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China: In Pursuit of Economic Modernization

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China: In Pursuit of Economic Modernization

*Central Intelligence Agency
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Summary

Chinese economic policies have undergone great change in the two years since Mao's death and the purge of the leftist Gang of Four. In contrast to the narrowly conceived policies of earlier years—products of a rigid and confining ideological orthodoxy—both domestic and foreign economic policies now display a vigorous, growth-oriented pragmatism. The most dramatic policy reversal has been Peking's invitation of US oil firms to participate in the development of China's offshore oil. Prior to October 1976, such a move would have been inconceivable.

Ideological constraints, though greatly relaxed, are still present; but they are much less confining and therefore have less impact on policy decisions than the desire for rapid economic growth and considerations of economic efficiency. The effect has been to greatly expand the number of policy options available to Peking, and the moderate government has exhibited remarkable flexibility in its initial round of decisions.

Peking's overriding goal is to build China into a major economic power by the end of the century. In the view of China's leaders, this requires the rapid modernization of agriculture, industry, and science and technology. When national defense needs are added, the programs that Peking has in mind are referred to as the "four modernizations."

The Fifth Five-Year Plan (1976-80) was to have been the launching pad for this modernization drive. After a poor start, however, attributable in part to a resurgence of leftist power and political turmoil, the Fifth Plan has been incorporated into a 10-year plan that extends through 1985. The few targets publicized thus far indicate that the new plan is ambitious and in many respects probably feasible only under the most auspicious conditions. However, regardless of whether all targets are met on schedule, the new plan signifies a long overdue commitment to major modernization and expansion programs for key sectors of the economy.

The success of the 10-year plan, and the modernization program as a whole, hinges on Peking's ability to strengthen management, raise labor productivity, and improve the effectiveness of investment. Already, reforms are under way, and changes are evident in industrial organization, factory management, wage policy, and in policy toward science and education. The relaxation of the political climate has also paved the way for freer discussion of economic problems and the rehabilitation of prominent economists who were purged during the Cultural Revolution.

Permeating these reforms and reflecting the vigor of the new pragmatism is a willingness to draw on foreign technology and capital that goes well beyond past limits. Also evident is a recognition that imports of plants and equipment alone cannot solve China's problems. Foreign systems of management, methods of education, and the like are also of considerable interest.

As the plan proceeds, the anti-Gang of Four, "let's get on with it" sentiments that have helped produce a broad consensus on goals and programs will weaken as a source of cohesion. And the plan will need to be readjusted, reopening potentially contentious issues. With its options greatly expanded, however, Peking should find itself in a better position to deal with the economic trade-offs that have in the past given focus to disruptive political disputes.

While policy options are no longer circumscribed by a rigid ideological orthodoxy, economic realities still pose formidable obstacles to modernization. China's nearly 1 billion people, an agricultural sector technologically so backward that it employs 70 percent of the labor force, a "modern" industry using techniques that are 10 to 30 years out of date and with operations presently most inefficient—these are the basic determinants of China's economic future, and they will impose strict limits on the pace of modernization. These economic facts of life emphasize the difficulties facing China's leadership; they do not, however, deny the possibilities for substantial improvement in economic performance. Other factors, such as native abilities and political and cultural strengths, ameliorate to some extent the limits set by basic economic conditions. The apparent determination of the current leadership to rapidly modernize the economy suggests that, perhaps for the first time in the 30-year history of the People's Republic of China, the full economic potential of the Chinese economy may be exploited.

The discussion which follows is not a rigorous examination, either of China's new 10-year plan or of the other topics discussed. For the most part, the absence or near absence of statistical data preclude all but the simplest quantitative treatment. Rather, it is meant to be a collection of considered impressions of the plan and of the policy changes which have become apparent in 1977-78.

China: In Pursuit of Economic Modernization

BACKGROUND

Many of China's economic problems in recent years are traceable to the Cultural Revolution (1966-69). As a result of that episode, a faction deriving its power basically from its access to Mao Tse-tung and its control of the propaganda apparatus became a major political force in the 1970s and a source of economic instability. Economic issues increasingly were defined in ideological terms, with struggles between moderates and leftists sharply reducing Peking's ability to deal with economic problems. The confusion among managers, workers, and rank-and-file party cadres, caused by abrupt and extreme swings in policy, further contributed to deterioration of the economy.

By the mid-1970s the seriousness of the economic situation had become apparent, even to outside observers. Deterioration has been most evident in industry—where growing production imbalances within the iron and steel industry have resulted in steel shortages, and where declining growth in coal production has caused widely disruptive energy shortages. Agriculture has also been affected. The media in recent months have revealed numerous occasions when local cadres, in carrying out leftist policies, took actions which reduced the work incentives of commune members.¹ Such instances, repeated throughout the countryside and coupled with disruptions to the flows of industrial inputs and consumer goods to rural areas, may help explain why agricultural performance has been particularly disappointing since 1975.

When a strengthened moderate faction began in 1975 to advocate strong measures to revitalize the economy, the list of economic problems fac-

¹ Perhaps the most common complaint has concerned the enforcement of overly restrictive regulations on private and collective trade on rural free markets. In some areas, this led to a significant reduction in peasant income.

ing Peking greatly obscured the gains that had been made over the previous two decades. China's GNP by 1975 was some 2.7 times that of 1957, the final year of the First Five-Year Plan. With population growing at an average annual rate of over 2 percent, this works out to per capita GNP growth of just over 3 percent yearly. An overwhelming share of this growth has come from industry, where output has expanded at an average annual rate of about 9 percent. In contrast, as one would expect of a sector employing traditional, centuries-old production technologies on relatively fixed land area, agriculture has grown much more slowly—2 percent annually, or approximately the same rate as population growth.

This record of impressive, but uneven, growth has been obtained by maintaining investment at a high 20 to 25 percent of GNP. Conversely, the share of output going to consumption has been restricted, and gains in personal consumption have been modest. There have been noteworthy improvements for the consumer in some areas, particularly in health and education. In such basic and important items as food and clothing, however, gains since 1957 have been much less noticeable. When compared with pre-1949 days—a comparison that Peking likes to make—even the minimal gains in food and clothing consumption acquire added significance. But as time goes by, fewer and fewer individuals are able to remember those days; and over the past decade, the comparison has begun to lose its impact on the Chinese consumer.

