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4 December 1981

# China Report

ECONOMIC AFFAIRS

(FOUO 4/81)



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NATIONAL POLICY AND ISSUES

PEOPLE'S COMMUNE SYSTEM PERCEIVED AS FAILURE

Tokyo THE DAILY YOMIURI in English 22 Sep 81 p 5

[Article by Goro Tagawa: "Collapse of People's Commune System"]

[Text]

One of first destinations of the Yomiuri reporters' trip was Sichuan Province.

Stretching in the upper reaches of the Yangtze river, the province is known as the native place of Vice-Premier Deng Xiaoping, the architect of China's modernization drive and the mentor of newly installed Chairman Hu Yaobang.

The trip to Sichuan, about 1,600 kilometers southwest of Peking, came at the strong suggestion of Vice-Premier Wan Li — one of Deng's right-hand men in charge of executing the envisioned "readjustment" of the Chinese national economic programs.

In an exclusive interview with the Yomiuri reporters given in June at the Great Hall of the People in Peking, Wan Li was surprisingly bold in criticizing "defects" of the people's commune system, which was conventionally considered the basis of the Chinese communism.

"Under the people's commune system as it is, no development of our country's agriculture could be hoped for," Wan declared.

"This is because an absurdly large number of administrative orders and regulations being issued by upper organs have imposed too heavy burdens on farmers of the communes," he stated.

"In Sichuan Province," he said, "experiments are under way to find out ways for reforming the commune system."

The people's commune can be defined as an all-inclusive rural community competent of dealing with any affairs ranging from agricultural and industrial production, commercial activities, medical services, education to military exercises.

To put more simply, it can be likened to a combination of an agricultural cooperative as seen in Japan and a local administration.

Its land is collectively owned and the earnings obtained through joint labor of the commune members are shared on a uniform basis.

Since its inauguration in 1958 with a fanfare of an "experiment of the century" for materializing the communist ideal, the system has now taken root in rural areas throughout China.

Should the people's commune system be reformed drastically as suggested by Vice-Premier Wan, what changes would entail in Chinese rural communities?

May it be that the Chinese Government has been determined to do away with the commune-based policy line that has been considered for more than two de-

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comes to be of pivotal importance for the Chinese-type socialism?

Indicating the direction in which the commune reform is envisaged, Wan said. "First priority should be given to what is needed for promoting farmers' own benefits from the communes."

"In order to effect this, the economic function of the people's communes must be clearly separated from their administrative and other functions," he pointed out.

As Japanese experts in Chinese affairs see it, the people's commune system has done much indeed in eliminating disparity in wealth among farmers and also in uniformly raising and stabilizing their living standards.

Not a few demerits, however, have been cited. They are mainly attributed to the fact that the communes' economic and administrative activities have been functioning on a mixed basis.

For one thing, there were reportedly a number of instances where commune farmers were obliged under administrative orders to engage in construction labor for nothing in public works projects and even to have plots of their communes put under requisition.

Another report said an official assigned by the central government to the top post of a Shanghai people's commune was a sheer amateur about economic matters, but he went recklessly in drawing up the commune's production plans, creating serious problems for the commune members because of his blunders.

On top of these bureaucratic evils, the worst of demerits of the conventional people's commune system is considered stemming from the fact that those commune members who are more competent or work harder than other members

are little rewarded economically for their efforts under the commune's collectivism.

As a result, many commune members seem to be prone to lose their willingness to work diligently.

Mainly because of the lack of incentive for work under the commune system, China's agricultural production began dropping sharply immediately after the 1958 inauguration of the system, forcing the country to fill the chronic need with imported grains.

Chinese leaders may well have felt impatient of the stagnance of agricultural production, because China has been forced to import more than 10 million tons of grains annually despite the fact that about 80 percent of the Chinese population comprises of farmers.

Under the circumstances, the Peking government has given go-ahead to experimental attempts to reform the people's commune setup.

Shown to the Yomiuri reporters in their Sichuan trip were "experiments" being undertaken in the people's communes of Guaghan Prefecture, about 50 kilometers north of the provincial capital of Chengdu.

