

Li Peng on Corruption and Inflation

Signs of Power Struggle - Premier's Annual Report to NPC

During his annual speech to the National People's Congress (NPC) on Sunday, March 5, Chinese Premier Li Peng made two major points in admitting mistakes in controlling inflation and saying that China must end corruption. Li warned the more than 2,800 delegates not to abuse their power for personal gain or the interest of small groups.

Editorial Note

This February issue of China Business Facts on Fax - Monthly Report - has been delayed to include a report about Li Peng's opening speech to the National People's Congress on March 5.

the foreign exchange reform, and excessive growth in fixed assets investment. According to Li, the inflationary effects of planned increases in grain, cotton, and oil prices had been underestimated by the government. Other mistakes were the low investment in agriculture and slow response to regional food shortages. Li Peng tried to defend his policy with the explanation of preventing a decrease in economic growth.

Li Peng announced that price controls would not be further relaxed in 1995. He set the target for retail price inflation at 15 percent, and demanded that all government levels exert their efforts into achieving this goal. He stressed that China must increase the agricultural production and requested provincial governments to take personal responsibility for sufficient supplies of rice, meat, and vegetables in their regions. The target for grain production was set at 455 million tons, about ten million more than 1994. Li demanded that farmland must be protected and not be used for housing or industry.

Li Peng's admission of mistakes and his defensive tone is a sign of serious dissatisfaction among the NPC delegates with the government's performance. He appears to have a weak position in the upcoming struggle over the succession of Deng Xiaoping as China's paramount leader.

His focus on corruption comes shortly after the resignation of Zhou Guanwu, president of the Capital Iron and Steel Corporation, whose son Zhou Beifang was arrested last week on corruption charges. The Zhous have been longtime proteges of Deng Xiaoping who now seems to lose power. Zhou Beifang was the chairman of a Hong Kong subsidiary of Capital Iron and Steel Corporation. Another indication of a beginning succession struggle is the fact that Li Peng barely mentioned Deng Xiaoping's name in his speech, a considerable change from his speeches of the past years. The 90-year-old Deng has been reported ill and did not appear in public for some time.

In his speech, Li Peng pointed out that inflation has been a major cause of discontent among China's citizens. The 1994 annual retail price inflation of 21.7 percent had greatly exceeded the government's goal of 10 percent, mainly because of higher food prices,

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