On the eve of the Fifth Five-Year Plan (1976-80), Peking therefore had to face up to several critical problems:

- Agriculture, despite heavy dosages of investment since the mid-1960s, remained a drag on the economy.

- Industry, the major source of growth for more than a quarter of a century, was beset with growing difficulties.
- The urban labor force, after two decades of sacrifice, had begun to demand a higher priority for consumption at a time when investment needs also were greater.

These general issues, along with the inadequacy of the transportation network, greatly increased the pressures on China's leadership.

ECONOMIC PERFORMANCE IN 1976-78

The first two years of the Fifth Plan were disappointing. Economic performance in 1976 was extraordinarily poor: turmoil associated with the purge of the Gang of Four, unfavorable weather, and the devastating T'angshan earthquake combined to hold the level of economic activity to a standstill. Last year saw notable progress in some sectors and continued stagnation in others; for the economy as a whole, performance fell short of expectations. The all-important grain harvest in 1977 remained unchanged from the 1975 level of about 285 million tons. Industrial output in 1976 showed no gain over 1975, although productive capacity continued to expand. And despite the 14-percent gain claimed for 1977, many industrial facilities were still operating well below capacity in the first half of 1978.

After industrial production failed to grow in 1976, Peking had hoped that a strong recovery in 1977—the first full year following the purge of the Gang—would provide a firm basis for accelerated growth during the remainder of the Fifth Plan. However, shortages of raw materials and electric power left many plants with considerable idle capacity. These problems were made worse by continued worker unrest, commercial dislocations, and widespread violations of financial regulations. Late that year, State Planning Commission chief Yu Ch'iu-li told a forum of party and state cadres that because of severe bottlenecks and the generally chaotic situation, China's economic problems could not be solved in a single year.

Many of these problems will occupy Peking for the remainder of this plan period, but there is little question that economic recovery is well under way. Statistics for the first half of 1978 would seem to warrant a more bullish assessment, but their meaning is obscured by the comparison with the first half of 1977, when the economy was floundering. For example, gross value of industrial output for the first half of 1978 was reported as 24.6 percent above that for the comparable period of 1977; and substantial gains were claimed for steel production (66.9 percent), coal (19.3 percent), electricity (17 percent), crude oil (11.2 percent), cement (32.8 percent), chemical fertilizers (47 percent), and tractors (27 percent). The volume of rail freight reportedly rose by 22.4 percent. Despite these gains—so large that they appear to say more about the weakness of the economy in early 1977 than the strength of activity in 1978—Hua Kuo-feng in July described progress at that point only as “in the nature of recovery.” Other information also suggests that the level of economic activity in 1978 has been merely satisfactory and that the economy remains vulnerable in many areas. Apart from the continuing disorder, planners have repeatedly cited agriculture, steel, electric power, coal, and transportation as “weak links.” The list should also include light industry where production problems have been described as “acute.”

THE EMERGING SHAPE OF NEW ECONOMIC POLICIES

Modernization and the 10-Year Plan

Peking has yet to specify what is meant by its announced goal of achieving “front rank” economic power by the year 2000. This obviously requires a major breakthrough in the lagging agricultural sector, greatly expanded industrial capacity, and the development of a strong capability in science and technology, especially of an applied nature. Progress along these lines should lead to substantially improved living standards and real incomes. But this could hardly create, in a single generation, anything resembling an affluent society. For example, were China able to

sustain its historical growth rate of about 6 percent annually, by the year 2000 its GNP would still be 15 percent below what US GNP was in 1975. And with a population that is likely to approach 1.5 billion by the end of the century, China's per capita GNP would be less than \$1,000, about equal to that of Brazil at present. Even remarkable Chinese success in implementing birth control programs would not alter this judgment. Actual possibilities for the economy over the next two decades, of course, fan out considerably depending on how much progress is made during the next eight years, the first phase of the modernization program.

Agricultural Goals

Peking's target of producing 400 million tons of grain in 1985 implies average annual growth of 4.3 percent in 1978-85, compared with a 3.6-percent average during the previous eight years and no increase at all in 1976 and 1977. Attainment of this goal would mean grain production of more than 350 kilograms per capita, well above the 300-kilogram level achieved in the late 1950s and regained in recent years. China's planners clearly are banking on early payoffs from expanded mechanization and land improvement programs, as well as improved seeds and rapidly increasing output from imported chemical fertilizer plants now coming on stream.

Since other agricultural subsectors, such as livestock and subsidiary production, have consistently grown more rapidly than grain output, the goal of 4- to 5-percent annual growth in the total value of agricultural production should not be too difficult to achieve *if* the grain production target is attained. Realistically, output is likely to fall somewhat short of these goals.

Industrial Targets

The planned annual increase of more than 10 percent in total industrial output seems within reach, given the 9-percent average annual growth of the past decade—which occurred in spite of periodic, politically caused disruptions. Still, the Chinese will have to make an enormous effort in energy—especially oil and coal—and

steel, and increase their purchases of foreign-made plants and equipment. The planned change in the pattern of growth, favoring light industry, may also cause unforeseen difficulties.

Investment Priorities

Agriculture

Peking's 10-year plan places heavy demands on agriculture for foodstuffs and industrial raw materials, both for domestic consumption and export. The stagnation of grain production since 1975—following a decade and a half of heavy investment in agriculture—has once again demonstrated the vulnerability of the economy to agricultural setbacks. Earlier this year, party Chairman Hua Kuo-feng spelled out the implications of continued slow growth in agriculture:

... Agriculture is the foundation of the national economy. If agriculture does not develop faster, there will be no upswing in our industry and economy as a whole; and even if there is a temporary upswing, a decline will follow. There will be really serious trouble in the event of major natural calamities. . . .

To accelerate output growth—or, perhaps more realistically, to guard against the possibility that a series of poor harvests will undercut the 10-year plan and stall the drive for modernization—Peking has stepped up its investment in agriculture.

Current agricultural policy emphasizes increased mechanization along with a push for farmland improvement. As a result of steel shortages in 1976-77, the mechanization program is behind schedule, but the leadership intends to make up for lost time and fulfill the original targets. These targets call for the "basic" mechanization of agriculture by 1980.² Goals for major items, apparently stated in terms of inventory (except for fertilizer), include:

- A 70-percent increase in large and medium-sized tractors.

² Precisely what is meant by "basic" mechanization is unclear. One official has defined it as replacing with machines 70 percent of the manpower employed in *major* farm operations.