This was the first time that the Chinese Government had allowed foreign reporters to have a look at the just-started reform of people's communes.

Located in a plateau with a wide spread of paddy fields about 400 meters above sea level, the prefecture has a total of 21 people's communes with a combined population of 480,000.

Prefectural Governor Shu Zhiliang spelled out measures being taken for a thoroughgoing revamping of the prefecture's communes.

Instead of the conventional omnifunctional setup of the people communes, every one of them in the prefecture has now been "divided" into three independent divisions dealing respectively with agricultural, industrial

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and commercial affairs, Shu said.

To coordinate the activities of these three divisions, a new organization, called the Agricultural, Industrial and Commercial Joint Corporation, was set in motion in April last year, according to the governor.

"Experts in respective fields have been assigned to posts responsible for planning, production and marketing in each division," he said.

Each people's commune, now devoid of its economic division, has been virtually degraded to a status of a mere "village office" in charge of local administrative chores.

More significantly, the mode of agricultural production has been switched from the collectivist management to a "farming-by-contract" system, Shu stressed.

Under the new system, groups of farmers or individual farmers receive contracts respectively for a certain amount of output on condition that they can obtain special "bonuses" if and when their outputs surpass the contracted amount.

In case of the farmers failing to attain the contracted output under the annual contract, they are asked to pay a monetary compensation, according to the prefectural chief.

He also suggested that plans are in the making to expand the acreage of the

so-called "private plots," where farmers are allowed to till on their own, besides allowing some farmers to engage in farming exclusively in such private plots.

"The results of the reform are really amazing—outputs of our communes showed a sharp boost to the extent of raising per-head income of commune members for last year to 194 yuan (about ¥25,200), nearly three times the figure in 1976," Shu noted.

Indicating that his remarks were not an exaggeration, work on new buildings or enlarging existing houses of farmers were seen more frequently in the prefecture than in other areas.

This aboutface in China's agricultural policies may be characterized in a sense as "withdrawal of politics from farmland."

The conversion from the collectivism to a sort of merit system may involve the possibility of disparity in wealth emerging again among farmers.

Chinese leaders, however, appear determined to shut their eyes to such dangers, at least before pushing the economic adjustment program onto the right track with the fate of the new Chinese leadership at state.

We bluntly asked Governor Shu: "It, after all, amounts to a split, or to say more frankly, a collapse of the people's commune system, doesn't it?" but he answered only with a smile.

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ECONOMIC MANAGEMENT

GROWTH OF FREE MARKETS EXAMINED

Tokyo THE DAILY YOMIURI in English 20 Oct 81 p 5

[Article by Masaru Maruyama]

[Text]

There is no Cantonese who does not know the name of Qingpinglu, a thoroughfare in Canton.

A wide-scale free market is run daily along this street. The market's necessity is evident from the fact that one has to go to this market if one wants to buy materials that promise well-known Cantonese delicacies.

**Variety Of Goods**

"This area seems to be very small, but all this arises from the fact that people throng to this street. We have applied to the city government for more space for the market. We are planning to build a service center for household delivery of goods and also for storing unsold articles," Ms Liang Hulfang, a Communist Party secretary and also an official at the market administration office, said with a smile.

It is one of the 32 free markets throughout Kwangtung Province, and is the largest of them.

A free market is an area where farmers are authorized to sell what they have been allowed to dispose of at the price they prefer.

The goods sold at the free market are more expensive than at a state-run market,

but a free market differs from the latter in that the goods found in a free market are more fresh and greater in variety than those in a state-run market.

The Qingpinglu street, about 10 meters wide, is usually packed by customers and farmers, who shout at each other as they actively bargain on the price—a scene hard to be found in a socialist state.

The goods available on the market included leek, red pepper, shrimps, fresh water fish, chickens, huge limbs of cattle, garden plants, birds, hubble-bubbles, etc.

It was years ago that free markets were banned in China on the grounds that they would lead to capitalism.

