY WILL QUOTE PLAY
IMPORTANT ROLE IN THE COUNTRYS EFFORTS TO ESTABLISH A NEW ORDER
OF SOCIALIST COMMERCIAL ECONOMY UNQUOTE. LI SAID DEEPENING
OF REFORMS WILL UNAVOIDABLY CAUSE QUOTE SOME SOCIAL UPHEAVALS
UNQUOTE AND THAT PUBLIC SECURITY ORGANS SHOULD BE FULLY PREPARED
TO DEAL WITH SUCH MANIFESTATIONS. RECENT SHOW OF FORCE ON TIANANMEN
SQUARE TO PREVENT STUDENT DEMOS AND BRUTAL REPRESSION OF FARMERS
PROTESTING SPILLING OF POLLUTED WATERS INTO THEIR FIELDS NEAR
PEKIN ON 21JUN ARE SIGNS THAT LEADERSHIP HAS DECIDED THAT SUCCESS
OF ECON REFORMS, ESP CONTROVERSIAL PRICE AND WAGE REFORM, REQUIRES
MUSCULAR APPROACH TO LAW AND ORDER. THERE DOES NOT/NOT AT THIS STAGE
APPEAR TO BE ANY DISAGREEMENT BETWEEN QUOTE CONSERVATIVES UNQUOTE
AND QUOTE REFORMISTS UNQUOTE ON THIS ISSUE. LEADERSHIP DOES
NOT/NOT BELIEVE IT CAN AFFORD BOTH PERESTROIKA AND GLASNOST.

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2.REPORT:MASSIVE CORDONING OFF OF TIANANMEN SQUARE IN EARLY JUN TO PREVENT LATEST SPATE OF STUDENT PROTESTS(SPARKED BY MURDER OF STUDENT AT BEIDA CAMPUS)SIGNALLED THAT AUTHORITIES WOULD BE QUICK TO CUT IN THE BUD ANY NASCENT PROTEST.STRICT MANIFESTATIONS OF LAW AND ORDER WERE UNTIL THEN DIRECTED AT STUDENTS.WORKERS WHO ARE INCREASINGLY UNHAPPY ABOUT INCREASES IN PRICES OF FOODSTUFFS AND ANNOUNCED HIKES IN RENTS HAVE NOT/NOT TAKEN TO THE STREETS.EXPRESSIONS OF DISCONTENT ARE HOWEVER INCREASINGLY COMMON AS CITY DWELLERS ARE NOT/NOT CONFIDENT THAT SUBSIDIES AND EVENTUAL WAGE REFORMS WILL SAFEGUARD THEIR STANDARD OF LIVING IN CONTEXT OF RISING EXPECTATIONS.

3.LEADERSHIP HAS IN RECENT WEEKS CONFIRMED THAT PRICE AND WAGE REFORM WILL BE RESOLUTELY IMPLEMENTED(DESPITE DIVERGENCES ON VIEWS ON HOW TO DEAL WITH INFLATION)AND WARNED THAT PROCESS WILL BE PAINFUL AND WILL REQUIRE DISCIPLINE.

4.LOCAL PRESS HAS NOT/NOT MENTIONED BRUTAL REPRESSION OF APPROX 1,000 FARMERS IN FANGSHEN COUNTY(80 KM FROM CAPITAL)WHO PROTESTED ON 21JUN A GOVT PLAN TO RELEASE BADLY POLLUTED WATER FROM A LOCAL RESERVOIR(HAZARDOUS CHEMICALS HAD BEEN DUMPED BY LOCAL STATE PETROCHEMICAL PLANTS AND AUTHORITIES DECIDED TO RELEASE WATER IN ANTICIPATION OF RAINY SEASON).FOREIGN PRESS REPORTS THAT PEASANTS WERE VIOLENTLY THRASHED WITH METAL BARS BY OVERWHELMING ...3

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POLICE FORCE HAVE BEEN CONFIRMED BY MANY WITNESSES ALTHOUGH MANY PEASANTS ARE RELUCTANT TO TALK AS POLICE REMAINS STRONG IN COUNTRY.

5. FEAR OF WIDESPREAD UNREST OVER ECONOMIC, ENVIRONMENTAL OR MINORITY ISSUES HAVE LED TO INCREASING WARNINGS BY LEADERSHIP THAT PROTESTATIONS OR DEMOS WILL NOT/NOT BE TOLERATED.