- A 110-percent increase in machine-drawn farm implements.
- A 36-percent increase in hand-guided tractors.
- A 32-percent increase in drainage and irrigation machinery.
- A 58-percent increase in chemical fertilizer production.³

To achieve these goals, state-supplied steel for the manufacture and repair of farm machines during 1978-80 will be raised by a total of 50 percent over the previous three-year period; and the share of locally produced steel used on the farm and in machinery production will be upped from the current 30 percent or so to more than 40 percent.

Perhaps because these objectives are so ambitious, and the sector so backward, Peking has selected the farm machinery industry as one of the first industries to be reorganized under a plan that may eventually encompass all of industry. Underlying this action is the familiar proposition that production, quality of output, and productivity can be substantially improved by setting up large, highly specialized production facilities.⁴ Although small, locally managed plants will continue to be important sources of simple machinery and equipment for the farm sector, they will no longer be the primary agent for mechanization. Many of these plants instead will be absorbed into local or regional networks featuring large-scale, specialized production and assembly facilities. One of the reports delivered at the Third National Conference on Agricultural

³ Asked to outline mechanization goals, an official in the State Council office in charge indicated that one of the goals is to supply 600 kilograms of chemical fertilizer per hectare by 1980.

⁴ New China News Agency recently reported that the First Ministry of Machine Building held a meeting at which delegates "summed up both positive and negative experiences gained since 1964 in organizing production according to the principle of coordination between specialized departments. . . . They unanimously agreed that a salient problem in the organization and management of the machine building industry today is that factories are either 'big and all-inclusive' or 'small and all-inclusive,' and because of that, duplication in construction and production is quite common, production is scattered and small scale, and production processes are backward with low efficiency, poor quality, and high costs." The farm machinery and motor vehicle industries have been chosen as the first sectors to be reorganized.

Mechanization, held in January, told how authorities in one municipality had doubled the output of tractor gears in only six months by pooling the gearmaking equipment from seven different tractor plants and adopting more up-to-date production techniques.

Increased mechanization is designed first of all to relieve seasonal labor shortages, the most immediate and direct effect of which will be to permit an increase in multiple cropping and raise grain yields. Larger supplies of irrigation and drainage equipment will improve Chinese capacity to deal with drought and flooding and will aid in the expansion of areas of "high and stable yields."

Mechanization will also help compensate for the loss of agricultural labor to nonfarm activities—a problem that appears to have been significant during recent years. Since the early 1970s, as a result of the rapid development of rural industry, demand for rural labor has greatly increased. Large numbers of peasants have been drawn away from collective agricultural activities, resulting in a shortage of farm labor and, in some areas, a decline in farm output. Increased mechanization will help solve these problems and will also encourage more rapid industrialization in those areas where industrial development has been retarded by labor shortages.

The growth in use of machines envisaged by Peking will encounter difficulties, many of which relate to or affect the demand for farm machinery. Poor machine quality, the lack of standardization, and the limited range of equipment and accessories available have been cited as major reasons for the reorganization of the farm machinery industry. Without substantial improvements in these areas, rural communes and production brigades may be reluctant to make major investment purchases. An additional factor in this investment decision is the scarcity of trained manpower to operate and repair farm machinery. Peking anticipates considerable improvement in these areas (the number of technicians is to be doubled by 1980); and to further attract purchasers, it plans to cut costs—and presumably prices—20 percent by 1980.

The goal of 85-percent mechanization set for 1985 means that investment in machinery will continue to absorb a large share of agricultural investment during the Sixth Five-Year Plan (1981-85), but there will be a shift of emphasis away from simple machinery and tractors to heavier, more sophisticated items. Farmland capital construction, particularly those programs other than irrigation and drainage, will receive relatively greater emphasis during 1981-85 (compared with 1976-80) in order to meet the 1985 target of providing one *mou* (one-fifteenth of a hectare) of stable, high-yield farmland per rural resident. Peking also plans during the next plan period to invest more heavily in land reclamation, much of it in border areas where state farms are predominant; more than 13 million hectares of land are to be reclaimed during the next eight years, expanding farmland by some 12 percent. The chemical fertilizer industry should continue to receive a large share of investment during the Sixth Plan period; although the last of the 13 large imported urea complexes will be in full production by that time, the rate of application of chemical fertilizers still will be low compared with usage in Japan and Taiwan.

The above discussion highlights the more important components of agricultural investment scheduled for 1976-85. Peking is aware of the complexities of rural development and that the above programs are only part of the matrix of inputs and practices that are associated with the modernization of agriculture. Current programs do not ignore, for example, the investments that must be made to improve seed varieties, to develop better methods of plant protection, and to adapt cultivation techniques to new crops and cropping patterns. For the moment, however, the emphasis is on machinery, land improvement, and chemical fertilizer production—which apparently are thought to offer quick payoffs in terms of sharp increases in labor productivity and output growth.

Industry

Hua Kuo-feng has sketched out the investment program that will be required to generate an overall industrial growth rate of more than 10

percent annually during the next eight years. According to Hua:

... the state plans to build or complete 120 large-scale projects, including 10 iron and steel complexes, nine nonferrous metal complexes, eight coal mines, 10 oil and gas fields, 30 power stations, six new trunk railways, and five key harbors.

The cost of the program, in terms of funds budgeted for capital construction in industry during 1978-85, will approximately equal the total of the previous 28 years.⁵

Metals. The 10 projects in the steel industry apparently include the construction of three entirely new complexes and the renovation and expansion of seven existing facilities. Peking is seeking the latest technology from Japan and possibly West Germany for these projects, and the cost will be enormous. The foreign exchange bill for one new plant alone could easily exceed the combined cost of all of China's whole plant purchases in the early 1970s. Because of the high cost and China's limited experience in constructing huge integrated plants, the steel modernization program almost certainly will be stretched out, perhaps even into the 1990s.

Little is known about the nine nonferrous metal complexes cited by Hua, although Peking has approached both Japan and Italy regarding facilities for processing aluminum and copper. China's capabilities in these industries are badly dated, and Peking will probably seek out foreign suppliers of complete plants as the quickest means of expanding capacity and updating technology.

Energy. Plans for 1985 indicate an attempt to rectify the longstanding imbalance in investment allocations that have grossly favored the oil industry and neglected coal. (Coal accounts for 66 percent of primary energy production, petroleum 23 percent, natural gas 10 percent, and hydroelectric power 1 percent.)