Now, there are 2,500 free markets throughout China, and the prosperity along the Qingpinglu street suggests that free markets are a must, something essential to the livelihood of Chinese people.

Ms Liang said that daily transactions along the two-kilometer long Qingpinglu street averaged 100,000 yuan (one yuan is equivalent to ¥130).

The amount is 10 times the proceeds at a leading state-run market in Wuhan,

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a major Chinese city with a population of 3.9 million. Big snakes lying in a coil, cats and snapping turtles are also available at the animal section of the Qingpinglu market. Pangolins were being thrown into boiling water, and their skin skillfully removed in front of waiting customers.

### *Shift In Farm Policy*

An official Chinese report admitted a drop in the country's grain production last year, but it was said that the amount of grains on free village markets increased.

This is apparently due to a shift in China's agricultural policy which allows Chinese farmers to use part of their land for storing and disposing of the grains in an increased amount.

Last March, this policy was further revised. Now farmers are authorized to keep aside 15 percent of farms for storage of grains or vegetables for their own disposal. The percentage was previously seven percent. This policy change is expected to bring about a further expansion of free markets.

Farmers too are encouraged to work harder in view of the fact that 36.4 percent of their income is from side jobs.

In Wuhan, we saw an aging woman farmer selling four or five bundles of leek, and in Szechwan, a farmer selling his farm products on a cart.

A snapping turtle costs about 60 yuan, about the same as a laborer's income for one month, at the Qingpinglu market. But still they were being sold like hot cakes. The price tag for beef at the same market was as high as that at a state-run market, but it was also selling fast.

Since consumers are apparently not happy with shortage of food at state-run markets, the free market system works to the benefit of both producers and consumers.

### *Effect On Prices*

However, if the free market system is allowed to grow at the present pace, it would play a far greater role than at present—a supplementary role played with-

in the framework of a planned economy.

One of the adverse effects of this system will be double pricing, and Chinese authorities may not be able to control prices.

Goods sold at state-run markets are about 45 percent cheaper in price than

those on free markets, but some Cantonese said that they prefer to buy household goods in the free market because their quality is superior to that sold in state-run markets, but dog-food is bought at the latter.

Ms Liang said that her office collects 10 yuan a month from a farmer who daily sets up his booth at a fixed place, because this means that he is no longer engaged in farming.

It is suspected that some of the articles sold on the Qingpinglu and other free markets in today's China are those which were to be delivered to the government. Also included among them are those whose sale is restricted.

One of the blackmarket articles at the Qingpinglu market was powdered milk manufactured in the US.

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FINANCE AND BANKING

BANK'S PLAN ATTRACTS HIDDEN CASH

Tokyo THE DAILY YOMIURI in English 27 Oct 81 p 5

[Article by Yoshio Matsui]

[Text]

Officials of the People's Bank of China had never thought that fixed time deposits with public lotteries which were put on sale from this year would turn out to be so popular among the Chinese people.

They were sold on numerous conditions which differed from province to province as the bank's provincial branches were allowed to float the deposits fitting their local circumstances.

We asked about the real situation at the bank's Kwangtung branch, where we were met by Wu Dabu, who was waiting for us in a dimly-lit room.

"Each time deposit," he said, "was to be redeemed after the elapse of one year, and was sold for 10 yuan (one yuan is about ¥130). A total of 900,000 time deposits were made available in the initial sale last April. Prizes were to be paid by making use of a fund to be made available by the interest carried by the time deposits. This means that unsuccessful lottery drawers gain no in-

Indeed, the Chinese people's income has been increasing over the past few years, enabling them to increase their cash holdings, including those in chest-drawers at their homes.

Money is apparently oversupplied among the Chinese people, which takes the form of potential buying power, and this was exposed, unexpectedly, by the sale of the lottery-carrying time deposits.

This phenomenon is not peculiar to Kwangtung Province.

Liu Yansun, deputy at the Savings Department at the head office of the People's Bank of China, frankly admitted the fact, and said that money was apparently in abundance at Chinese households, a situation which would trigger inflation, and the bank was studying measures "to absorb the money."