6. ADDRESSING NATL CONF OF DIRECTORS OF PUBLIC SECURITY, LI PENG WARNED ON JULY 4 THAT DEEPENING OF ECON REFORMS WILL QUOTE UNAVOIDABLY CAUSE SOME SOCIAL UPHEAVALS AND SHARPEN VARIOUS CONTRADICTIONS UNQUOTE. HE URGED PUBLIC SECURITY ORGANS TO BE FULLY PREPARED TO DEAL WITH QUOTE ANY KIND OF TROUBLE MAKING, RIOTS, SABOTAGE AND SERIOUS CRIMES UNQUOTE. PUBLIC SECURITY IS TO PLAY IMPORTANT ROLE IN THE COUNTRYS EFFORTS QUOTE TO ESTABLISH A NEW ORDER OF SOCIALIST COMMERCIAL ECONOMY UNQUOTE. LI ADDED THAT CHINA WILL STRENGTHEN ITS LEGISLATION ON THE WORK OF PUBLIC SECURITY AND QUOTE PROMOTING DEMOCRACY AND OPENNESS OF GOVT WORK, IT SHOULD ALSO PERSIST IN ITS PRINCIPLE OF THE PEOPLES DEMOCRATIC DICTATORSHIP AND BE FIRM IN DEALING WITH CRIMES HARMFUL TO THE COUNTRYS POLITICAL STABILITY. SAME MESSAGE WAS DELIVERED BY STANDING CTTEE MEMBER QIAO SHI.

7. ON 06JUL, MINISTER OF PUBLIC SECURITY, WANG FANG, ADDED VARIATIONS TO THESE THEMES AT CONF CLOSING CEREMONY. RIOTS, ESPECIALLY

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ONES INVOLVING ANTI-REVOLUTIONARY ACTIVITIES ARE ON THE INCREASE, HE SAID, AND SABOTAGE INSTIGATED FROM ABROAD HAS INTENSIFIED. WANG WARNED THAT WHILE CHINA'S PUBLIC ORDER SITUATION IS QUOTE BASICALLY STABLE UNQUOTE, THE COUNTRY FACES POSSIBLE TURMOIL. INCOMPLETE STATISTICS SHOW THAT OVER THE PAST YEARS CHINA HAS DEALT WITH MORE THAN 500,000 CRIMINAL CASES A YEAR AND OVER 1.2 MILLION CASES OF QUOTE PUBLIC DISORDER UNQUOTE.

8. COMMENTING ON LI PENG SPEECH, BBC CORRESPONDENT SUGGESTED THAT IT REFLECTED AN ATTEMPT ON THE PART OF THE QUOTE CONSERVATIVES UNQUOTE TO SLOW PACE OF REFORM. OUR ASSESSMENT IS QUITE DIFFERENT. WHILE THERE ARE AS WE HAVE REPORTED DIVERGENCES OVER MEANS TO DEAL WITH INFLATION (AND POSSIBLY ON SEVERITY OF RECESSION; HU YAOBANG HAS MANY SUPPORTERS IN POSITIONS OF INFLUENCE), LEADERSHIP SHARES OVERALL OBJECTIVE OF PUSHING THROUGH DIFFICULT PRICE AND WAGE REFORM OVER COMING MONTHS/YEARS AND OF MAINTAINING SOCIAL ORDER AT ALL COSTS.

9. CHINESE ANALYSIS OF GORBACHEV REFORMS SHOW THAT CHINESE ARE SKEPTICAL ABOUT SOVIET SUCCESS IN BRINGING OUT PERESTROIKA (CHINESE QUOTE GAIGE UNQUOTE REFORM) AND PRESS COMMENTARY NOTES THAT SOVIET CITIZEN HAS NOT/NOT BENEFITED MUCH FROM ECON REFORM. AT THE SAME TIME, CHINESE COMMENTATORS ARE WARY OF GLASNOST, STATING THAT POLITICAL REFORM IN USSR WILL BE A QUOTE VERY

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COMPLICATED AND ARDUOUS PROCESS OF STRUGGLE UNQUOTE(XINHUA
28JUN).CHINESE HAVE ADOPTED DIFFERENT APPROACH.TO BUILD UPON
AND DEVELOP ECON REFORMS REQUIRE PUSHING THROUGH DRASTIC PRICE
AND WAGE REFORMS.THIS WILL BRING INEVITABLE TURBULENCE WHICH
MUST BE CONTAINED LEST ECON REFORM ITSELF IS COMPROMISED.THIS
MESSAGE HAS BEEN DELIVERED REPEATEDLY BY DENG,LI PENG AND
ZHAO(IN PERHAPS MORE SUBTLE FASHION).

10.AS ECON REFORM PROCEEDS,APPROACH TO LAW AND ORDER IS LIKELY
TO BE MORE FORCEFUL,EVEN BRUTAL IF NECESSARY.CDN PUBLIC CONCERN
OVER HUMAN RIGHTS IN PRC IS LIKELY TO INCREASE AS A RESULT.

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PRESS RESEARCH UNIT

Report No. 603

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SECTION I

IS QIN JIWEI A STANDING COMMITTEE MEMBER
OF THE CCP CENTRAL MILITARY COMMISSION?