During 1978-87, Peking plans to double coal production to reach an output rate of more than

⁵ Hua has stated that the capital construction effort as a whole in 1978-85, in terms of funds budgeted, will equal the total for the previous 28 years.

1 billion tons per year. This will prove difficult: the implicit average annual growth rate would be 7.2 percent, compared with the actual 6.3-percent average growth in coal production since 1970. The industry is technologically backward and its labor productivity notoriously low; over one-third of total output is produced at small mines and pits. To accomplish its goal, Peking plans to increase mechanization at existing mines and open eight new large mines.

Oil production probably is planned to grow at rates comparable to those of recent years—around 13 percent annually—rather than at the rates of earlier years—over 20 percent. Nonetheless, the share of investment allocated to the petroleum industry shows no signs of declining. The costs of finding and producing oil are steadily rising. Most of China's readily accessible deposits—shallow deposits in the north and northeast—have already been tapped and in some cases are showing initial signs of depletion. For example, Ta-ch'ing, which produces one-half of China's oil, is yielding an increasingly large water cut (the field is water injected) and its shallow reservoirs have come within sight of depletion. The shallow deposits at Sheng-li and Ta-kang, which together produce another 30 percent of total production, have some potential for expansion, but from their beginnings these fields—because of complex geological conditions that have resulted in a multiplicity of scattered, small reservoirs with widely differing characteristics—have taxed Chinese technical capabilities. Outside of a few fields with shallow deposits of unknown potential, additional production gains will have to come from deposits that are deeper, offshore, or located in the far west—and which therefore require large investments in infrastructure and more advanced technology.

Primarily as a result of coal shortages, domestic oil consumption has grown at an average annual rate of more than 15 percent since 1970—a rate that Peking considers excessive, since it has eaten into the surplus available for export. Petroleum now supplies a little over 20 percent of China's energy needs, up from 13 percent in 1970. This shift toward greater use of oil is bound to continue, despite efforts to spur the growth of coal production.

An examination of energy consumption trends indicates that it will be very difficult to slow the growth of demand for oil; indeed it will probably grow more rapidly as modernization gets under way. Mechanization will greatly add to petroleum consumption in the agricultural sector, where energy use has nearly tripled since 1970. And the expanded use of diesel locomotives and motor vehicles, together with agricultural mechanization, probably will more than offset any successful efforts by industry to reduce its per unit consumption of petroleum. With crude oil output rising at an average rate of 11 percent annually since 1974 and the future demand for oil—for domestic use and export—likely to exceed 15 percent annually, it is not hard to understand why Peking has moved so quickly to initiate talks with US and Japanese oil companies about possible cooperative development of China's offshore oil resources. As a result of domestic consumption trends and the importance of crude oil exports in foreign trade plans, the petroleum industry will continue to command a large share of state investment and in addition will receive a substantial infusion of foreign capital.

The 30 new power plants, together with capacity increases at small plants and the expansion of existing facilities, should enable the Chinese to maintain high rates of growth in electricity output through 1985. Nevertheless, capacity will expand at best by 6 to 8 million kilowatts per year (compared with an average of about 5 million kilowatts annually in recent years), and production will have difficulty keeping pace with demand. Local shortages will continue to occur. The severity of those shortages will depend upon the effectiveness of conservation measures and the degree to which transmission and distribution facilities are improved.

Transportation

The six new trunk railroads and five new harbors mentioned by Hua are only the more visible parts of a comprehensive program for modernizing the transport sector.

Plans for the railroads, the backbone of China's transport sector, call for:

- Widespread use of diesel and electric locomotives, lightweight passenger cars, greater capacity freight cars, and the most modern high-speed passenger trains.
- Extensive adoption of heavy-duty rails, automatically controlled crossings, and increased capacity bridges.
- Introduction of computer services throughout the system.
- Mechanization of cargo handling, track maintenance, construction, and locomotive repair.

To increase traffic on other transport modes—trucks, ships, and aircraft—China can be expected to introduce such intermodal services as containerization and piggyback operations.

In nearly all aspects, the Chinese must look abroad for both equipment and technological know-how. Although no major new contracts have been signed, substantial orders from Japan, West Germany, and France are in prospect. In addition to diesel locomotives, jet transports, and motor vehicles, the shopping list includes technology related to centralized traffic control systems and other computer applications.

New Quest for Efficiency

The above list of projects will greatly expand productive capacity. To realize its modernization goals, however, the Chinese leadership is counting on substantial payoffs from new and improved systems of economic management.

It is in the realm of planning and management that recent initiatives contrast most sharply with the practices of the past 10 years. Current economic policies in many ways resemble, in their demonstration of flexibility and pragmatism, policies that were discussed and experimented with during the early 1960s, before the Cultural Revolution. Then, as now, a leadership headed by economic moderates faced the problems of rebuilding a weakened economy and establishing new organizational and incentive structures more supportive of future growth. In recent months Peking has taken measures to restore peak levels of productivity and to improve

the efficiency of resource use. New initiatives are most apparent in the areas of wages and incentives, factory management, planning and organization, and in policy toward science and technology. The political and ideological relaxation that has followed the purge of the Gang also extends to economic discussion, and prominent economists are again playing a role in public affairs.

Wage Reform

Peking's success in bolstering economic growth during the remainder of the Fifth Plan period depends heavily on its ability to improve work incentives and boost labor productivity. When the present government took office in October 1976, it faced a disgruntled work force which since 1974 had increasingly resorted to slowdowns, absenteeism, and strikes to protest low wages and eroding living standards. One year later, with low morale and low productivity still serious problems, the new leadership announced pay increases for three-fifths of the urban labor force, stressing that the improved economic situation made it possible to raise wages. Nonetheless, everyone realized that the move was intended to buy time until a more thorough consideration of wage policy was possible.

The pay hike probably has had a beneficial impact on work discipline and, therefore, on productivity. However, the wage increase—amounting to some 10 to 15 percent for the lowest paid workers and around 10 percent overall—is probably regarded by many as inadequate. The abolition of production bonuses in the late 1960s (which cut personal incomes of industrial workers by approximately 10 percent), followed by a period of essentially unchanging wages and larger-than-normal price increases, resulted in serious losses of purchasing power which the wage increase leaves largely unrestituted. In view of the magnitude of discontent over wages and living conditions, any substantial improvement in work incentives—and productivity—will require further concessions by Peking.