**Effective Steps**

Calling the situation a source of headache, he said the sale of lottery-carrying time deposits was one of the measures.

In April last year, he also said that a substantial increase in interest rates was realized, and tellers' counters to accept deposits were increased by 1,000 throughout the country.

These steps were found effective.

Deposits by individuals and enterprises during last year totaled 166 billion yuan, up 24 percent from the previous year.

Deposits in urban areas

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have been remarkable with a 40 percent increase compared with the previous year.

It is not known which, the steady increase in income or cash hoarded at home, has been responsible for this trend, which is still continuing.

Informed sources said that the Chinese people's trust in banks was gradually deepening.

Huang Wanrong, a 49-year old schoolteacher in Chungching, said he thought that money was safer at a bank than in a chest of drawers at home.

Guo Gubang, a 38-year old employe of a spinning factory in Chengtu, said that 10 percent of his income was being deposited every month at a local bank, compared with almost none before 1978.

#### *Japanese Example*

It is recalled that savings by Japanese people suddenly began to increase in 1950, five years after the end of World War II.

The increase averaged between 30 and 40 percent a year during the four-year period after 1950, which helped curb inflation and increase plant investments.

It is not known if the Chinese people prefer savings as Japanese do, but what is happening in China today in this field is almost identical to that which prevailed in Japan in the four-year period after 1950, a trend which needs encouragement and careful development.

The current fever for savings in China apparently arises from the fact that

the Chinese people find almost nothing to buy because of a chronic shortage of goods.

In other words, the savings would be drawn daily if and when there are plenty of daily commodities as a result of a government policy change that places emphasis on light industries.

#### *Bank's Plan*

At one time, grim-faced officials used to look sharply at people who came to branch offices of the Central Bank to draw their deposits, Liu disclosed.

It was one of the measures to prevent the drainage of deposits, but this was apparently too obsolete, he said.

Now, the bank is considering an increase of interest rates and to improve services at tellers' counters.

Perhaps, they may be effective measures. But there is a limit to increasing interest rates, because the latter is connected with lending of money.

Moreover, people are always sensitive. No matter how high the interest rate is, they will refrain from depositing their money at the bank, and instead try to replace money with gold and other valuables, and keep them in the drawers of chests at their homes.

Therefore, what is most important for today's China is political stability. As long as China is politically stable, a lasting fever for savings is expected to continue.

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FOREIGN TRADE

DELIVERY OF PLANT ORDERS FROM JAPAN EXAMINED

Tokyo THE DAILY YOMIURI in English 1 Sep 81 p 3

[Article by Swadesh De Roy]

[Text]

The Chinese may have suspended many of their plant orders with the Japanese, but they are accepting deliveries the Japanese are making on the dead contracts. This can happen only between China and Japan, the two countries prepared to do anything to accommodate each other by going far out of their way. Theirs, after all, is a unique relationship.

Chinese acceptance of Japanese shipments of plants for projects canceled is a quiet development, so far unpublicized. It has, however, created an unorthodox situation in Sino-Japanese trade and economic cooperation. Apparently there is no formal agreement on this beyond an informal understanding.

To an outsider it will appear as though the Japanese are forcing these plants on the Chinese, who on their part are accepting them without changing their position that they have canceled orders for the shipments being received. The Chinese acceptance of the shipments also does not constitute any agreement to compensate losses the Japanese claim to have suffered following unilateral cancellation of plant orders.

But then who is paying the suppliers? According to my information, not the Chinese, not immediately that is. It should be recalled they canceled the orders because they had suspended the projects for which the plants and equipment now being shipped were needed; and they suspended the projects because they did not have enough cash. Nothing has changed since in that Chinese position. But the Chinese have also said the projects have

merely been put off and it appears the Japanese suppliers are taking the Chinese at their word, literally. What follows from this is that the Chinese seem to be saying that if the suppliers at their end can arrange to be paid the shipments will be accepted at their end—stored unopened for one or two years or till the projects are revived—and till then the plants and equipment will remain in Chinese custody. Does this bind the Chinese in any way? Yes, but only morally; and that is all that the Japanese wanted.

