

CHINA AGAIN MOVES CENTRAL PLANNING TO CENTER STAGE

By NICHOLAS D. KRISTOF and SPECIAL TO THE NEW YORK TIMES MARCH 21, 1989

About the Archive

This is a digitized version of an article from The Times's print archive, before the start of online publication in 1996. To preserve these articles as they originally appeared, The Times does not alter, edit or update them.

Occasionally the digitization process introduces transcription errors or other problems. Please send reports of such problems to archive_feedback@nytimes.com.

Cautioning that China had tried to change its economy too quickly in recent years, Prime Minister Li Peng called on China today to increase its reliance on central planning rather than market economics.

In his annual report on the Government's plans, Mr. Li told China's legislature that the Chinese people should be "mentally prepared for a few years of austerity." The speech, which took more than two hours to deliver, brimmed with the spirit of centralization instead of liberalization, and it contained little of the enthusiasm for rapid economic change that for most of the last few years has inspired the Government's vision of China's future.

China's senior leader, Deng Xiaoping, who has presided over that period of change, did not attend today's session. There was no official explanation for his absence. 'Never Return to Old Mode'

In his speech, Mr. Li, a 60-year-old Soviet-trained engineer, also called for a continuation of some market-oriented changes, including development of stock markets. But his stress was on restoring Government control over the economy and the need to extend the current economic retrenchment for at least two more years before restructuring could be effectively resumed.

"We shall never return to the old economic mode characterized by

overcentralized, excessive and rigid control," Mr. Li said. "Nor shall we adopt private ownership, negating the socialist system."

In tone, the speech was very different from the report of a year ago. At that time, Mr. Li called for China to "put reform at the center of all our undertakings," while today he appeared to believe that the back burner would be more appropriate. In Preparation Since January

The Government Work Report, as the speech is formally known, presumably reflects the views not only of Mr. Li but of a majority of the nation's top leaders as well. Chinese familiar with the speech say it has been in preparation since at least January, and many drafts have circulated among top leaders so that they can make suggestions and revisions.

The speech appeared to reflect not a reawakening of ideological fondness for Maoist Communism, but deep alarm at the economic chaos and social unrest that have emerged in the last year or so as the Government lost control over parts of the booming economy.

As Mr. Li spoke before 3,000 delegates to the National People's Congress, China's legislature, most of the nation's top leaders, except for Mr. Deng, sat behind him on the rostrum. The party General Secretary, Zhao Ziyang, was there and so was the former party leader, Hu Yaobang, who was ousted in January 1987 after student demonstrations in major cities.

The speech was not entirely a surprise, as China's leaders have acknowledged since late last summer that the central Government needed to slow down growth and regain a grasp over the economy before the march to the market could be resumed. Even many Western economists agree that such a retrenchment was necessary to prepare the country for further changes, and that central planning was necessary to foster a banking and legal system and improve China's physical infrastructure.

But Mr. Li took this theme somewhat further. For example, last fall China's leaders suggested that a delay of up to two years might be necessary in the nation's adoption of market-oriented policies, while today's speech suggested that the delay might last more than two years and that it would involve not just a postponement of economic changes but a partial rollback of some that already have been adopted.

The delegates in the cavernous Great Hall of the People were mostly silent during the speech. But they applauded loudly when Mr. Li implicitly warned Western countries not to support the independence movement in Tibet.

"Any foreign force's support for such separatist activities, under whatever pretext, constitutes an outrageous interference in China's internal affairs and will absolutely not be tolerated," Mr. Li said, then repeating the statement to further applause. A Focus on Economics

The speech focused on economics, however, and especially on what Mr. Li seemed to regard as two major related problems: the loss of power from the central Government to the provinces in recent years, and the risks that China will face if it embraces the chaos and inequality of market economics.

Mr. Li stressed the need for the central Government to maintain control of the economy and prevent corruption and profiteering as well as unproductive investments. He said the Government would continue to force companies to cut their links with local officials and to improve their accounting systems, "so as to put an end to the present state of chaos."

He also called for measures to redress the growing "unfair distribution of income," and he said that the state would tighten its control over prices as a way of restricting inflation.

Most of the work report was expressed in vague language, exhorting people to behave better rather than outlining how this would be achieved. Given the increased willingness of local officials and individuals to ignore instructions from the central Government, Mr. Li's relatively stringent socialist vision may well be quietly but effectively defied by the hundreds of thousands of tiny shops and factories that are privately or collectively run and that are responsible for much of the chaos that Mr. Li warned against.

A version of this article appears in print on March 21, 1989, on Page A00001 of the National edition with the headline: CHINA AGAIN MOVES CENTRAL PLANNING TO CENTER STAGE.