The current leadership recognizes the need for a comprehensive wage reform which in addition to raising pay rates and sanctioning the use of production bonuses and piece rates, would, *inter*

alia, establish rules governing eligibility for and regularity of promotions. This may involve no more than enforcing existing regulations—regulations that have been widely ignored during the past decade.

The basic problem, however, is in deciding just how much wages should be raised; or, whether bonus and piece rate systems—or some combination of the three—may be more effective in raising labor productivity. And these decisions must be coordinated with plans for consumer goods production and imports. The apparent inaction on wage reform may signify that Peking is hoping that the small wage increase granted in 1977, along with the introduction of bonuses and piece rates and some improvements in living conditions,⁶ will reduce worker dissatisfaction (that is, raise labor productivity) to an acceptable level.

Hua Kuo-feng's remarks at the National People's Congress last February ended any doubts that the leadership plans to make greater use of material incentives. Hua said that the staff and workers of state enterprises should be paid "primarily on a time-rate basis with piecework playing a secondary role, and with additional bonuses."⁷ He also indicated that preparations for a reform of the wage system were under way.⁸

The length of Hua's comments on wages and living conditions is revealing. Past references to

⁶ A report prepared for the State Council in 1975 cited the need to (a) build more dormitories for workers; (b) improve the operation of mess halls, nurseries, and medical services; (c) improve the organization of spare-time educational, cultural, recreational, and sports activities; and (d) solve the problem of husbands and wives working in separate places for long periods.

⁷ It is interesting that piece rates, generally opposed by labor, seem to be welcomed by Chinese workers. Apparently, production norms are sufficiently low that the additional effort required to increase earnings is relatively unimportant after years of low and unchanging wages with little or no opportunity to supplement wages by production bonuses or overtime.

⁸ Hua's further remarks on the necessity of increasing the supply of nonstaple foodstuffs to urban consumers seem to confirm that inadequate supplies of nonstaple foodstuffs have in recent years been a difficult problem and perhaps an important source of worker dissatisfaction. That he also called for improvements in housing, both for urban and rural residents, is not surprising, since lack of adequate housing has always been a problem. His remark, however, suggests that housing inadequacies have been a source of particular aggravation in recent years.

these topics by members of the leadership have been brief and for the most part noncommittal statements to the effect that, as production increased, consumption and living standards would increase accordingly. Hua's remarks are further confirmation of the pressures being exerted by Chinese consumers and of the leadership's recognition that these demands can no longer be ignored or turned aside by ideological condemnation of material incentives and appeals to patriotism. The 12-percent annual rate of growth planned for light industry during 1976-85—2 percentage points higher than for industry as a whole—and the apparent decision to import consumer goods when excess demand becomes a problem are examples of the type of policy that can be expected from Peking.

Strengthening Enterprise Management

Almost two years after the purge of the Gang of Four, and despite continuing efforts by the leadership, enterprise management remains in a state of confusion. Last year the First Ministry of Machine Building promoted a campaign to improve product quality. Surveying results at the end of the year, it found that only about 20 percent of the enterprises had achieved marked results, that about 60 percent "did some work, but their efforts were not vigorous, earnest, and meticulous—and thus produced only fair results," and that the remaining 20 percent "either carried out their work perfunctorily or did nothing at all."

Kiangsu Province in June reported on its attempts to improve product quality and reduce materials consumption during the first five months of this year. Of 33 products examined for quality, 28 showed improvements over 1977, but only seven reached the highest quality levels attained in earlier years. "Materials and other" consumption indexes for 43 products were examined: 37 were lower than last year, but only 10 reached previous lows.

These are evidently typical experiences, for in July a *People's Daily* editorial complained of "numerous problems" in management, and a circular issued by the State Economic Commis-

sion—announcing that September would be the first “quality month” for industry and communications—said that “the trend toward a worsening of product quality has been changed somewhat, but the low quality of products remains a serious problem.”

The intractability of these problems has forced Peking to devote more time to management issues and has hastened the adoption of two important measures. Following Hua Kuo-feng’s announcement of the decision at the National People’s Congress, Peking has begun to abolish enterprise “revolutionary committees.” These were formed during the Cultural Revolution to assume the tasks previously handled by party committees and enterprise managers. Apparently they became the loci of bureaucratic infighting and, collectively, a source of industrial disorder. Greater control of operations is now being vested in individual managers (under the direction of local party committees) whose authorities and responsibilities are now more extensive and clear-cut.

With the elimination of revolutionary committees in production units, Peking has mounted a concerted attempt to restore the systems needed for effective management, for example, financial and quality controls, material consumption norms, and the like. The most recent, important development in this area has been the issuance in April of the Central Committee document, the 30-Point Decision on Industry.⁹ The *People’s Daily* editorial announcing the action called the document the “fundamental law” for industrial and communications enterprises, which, it said, “provides a basis to eliminate chaos, restore order, and set things straight from the bottom up.” The editorial went on to describe the document: “It specifically defines a series of principles and policies on tasks and basic regulations for enterprises, methods and work styles, and ways of improving industrial management and quickening the pace of industrial development.”

⁹ The full title is Decision of the Central Committee of the Chinese Communist Party Concerning Some Problems in Speeding Up the Development of Industry (draft). The document is not yet available outside China. However, New China News Agency has published a list of the major points; these are listed in the appendix.

The 30 Points represents a major accomplishment in the lengthy attempt to bring order to the economy. In recounting the history of this struggle, and of the document, *People’s Daily* pointed out that it retains “many” good points from the 70-Point Decision on Industry promulgated in the early 1960s, the 10 Points of 1972, and the 1975 document referred to as the 20 Points.

The appearance of the 30 Points, bearing the imprimatur of the Central Committee, should help dispel the misgivings of managers and middle- and lower-level functionaries who thus far have been reluctant—for fear of a sudden change in policy that would make them targets for leftists—to implement the policies of the new government. Indicating that not even this action is expected to completely allay the fears of lower level officials, *People’s Daily* cautioned that, “Due to the longtime ideological confusion caused by the Gang of Four, we may encounter some ideological obstacles during this trial implementation.”