The Japanese, meanwhile, are doing everything to get their government and banks to help the Chinese by arranging aid and supplier's credit. And the Chinese agreeing to be morally bound are taking the fullest advantage of the situation, bargaining harder than ever for terms. They have nothing to lose, with crates of plant already in their warehouses at nobody quite knows whose risk. The Japanese suppliers in their eagerness to be paid are using all their influence to obtain government accommodation for the Chinese. And the Chinese are close to getting some ¥300 billion in credit on various terms, thanks to the businessmen's lobbying.

That may solve 90 percent of the financing problem in respect of these shipments. The Chinese have raised a fine legal point. They insist on holding up 10 percent of the payment which under the terms of old contracts will be payable only after plant certification that in this case should not be expected until the Chinese open the crates. But they will not open the shipment until they decide to revive the suspended projects. The Japanese suppliers

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do not agree. Their plea is this 10 percent of payment normally withheld as "retention money" pending certification includes technicians' fee and their own profit. What the Chinese say to this is logically solid. Technicians' services will not be called for until the crates are opened, plants inspected, installed, and certified. Until then there should be no question of paying the retained 10 percent.

There is nothing the Japanese can do. They have, after all, volunteered into this situation. The Chinese do not feel to be under any legal obligation. They, indeed, had placed some orders. But after having canceled them they no longer are bound by them. The present shipments are not their idea. Just because the Japanese have on their own chosen to make deliveries the Chinese are not going to revise their schedules for the suspended projects.

The Japanese in their last-ditch bid to move the Chinese from their rigid position are now telling the Chinese the equipment in crates unopened for even a year may get rusted and damaged. But the Chinese are unmoved. If the plants corrode they will not pass certification test. And that will be a suppliers' liability.

The Japanese obviously are in a painful bind. But they believe the Chinese ultimately will come to free them from the trap they did not set. The Japanese entrapped themselves to evoke Chinese sympathies they desperately needed to ensure that the suspended projects when revived come back to them. What they are doing now is demonstrating their desperation and suffering. That is the way of Sino-Japanese business.

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## FOREIGN TRADE

## SINO-JAPANESE ECONOMIC COOPERATION IN PERSPECTIVE

Tokyo THE DAILY YOMIURI in English 20 Oct 81 p 5

[Article by Yoshio Matsui: "Japan, China Conclude Accord on Cooperation"]

[Text]

Japan and China have reached a broad agreement on Japan's cooperation in constructing plants in China in working-level negotiations that continued for some time in Peking.

Barring unexpected circumstances, Chinese Vice-Premier Gu Mu and Japanese Foreign Minister Sonoda will exchange a memorandum on the agreement in December when the second Japan-China ministerial conference is held.

This problem of cooperation occurred at the end of last year when China notified Japan that it would suspend the construction of plants, including the Baoshan steel mill, as part of adjustment of its economic policies. China apparently did not take a serious view of the decision, but Japanese companies involved were greatly affected because they had already ordered building materials.

Saburo Okita went to China as government representative and explained to the Chinese concerned that it would be possible to continue the construction with financial assistance from the Japanese Government. The Chinese finally decided to reconsider the suspension.

Since that time, negotiations between Japan and China had continued for about nine months. At first, China demanded ¥600 billion. Because this amount was too big, the Japanese Government started working out its own plan for providing assistance to China and completed it in

September.

According to the plan, Japan will extend a total of ¥300 billion to China in loans. Of the total amount, ¥130 billion will be in commodity loans, ¥100 billion in deferred payment credits from the Export-Import Bank of Japan and ¥70 billion in private loans. The Japanese plan stipulates that these loans should be used only for the Baoshan steel mill and the Daqing petrochemical plant.

The Japanese side wants to extend the ¥130 billion in commodity loans, which form the main part of the total assistance, in the form of diverting money reserved for the construction of a power plant and tunnel in China. The loans for the power plant and the tunnel were promised by the late prime minister Masayoshi Ohira when he visited China in 1979.