1. Is there a Standing Committee of the CCP Central Military Commission? If there is such a Standing Committee, who are its members? Is General Qin Jiwei (秦基偉 74, b. 1914, Hong'an, Hubei), a State Councillor and the Minister of National Defence, a member of that Standing Committee? These are interesting and important questions.
2. An article in the Wide Angle Lens, a pro-Peking monthly magazine published in Hongkong, said recently that Qin Jiwei, Hong Xuezhi (洪学智 75, b. 1913, Jinzhai, Anhui) and Liu Huaqing (刘华清 71) were members of the Standing Committee of the Central Military Commission. (See the June 1988 issue of that magazine, pp.19 and 20.) The magazine did not say whether it was the CCP Central Military Commission or the State Central Military Commission, or both.
3. So far, this has not been officially confirmed. After the CCP 13th National Party Congress in November 1987, when some sort of meeting of the CCP Central Military Commission was expected but nothing about any such meeting was reported, it was announced by the NCNA on 27 November 1987 that Hong Xuezhi and Liu Huaqing were appointed [Hong was re-appointed] Deputy Secretaries-General of that Commission. Nothing was said about the Standing Committee.
4. At that time it was unofficially reported that Qin Jiwei, then the Commander of the PLA Beijing Military Region, would be appointed the Minister of National Defence. Qin was not appointed then a Deputy Secretary-General. The explanation might be that because Qin had not yet taken over the position of Minister of National Defence from Zhang Aiping (张爱萍), who was concurrently a Deputy Secretary-General. However, Zhang was not re-appointed as a Deputy Secretary-General together with Hong Xuezhi. There should be no obstacle for Qin Jiwei to take over from Zhang as a Deputy Secretary-General.

5. On 9 December 1987 it was reported by Wen Hui Bao in Hongkong that Qin Jiwei had been replaced by Zhou Yibing (周衣冰) as the Commander of the PLA Beijing Military Region.
6. On⁹ April 1988 at the National People's Congress Qin Jiwei was appointed together with Hong Xuezhi, Liu Huaqing as well as Chi Haotian, Yang Baibing and Cho Nam Gi (Zhao Nanqi) as members of the State Central Military Commission. No Standing Committee or any of its members was mentioned.
7. The last time that a member of the Standing Committee of the CCP Central Military Commission was officially mentioned was on 26 October 1986, when General Wang Zhen (王震, now the Deputy Head of State) was identified as such.
8. Probably that Standing Committee continues to exist and Qin Jiwei is one of its members. It may be because Qin is a member of the CCP Central Political Bureau that he is not appointed a Deputy Secretary-General of the Central Military Commission. How strong is his voice in China's military affairs and how is his relationship with Zhao Ziyang and Yang Shangkun are interesting questions.

2) ZOU JIAHUA ALSO CONTROLS POST AND TELECOMMUNICATIONS

1. Zou Jiahua (邹家华) is also in control of China's post and telecommunications in addition to the entire systems of civilian and military industries and all kinds of transport. This is known from the fact that he delivered a guideline-speech on 11 June at the opening session of the National Conference of Telecommunications.
2. With such extensive power, Zou Jiahua is as influential as a vice-premier and not merely (as he is now) a State Councillor and the Minister of Machine-Building Industry and Electronics. Zou is a right-hand man of his fellow Soviet-trained student, Premier Li Peng. He will shoulder more responsibility to reduce the work-load of Li Peng.

3) MORE INFORMATION ABOUT THE NINTH POLITBURO MEETING

1. More information about the Ninth (actually enlarged) Meeting of the CCP Central Political Bureau (held on 30 and 31 May and 1 June) and about the background, contents and results of the Meeting is now provided by a long newsletter sent from Peking by Liu Shaorui, a correspondent of Hongkong Wen Hui Bao, and published by that pro-Peking newspaper on 17, 18, 19, and 20 June. The main points of the newsletter follow.
2. The Meeting was attended by members of the CCP Central Secretariat, the Secretaries of CCP Committees of more than 10

provinces and municipalities [these should be autonomous regions, because the Secretaries of all three major municipalities are Politburo members], and heads of the various departments concerned [the total number of them was not given] in addition to 15 members and one alternate member of the Politburo. A senior leader told the participants: "Our boat has encountered storm. The situation is grim." The "storm" meant the adverse economic situation and the people's opposition to reform.

3. The per capita income for 21 percent of households of city and town dwellers in 1987 was lower than that in 1986.

4. The State Council is entrusted by the Party Centre to find a comprehensive solution to current economic problems. The State Council has in turn entrusted the various ad hoc groups and committees to draft some programmes and propose some measures.

5. Deng Xiaoping has lost some of his prestige because his emphasis on forcefully carrying out reform of commodity prices had ignored the people's sufferings. Deng intended to soften the opposition from senior leaders, who advocated "stabilizing the situation, finding a way before making any move." Actually they make no move at all. That is retrogression. Deng has put a stop to retrogression and turned it into advance.

6. So far control of price is removed from about 60 percent of the commodities. More relaxation of price control will be introduced except for a few items. One senior leader said: "In Brazil the prices rise by 15 percent per month and increase by seven or eight times a year. Why shouldn't China be able to forbear?" The authorities have not disclosed how to relax price control. The various localities have prepared programmes, to be announced in the latter half of this year. Reform of rent will be carried out at the same time.

7. The authorities intended to increase wages by 50 to 90 percent in five years if prices were increased by 50 percent in five years. At present, subsidies will be given to earners of low incomes.

8. In considering the increase of wages of intellectuals, special care would be taken to avoid the manual workers' sentiment of envy or actions of envy.

9. Less than one fifth of the various policies of reform and opening has been fully implemented, and less than one third of them has been partially implemented, according to official findings.