The 30-Point Decision on Industry is mainly concerned with immediate productivity increases and the reestablishment of familiar institutions and practices which can be expected to have a positive impact on efficiency. Perhaps more significant over the long run is Peking’s curiosity and questioning about managerial techniques used in other countries with vastly different economic systems—implying that China’s leaders are considering further, perhaps major, changes in the economic system.¹⁰ In the most publicized instance, they have shown considerable interest in the Yugoslav system; but the list of countries where official Chinese visitors have displayed more than a passing interest in management extends to Japan, several countries in Western Europe, and Romania.¹¹ There is nothing to suggest what changes Peking may have in mind, but the flexibility that such a search

¹⁰ For additional suggestions that this may be so, see the TAN-JUG interview with the economist Sun Yeh-fang in the Foreign Broadcast Information Service *Daily Report: People’s Republic of China*, 23 August 1978, pp. A/26-28.

¹¹ It is interesting to note that the author of a recent article advocating technology imports and ventures with foreigners is associated with an apparently new Institute of Foreign Economic Management of the Chinese People’s University.

implies is remarkable when one considers the ideological rigidity that has constrained public discussion and policy during much of the past 10 years.

Changes in Planning and Organization

Paralleling Peking's attempts to strengthen enterprise management are moves to tighten central control and to raise economic efficiency.

It would probably be inaccurate to characterize what is happening as a return to strong control by the center. Rather, it seems more likely that current developments are first of all a reaction to the extreme de facto decentralization that occurred amidst the chaos of the early 1970s¹² and secondly a reawakening of the desire—apparent in 1964-65 and now given new impetus by plans for modernization—to improve efficiency. Peking since the late 1950s has displayed an understanding and acceptance of the importance of local initiative in tackling its economic problems; and there is no evidence that anyone in the leadership is now arguing that authority over the economy should be concentrated, in whole or in large part, in Peking.¹³ After all, many of China's 29 provincial units have populations that are larger than all but a few countries. And the Chinese, if anyone, should be aware of the problems which ensue from a large central bureaucracy.

¹² A de jure decentralization of sorts—probably administrative only—took place in 1970, perhaps in association with the rapid growth of local small industry at that time. But there is no evidence that the provisions enacted were extreme or opposed by anyone in the current leadership.

¹³ For example, Hua Kuo-feng's speech to the National People's Congress contains the following passage: "Given the strengthening of unified central leadership, it is necessary to develop the initiative of both the central and local authorities. While the former must have absolute control on major issues, power should devolve on the latter with respect to minor ones. Power is to be centralized where necessary, while active support is to be given to the local authorities in undertaking what should be put in their charge." In this instance Hua's emphasis is on more central control, but the passage is also meant to reaffirm Peking's commitment to an administratively decentralized control system. Remarks by the prominent economist Sun Yeh-fang in an August interview with a TANJUG correspondent suggest that even now, while strengthening central control, Peking may be contemplating reforms which extend the authorities of enterprise managers.

In what appears to be one recent manifestation of the strengthening of central control, the number of ministries under the State Council has been expanded. Whereas in 1975 a single ministry was responsible for fuels and chemicals, now there are separate ministries for coal, petroleum, and chemicals. Similarly, individual ministries have been reestablished to govern the textile industry and the railroads. The appearance of additional ministries by itself does not necessarily signify stronger central control; but given the frequency of editorial commentary in the official press calling for more unified planning and coordination, it is reasonable to assume that the new ministries reflect steps in this direction.

Another sign of the tightening of control, but obviously much more complex in its intentions and implications, is the apparently imminent reestablishment of the six economic regions into which China's 29 provincial units once were grouped for planning purposes. While we know very little about how this regional framework operated in the past, oblique references by Hua Kuo-feng and Yu Ch'iu-li to regional economic systems in each of the six major regions suggest that a regional setup is being revived to facilitate long-term planning and to strengthen control of the economy at an intermediate level between the provinces and Peking.

Other new organizations have also appeared, perhaps connected with the attempt to reassert a greater measure of central control, but more obviously associated with the desire to improve efficiency. Particularly noteworthy was the reestablishment last year of the National Petroleum Corporation, which reportedly has taken over operational responsibility for the oil industry, leaving the Ministry of Petroleum Industry charged mainly with policy formulation. A ministerial-corporate structure of this sort also may figure in the reorganization announced for the agricultural machine industry. Similar corporations were set up in these and several other industries in 1964-65 but were later abolished after condemnation by radicals as "capitalist monopoly trusts."

Although details are sketchy, the corporate idea seems to have two rationales. As described in 1964-65, the corporations and enterprises under their control were to be relatively free of interference from local authorities; especially in matters of policy, they were to be accountable only to the central authorities in Peking. In addition, such enterprises would be "specialized" rather than "all-inclusive," making it possible to reduce costly duplication in organization, personnel, and fixed assets.

In July New China News Agency reported that the First Ministry of Machine Building was reorganizing its affiliated departments and enterprises along lines of specialization "to improve coordination and planning." This form of organization had been tried in 1964, NCNA noted. Reforms had recently begun in Peking and Shanghai, and the Ministry had dispatched personnel to aid in the reorganization to a number of provinces.¹⁴ A farm machinery corporation was set up for the northwest region of the country, with factories in Shensi, Kansu, Ninghsia, and Sinkiang Provinces designated to produce parts and accessories.

The emphasis on efficiency extends to military industries. Both Yu Ch'iu-li and Hua Kuo-feng have signaled the leadership's intentions to, where possible, "integrate" military and civilian enterprises. Presumably the objective is to make idle or underutilized capacity in military plants available for civilian use and to more carefully scrutinize those military resource allocations that could be used for civilian purposes.

Renewed Emphasis on Expertise

Meeting the human capital requirements of a modernization program would be difficult under the best of circumstances; now, the "crisis" in education and science is perhaps the major obstacle to the fulfillment of China's goals.

Reestablishing an educational system capable of turning out well-prepared graduates, like most of the tasks facing Peking, will take several

¹⁴ NCNA cited Liaoning, Kiangsi, Shantung, Honan, and the northwest.

years. The logistics alone are formidable. Although undergraduate enrollment is rapidly being expanded, it remains below pre-Cultural Revolution levels. Post graduate education will resume in the fall of 1978, but with an enrollment of only 9,000. One of Peking's responses to the protracted nature of the restoration process has been to reinstitute a system of "key" schools whereby resources are concentrated on a limited number of highly qualified students who will form the nucleus of the scientific and technical contingent required for modernization. The decision has also been made to send literally thousands of students abroad for training at the undergraduate as well as graduate levels. The realization that resources must be concentrated on a limited number of high-priority objectives also is evident in discussions of the plans for scientific and technical work.