But a disagreement occurred during the negotiations. Although the Chinese side agreed to the diversion of the loans, it began to claim that about ¥40 billion that Japan had already paid China should not be counted.

If the ¥40 billion was not counted, Japan would eventually extend a total of ¥170 billion in commodity loans.

There was another problem, too. The Chinese side proposed to continue the power plant and tunnel projects somehow. It was natural for China to make such a demand, but if Japan met the demand, the

upper limit of ¥300 billion would become meaningless. It is difficult to meet the demand also in view of the government's financial situation.

Consequently, the government organized a negotiation mission of working-level officials from the Foreign, Finance and International Trade and Industry ministries and dispatched it to Peking on October 6. The mission originally scheduled to hold negotiations with Chinese officials for two days until October 7, but it took the mission until October 10 to persuade the Chinese side.

The Japanese side finally carried its point, and it was agreed that the ¥40 billion should be included in the ¥130 billion and that the power plant and the tunnel would be eliminated from a document exchanged between Japan and China in 1979. The protracted problem passed the crisis.

But what ended were only negotiations. The Chinese plant problem has not been solved yet, for the loans from Japan are not sufficient to carry out the Baoshan and Daqing projects.

The Chinese finances are continuing to run in the red. Vice-Premier Gu Mu has estimated that his government will run a deficit of about 3,000 million yuan in 1981. Under these circumstances, the two projects may be confronted with shortage of funds in the midst of their construction. Japan will have to keep this in mind.

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FOREIGN TRADE

BRIEFS

FERTILIZER FROM JAPAN--Mitsubishi Chemical Industries, Letd, Showa Denko Company and Nissan Chemical Industries, Ltd have decided not to export urea fertilizer to China for the period from July to December 1981. Under a contract signed with China in late September, Japan's fertilizer producers are scheduled to export 380,000 tons of urea fertilizer to China in the July-December period. However, many companies are losing interest in exports because fertilizer prices f.o.b. are about 40 percent lower than for domestic contracts. Sumitomo Chemical Company had earlier suspended its urea fertilizer exports to China, and with the three firms following suit, there is growing unrest among fertilizer producers who have long been suffering from structural recession. [Tokyo NIHON KEIZAI SHIMBUN in Japanese 14 Oct 81 Morning Edition p 7 OW]

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LABOR AND WAGES

YOUTH EMPLOYMENT SITUATION VIEWED

Tokyo THE DAILY YOMIURI in English 13 Oct 81 p 5

[Article by Masaru Maruyama]

[Text]

While walking down a back street lined with night stalls in the heart of Wuhan, the capital city of Hubei (Hupel) Province, we saw a youth serving his customers sweet drinks made from fermented rice with a dismal face.

Seemingly unaccustomed yet to the job, he appeared awkward in serving cups of the cold drink.

The stalls were in the Zhongshalu area, with the vendors except for him being mostly middle-aged men and women with experience, pleasing manners, so that the youth seemingly in his 20s looked more a green hand.

As I talked to him and asked whether he was a "Xiafang youth," he looked aside unpleasantly, indicating that my guess was right.

"Xiafang youth" are those young people who have returned to cities from the countryside where they had been sent for farming jobs during the Great Cultural Revolution.

Such youngsters can be seen engaged in street-stall and other outdoor jobs in major cities.

On a thoroughfare in Peking, we saw a boy, who seemed in his late teens, pedalling a pedicab with his back hunched up at twilight.

### **Huge Armies Of Jobless Youths**

These youths had reportedly been out of jobs until quite recently after graduating from school or returning to cities from farming labor in the "Xiafang" movement.

An estimated 20 million to 30 million people are said to be unemployed throughout China.

With youths in their 20s accounting for most part of the unemployment, the problem of creating jobs for their living is of essential importance for successfully carrying out the industrial "readjustment" policies.

Two incidents late last year—a riot in Zinjiang-Uygur autonomous region and a bombing suicide in the compound of Peking Station—were reportedly the act of jobless youngsters.

