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PRIORITY

FRP:
STAFF

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TOT: 100509Z SEP 87

DIRECTOR 646700

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BRIEF 100509Z DIRECTOR 646700
TO: PRIORITY EAST ASIA BRIEF.

WNINTEL

CIA CPAS EAB 87-211

[Redacted]

SUBJECT: EAST ASIA BRIEF OCPAS EA 87-211 FOR 10 SEPTEMBER 1987

FROM: DDI/O/CPAS.

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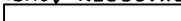
TOT: 1006097 SEP 87

DIRECTOR 616700



2. CHINA: NEW GRAIN POLICY PROPOSED

A RECENT EDITORIAL IN A PROREFORM CHINESE NEWSPAPER PROPOSED COMPLETE DEREGULATION OF GRAIN PRICES, REFLECTING EFFORTS BY REFORMERS TO GET PARTY ENDORSEMENT FOR THE COMMERCIALIZATION OF AGRICULTURE. THE EDITORIAL CLAIMS THAT A FREE PRICE MECHANISM WOULD SPUR NEEDED GRAIN PRODUCTION--UNLIKE THE LOWER-THAN-MARKET PRICES THE STATE NOW PAYS. THE ARTICLE SAYS THAT IN ADDITION TO RELEASING THE GOVERNMENT FROM THE EXPENSE OF OVERSEEING THE GRAIN MARKET DEREGULATION WOULD INCREASE PRIVATE INVESTMENT IN AGRICULTURE'S DETERIORATING INFRASTRUCTURE. 

COMMENT: THE PROPOSAL IS FAR REACHING AND MAY BE AN EARLY SIGN THAT SOME EXPANSION OF MARKET FORCES IN AGRICULTURE WILL BE ANNOUNCED AT THE PARTY CONGRESS NEXT MONTH. TO AVOID AGGRAVATING WORKER DISPLEASURE WITH INFLATION--AN ISSUE THAT RECENTLY PROMPTED A PRICE FREEZE ON CONSUMER GOODS--BEIJING WOULD INITIALLY HAVE TO MODERATE THE EFFECTS OF HIGHER GRAIN PRICES BY BOOSTING ITS SUBSIDIES TO URBAN CONSUMERS. CONSERVATIVES WOULD ATTACK SUCH A DRAIN ON THE BUDGET--WHICH RAN A \$2 BILLION DEFICIT LAST YEAR--BUT REFORMERS WILL PROBABLY COUNTER THAT HIGHER GRAIN OUTPUT WILL LOWER PRICES, HELPING CONSUMERS, REDUCING IMPORTS, AND THEREBY OFFSETTING THE SHORT-TERM COSTS. 

3. IN BRIEF



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