For the past year and a half, Peking has been considering the directions its science policy should take. Two major planning conferences were held in late 1977 and early 1978—one for natural sciences, the other for more general scientific and technical matters—prior to the National Science Conference, held in March 1978. There, amid much fanfare and speeches by top party leaders, a draft science plan for 1978-85 was presented. The plan is broad in scope, covering everything from very basic considerations on education to foreign training for Chinese scientists and the areas of research to be tackled during the next eight years.

Fang Yi, head of the State Scientific and Technological Commission, earlier had announced that research work was to focus on a number of key problems in industry, agriculture, and national defense. In his discussion at the March conference, Fang elaborated on those problems. He focused on eight areas of research, three of which relate directly to industry: energy, materials, and computers. Touching in turn upon oil, coal, and electric power—all of which are priority concerns—Fang also brought up the need to explore new sources of energy, mentioning first the need to step up research on nuclear energy. In materials research, he cited metal-

lurgy, holding up the needs of the steel industry, in particular the beneficiation of hematite, as an item of top priority; Fang also mentioned a number of nonferrous metals industries where research is needed to solve technical problems. His discussion of research on computers simply noted the large number of areas where computers are valuable tools and declared Peking's intentions to build a "fair-sized" computer industry by 1985. The discussion of agricultural research covered a wide range of topics, reflecting the general technological backwardness of Chinese agriculture.

The new leadership is keenly aware of the importance of scientific-technical work to China's modernization. Despite added spending on science and technology, shortages of research personnel and educators will persist for some time. The recognition that this is so is reflected in the careful attention to the needs of agriculture, industry, and national defense over the next eight years and the concentration of scientific resources on a limited number of projects with a reasonable possibility of quick payoffs.

Reappearance of Prominent Economic Officials

Among the signs of a budding economic liberalism are the rehabilitation of once-disgraced economic officials and the promise of a return to more substantive economic discourse.

Perhaps most symbolic of Peking's about face in economic policies is the reappearance of economist Sun Yeh-fang. During the Cultural Revolution, Sun—a former director of the State Statistical Bureau and once head of the Economic Research Institute of the Academy of Sciences—was denounced as "China's Liberman" for advocating study of Yugoslavia's use of profits as a management tool. The vehemence of the attacks on Sun made his rehabilitation in 1977 as remarkable as Vice Premier Teng Hsiao-p'ing's reappearance in 1973.

Sun since April has been an adviser to the Economic Research Institute where he shares responsibility for restoring and planning China's economic research effort.¹⁵ In May, he, along

¹⁵ For further information on Sun, including his thoughts on economic reforms, see the interview by TANJUG correspondent Aleksandr Novacic in FBIS, August 23, 1978, pp. A/26-28.

with another prominent rehabilitee, Hsu Ti-hsin (now head of ERI), and a third economist, Kuang Jih-an, presided over a series of regional economic planning forums. In addition to holding discussions of current economic conditions and the 10-year plan, forum participants also discussed ongoing research and proposed topics for future work. The proposed topics, as reported by New China News Agency, presage a movement away from the "quote Mao, quote Marx" economics that had become standard fare in recent years. This change is beginning to be seen in the journal *Economic Research* which resumed publication this year after a decade-long hiatus.

Hsueh Mu-ch'iao is another rehabilitee of note. He once headed the State Statistical Bureau, was a deputy on the State Planning Commission, and was head of the National Price Commission. Hsueh's current role is unknown; he has been noted in attendance at important functions, and some of his writings from the 1950s have been republished—for no apparent reason except perhaps to notify the bureaucracy of his return.

Widening Role for Foreign Technology

Just as China is looking abroad for models of managerial efficiency, so are its planners turning to the foreign sector for acquisitions of modern plants and technology. With investment priorities now generally established, extensive negotiations are under way with Japanese and Western firms for a new wave of technology imports that should continue for the next several years.

Complete industrial plants top the shopping list. Major interest centers on facilities for the steel, electric power, petrochemicals, and fertilizer industries. Inquiries also have been made for plants producing nonferrous metals, locomotives, trucks, and electronic components. In addition to whole plants, the Chinese have shown great interest in purchasing specialized machinery and equipment, particularly items needed by the fuel industries. Computers and telecommunications equipment also are high on the list.

Despite Peking's new overtures, however, technical and financial constraints restrict the scope of any drive to expand technology imports. While

a sizable army of middle-level factory technicians has been spawned by China's "learning by doing" approach to industrial training, there is a serious shortage of experienced design and production engineers and other highly trained technicians essential in setting up and operating a modern factory. Even with the new emphasis on expertise, a resolution of this problem is bound to take a very long time.

A major financial constraint is China's limited capacity to earn foreign exchange. Credits and other forms of import financing can smooth the repayment obligations, but ultimately higher levels of exports are needed. Many traditional exports depend directly on the backward agricultural sector, and the past failure to invest in mining and processing of metals and minerals forces China to import many of the goods that it should be able to export. Technical problems and rapidly increasing domestic demand will constrain exports of petroleum. Nevertheless, as Peking progresses with its modernization plans, China is likely to evolve new methods of financing foreign purchases. These methods may take the form of greater acceptance of foreign debt and widening interest in generating new sources of export earnings.

In recent months, for example, Chinese officials have been considering trade and financing arrangements that they would not even discuss previously: (a) long-term credits and the financing of capital imports through foreign bank deposits with the Bank of China; (b) barter and compensation deals for plant purchases; (c) the importing of materials to reprocess for export; (d) designation of certain factories to produce goods for specific foreign markets; and (e) fuller compliance with international standards on patents, trademarks, and copyrights. There has also been some talk of cooperative ventures with foreign oil firms to develop China's offshore oil resources. How far Peking is willing to pursue these more adventurous trade and finance practices is unclear. Stated policy still precludes direct loans, joint ventures, and foreign investment. The leadership likely will introduce these more flexible practices on a selective basis, redefining self-reliance to justify their actions, but not abandoning the basic principle.

COMPETING NEEDS AND POLICY CHOICES

Productivity gains play such an integral role in the 10-year plan that the deftness with which Peking handles related topics like wage reform, bonus schemes, and consumer goods markets will have a major impact on the success of the plan. The sensitivity of the wage issue and the possibility that by responding to worker demands the leadership may be contributing to an incipient consumerism have wide-ranging implications that will be discussed at length by the Politburo. The very fact that these problems are by and large unfamiliar to the leadership makes unlikely their quick *and efficient* resolution. And it increases the possibility that misjudgments will further jeopardize plan goals.