The high unemployment rate in China, if left unattended, would lead to further serious social problems.

Many Chinese youths, however, are hard put in finding job openings in urban areas, due mainly to the reluctance on the part of state-owned big plants under order to reduce operations, plus China's chronic problem of surplus population.

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### **Chances In Service Industry**

Under the situation, attention is being focused on service businesses which are considered having ample room for absorbing the surplus manpower.

As Guan Haozhi, editor-in-chief of monthly magazine "Chinese Youth" puts it: "There once were as many as 50,000 restaurants in Peking and people used to be able to enjoy 'wonton' and other dishes at shops pleasing their liking."

"Presently," he said, "every decent restaurant in the capital is crowded during every mealtime, and one cannot have a haircut at a barber without waiting for three hours or more."

"These kinds of establishments should be increased so that they could absorb the jobless youths and at the same time for the sake of public convenience," the magazine editor added.

As is seen in every developing country, the first priority in China's nation-building efforts has so far been placed on manufacturing industries, to which a large portion of the nation's work force has been preferentially assigned.

As a result, the number of eating houses in China dropped to one per 8,600 people on average in 1979, compared to one per 700 people 25 years ago, according to official statistics.

Should the present manpower in the restaurant business be enlarged to a level about 16 years ago, there would become available an estimated 3,700,000 job openings, said officials in charge of unemployment.

Against this background, such service-related industries as eating establishments, laundries, repair shops, sewing shops and transport business have begun increasing fast one after another in the past few years.

### **Youths Tend Roadside Stalls**

Recently, the resting rooms beneath the reviewing deck of the Tienanmen tower gate, the symbol of present-day China, have been opened to stalls run by youths who are otherwise out of work.

About 30 youngsters are now at work there, selling tea, juice, cigarets and the like.

Peking Mayor Jiao Ruoyu himself attended the opening ceremony of the stalls last May, while the pedicab service has been revived at the suggestion of Premier Zhao Ziyang.

In Sichuan Province, the most populous among all Chinese provinces, more than 1,600,000 people have newly gotten jobs in the service sector in the past four years.

A hotel that a group of 40 unemployed people jointly established in the provincial capital of Chengdu is reportedly has a good reputation.

### **Unhappy With Outdoor Jobs**

However, most youths, including the one selling sweet drinks whom we saw at a night stall in Wuhan, as well as girls selling drinks and souvenirs in the Tienanmen Square, are rather gloomy-faced, apparently disappointed at engaging in sales jobs outdoors after going through the trouble of graduating from schools.

Says Guan, the editor-in-chief of "Chinese Youth": "The propensities deriving from Confucianism to look in scorn at services are still deep-rooted among the Chinese people."

"There would be no real solution to the jobless problem if people don't change their thinking of looking at service jobs with contempt," he stressed.

Other hurdles in lessening unemployment include

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shortage of proper land buildings to locate additional service-related businesses in densely populated urban areas where even land for housing projects is in short supply, according to officials.

**Problem Of  
Overpopulation**

On top of this, the most fundamental difficulty in overcoming the unemployment problem stems from overpopulation in China.

Even if youths currently out of employment in cities should be given some job or other this year, graduates from schools next year, estimated at 7 million throughout the country, will flood the job market, while several millions of "Xiafang" youths are still in the countryside, longing to be moved to cities.

It therefore seems that China's unemployment would remain a semipermanent problem.

Although the one-time "Xiafang" movement was ideologically inspired to train future leaders of the Communist Party and youths through farm labor in the countryside, it also had the effects of curbing joblessness in urban areas.

The youths' farm labor as a means of mitigating the unemployment problem has now been substituted in a policy turnabout with the promotion of service business.

As service-related industries have proved to be far from enough to absorb the swelling ranks of jobless youths, however, Chinese leaders may well have felt it urgent to take another step to deal with the problem.

In this connection, it deserves much attention that Chinese officials have begun considering reviving a new form of "Xiafang" by introducing a contract-based voluntary enlistment system.

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