In earlier years, Peking could concentrate on maximizing the rate of investment and output growth, while avoiding bottlenecks and inflationary pressures. Consumer needs were not ignored; but the consumer was made to understand that, at least for the time being, growth in personal real incomes had to remain small. Because the price level generally was kept under control, a small annual increase in wages was acceptable to the work force. Open complaints were very infrequent and work slowdowns, absenteeism, and strikes were practically unheard of. This is no longer the case.

Workers learned during the Cultural Revolution that they could express their economic grievances with a degree of impunity and effectiveness that was previously unsuspected. The abolition of production bonuses in the late 1960s (which cut personal incomes of industrial workers by approximately 10 percent) followed by a period of essentially unchanging wages and larger-than-normal price increases turned minor grievances into serious labor problems. Government inaction resulted in a variety of job actions and a sharp decline in labor productivity.

Peking not only has to face up to the problems of lost purchasing power and wage reform, but it must also convince the worker that this government is fair and can be trusted. First and most important, however, it must come up with a package of wage increases and bonuses that significantly increases incomes, and it must en-

sure the availability of goods at prices that leave the worker with real gains.

In the next year or two, consumption increases can be achieved by tapping unused capacity in light industry and restoring order to markets, especially those for nonstaple foods. Productivity growth in response to the wage increase in late 1977 and in anticipation of further wage adjustments will also provide for some increases in consumption.

Beyond 1980 and until the current investment program is completed, more than moderate gains in consumption seem unlikely. Investments in agriculture are being substantially increased. Since foodstuffs account for about one-half of consumer expenditures, increases in agricultural investment imply gains in consumption. And because a large share of the raw materials used in light industry also comes from the agricultural sector, growth in industrial consumer goods output should also improve. Agriculture, however, is fickle; without favorable weather, investment may not yield the anticipated growth—particularly if one is looking for a payoff within the relatively short period of five to 10 years. When discounted for variation in weather and the complexities of agricultural development, the agricultural component of investment can be expected to yield only moderate gains in output and consumption growth.

Light industrial output is to grow by 150 percent during 1978-85, an average annual rate of slightly more than 12 percent. Comments by the head of the State Planning Commission and by officials in the Ministry of Light Industry indicate, however, that these gains are intended to come largely from fuller utilization of capacity and more efficient use of inputs, not from investments in new capacity. Our estimate of growth in consumer goods production shows an average annual rate of growth of 7 to 8 percent since 1957. This falls so far short of the planned 12 percent that one has to be skeptical of Peking's ability to achieve its goal without massive additions to capacity.

The growth of per capita consumption will also be constrained by yearly population increases of 1 to 2 percent and by exports of consumer goods.

Foodstuffs and light industrial products account for over 50 percent of total exports. Raw materials, particularly crude oil and coal, are to become an increasing share of exports, but until the mid-1980s when current investments in those sectors really begin to pay off, foodstuffs and light industrial goods will continue to be important export items.

All of this suggests that Peking may find itself still faced with labor problems and lagging productivity throughout the 10-year plan. If it turns out that moderate consumption gains will not induce the productivity gains implicit in plan goals, then Peking may be forced to cut back on its investment in heavy industry, something that would be done only reluctantly.

The defense budget cannot be regarded as a significant source of transferable funds. Cuts in defense spending in the early 1970s (with no evidence of substantially larger expenditures since) and the real need for a costly program to modernize conventional forces have probably been cited in arguments for an increase in military budgets. However, in the debate last year on military spending, the Hua regime argued that a strong defense requires a modern industrial base. The debate apparently ended with a consensus (1) to hold military spending at a level which allows for the most essential aspects of defense modernization and (2) to make underutilized resources controlled by the military partially available for civilian industry. The impression is that much of the resources which are transferable to civilian use has already been—or soon will be—tapped, lessening the possibility for significant resource transfers during 1981-85.

Peking is showing less reluctance to rely on the foreign sector, and it conceivably could invite additional foreign investment in its consumer goods industries; but such arrangements could hardly provide a significant share of the needed increase in consumer goods production. Similarly, further efforts to improve efficiency, if successful, would seem to offer the hope of only marginal gains in the output of consumer goods.

When one considers the political as well as the economic difficulties that China's modernizers are likely to encounter, the undertaking they

APPENDIX

The following are the main points contained in the document, Decision of the Central Committee of the Chinese Communist Party Concerning Some Problems in Speeding Up the Development of Industry (draft), issued in April 1978, for trial implementation. The selection of points is by New China News Agency.

1. Exposing and criticizing the Gang of Four.
2. Intensive learning from Taching.
3. Criteria for improvements in industry.
4. Political work in industry.
5. The system of responsibility of the plant director and division of labor under the leadership of the party committee, and other basic systems.
6. Overall planning and strengthening of leadership.
7. Reorganization of industry in accordance with the principle of specialization and coordination.
8. The initiative of the central and local authorities and the structure of industrial administration.
9. Emphasizing the expansion of fuel, power, raw material, and transport industries.
10. Supporting agriculture.
11. Developing all energy sources.
12. Tapping the potentials in existing enterprises through technical innovations and renovation.
13. Strengthening scientific research, adopting advanced techniques and technology.
14. Multipurpose utilization of resources, and environmental protection.
15. Launching emulation drives.
16. Training cadres, workers, and technical personnel.
17. Applying the principle "from each according to his ability, to each according to his work".
18. Attending to the welfare of workers and staff members.
19. Urban work serving production and the welfare of workers.

Source: New China News Agency, in Foreign Broadcast Information Service *Daily Report: People's Republic of China*, July 5, 1978, pp. E/13-14.

have embarked upon is even more impressive. Considerable controversy appears inevitable—not only over basic policy changes certainly but also over the nuts-and-bolts issues of implementation that affect the political and economic status of bureaucrats and bureaucracies. Nevertheless, Peking seems capable of resolving these

difficulties in ways that will allow satisfactory gains in per capita consumption and, at the same time, permit rates of investment and industrial growth that are reasonably close to plan goals. In short, the 10-year plan is likely to be a successful first step toward the modernization of China's economy.

Comments and queries on this paper are welcome and may be directed to the Director for Public Affairs, Central Intelligence Agency, Washington, D.C., 20505; area code 703-351-7676. For information on obtaining additional copies, see the inside of the front cover.