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# **China**

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# China

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## NATIONAL AFFAIRS, POLICY

### Measures on Managing Foundations

OW1411010188 Beijing XINHUA Domestic Service in  
Chinese 0835 GMT 11 Nov 88

[Text] Beijing 11 Nov (XINHUA)

Article 1. These measures are formulated to improve the management of foundations to facilitate their wholesome development.

Article 2. Hereinafter foundation refers to a nongovernmental and nonprofit organization that manages funds donated voluntarily by social groups and other organizations and individuals inside and outside China. It is a social organization and a legal entity.

A foundation aims to promote the development of scientific research, cultural education, social welfare, and other undertakings that benefit the public through financial assistance.

These measures do not apply to foundations that provide financial assistance to scientific research and other organizations for managing special funds which are set up with state appropriations.

Article 3. The following conditions should be met in establishing a foundation:

- (1) The nature, goals, and sources of funds should conform with the stipulations in Article 2 above;
- (2) The registered funds should exceed 100,000 yuan renminbi (or foreign currencies of equal value);
- (3) The foundation should have an article of association, an administrative organ, and the necessary financial personnel;
- (4) The foundation should have a fixed place for conducting its work.

Article 4. A foundation may raise funds from enterprises, establishments, social groups, and other organizations as well as individuals inside and outside China who are enthusiastic about the foundation's activities and goals. Donors should voluntarily make donations. Apportionment of donations is strictly prohibited.

Article 5. Incumbent government functionaries may not act concurrently as leading members of a foundation.

A foundation should be managed democratically. It should institute a strict system for raising, managing, and using funds; and regularly publish its accounts of receipts and payments.

Article 6. A foundation should use its funds to subsidize activities and undertakings that conform to its goals. It is not allowed to use funds for other purposes. A foundation is not allowed to operate and manage enterprises.

Article 7. A foundation may deposit its funds in banking institutions to earn interest; and may also purchase bonds, shares, and other negotiable securities. However, a foundation may not purchase more than 20 percent of the total shares of any enterprises.

Article 8. A foundation has the right to supervise the use of funds by recipients of the funds. If the funds are found to be used not in accordance with the original agreement, the foundation has the right to reduce, discontinue, or recall the funds.

Article 9. A foundation shall pay the wages of working personnel and other office expenses out of the interest earned on the funds and other revenues.

Article 10. A foundation owns the foreign exchange donated by foreign donors, and it is allowed to open a foreign exchange savings account.

Goods and equipment donated to a foundation from abroad are exempted from customs duties, and are owned by the foundation. The foundation has the right to use these goods and equipment as aid and give them away to units or individuals associated with the foundation's goals, but selling these materials is not allowed.

Article 11. To establish a foundation, the department in charge shall submit a report to the People's Bank for examination and approval before the civil affairs departments can register it and issue a license. A foundation is allowed to start a business only after it has acquired legal status.

Application for the establishment of a national foundation should be submitted to the People's Bank of China for examination and approval. The foundation should be registered with the Civil Affairs Ministry and reported to the State Council for the record. Application for establishing a local foundation should be submitted to the provincial, autonomous regional, and municipal branches of the People's Bank of China for examination and approval. The foundation should be registered with the civil affairs departments under the provincial, autonomous regional, and municipal people's governments; and reported to the provincial, autonomous regional, and municipal people's governments for the record.

To change the name of a foundation, merge it with others, or abolish it, follow the procedure for applying for the establishment of a foundation.

Article 12. A foundation should submit an annual report to the People's Bank and civil affairs departments regarding its receipts, expenditures, and activities; and place itself under the supervision of the People's Bank and civil affairs departments.

If a foundation's activities violate these measures, the People's Bank has the power to stop payment and freeze funds and order it to undergo consolidation; and civil affairs departments have the power to serve warning and revoke its license.

Article 13. The People's Bank of China and the Civil Affairs Ministry are responsible for implementing these measures and may accordingly formulate detailed rules and regulations for implementation.

Article 14. These measures come into force on the day of promulgation.

### **Problems Managing Capital Construction Fund Outlined**

40060139 Beijing JINGJI CANKAO in Chinese  
18 Oct 88 p 4

[Article by Zhu Xiaohuang 2612 2556 7806: "Investigations on the Problems of Managing China's Capital Construction Fund"]

[Text] According to the recently approved regulations of the State Council for current reform of the investment system, starting in 1988 the investment system reform will adopt two main measures. The first will be the establishment of a state capital construction fund that is separate from financial expenditures in order to achieve the goal of stabilizing investments. The second measure will be the establishment of a state special investment company for managing state investment that will include investment companies for energy resources, transportation and communication, raw materials, machinery and electrical equipment and light textiles, agriculture, and forestry. The author feels there are two problems in the implementation of this reform plan that require in-depth study.

### **I. Who Has the Ownership Rights to the State Capital Construction Fund**

The capital construction fund belongs to the state, but which department (i.e. State Planning Commission, Ministry of Finance, People's Construction Bank, Special Investment Company) has the authority to represent the state in direct management of the fund? The plan was not explicit but there is some confusion concerning this question. It is difficult to determine the relationships of rights, responsibilities, and benefits in the economic processes in the fund's distribution, utilization, recovery, and setting of increases. These problems may ultimately cause failure for the original intention of creating the fund.

The author believes that this problem must be solved, that it will be necessary to establish a board of directors for the state capital construction fund, and that this board of directors should be given the position of controlling the fund. The board of directors will be made up of all parties concerned and will jointly coordinate supervision of the fund.

### **II. The Character of the Special Investment Company**

The special investment company will be established to reform the situation of the state acting as the main investment body, and to bring the state's control of investment into the orbit of commodity production. But the author still has some doubts about the ability to bring this about.

First, the special investment company will be essentially an administrative company. Its management aim of implementing the state's investment plan is basically no different from the investment management done by the major departments. The costs of operating the investment company will come from the construction fund and profits from the fund will be returned to the fund. This means it will not be responsible for risks and will not be able to achieve any economic development. The so-called utilization of market and competitive mechanisms are just hollow words.

Second, the special investment company will only manage business-type projects with other projects still being managed by the major departments. In comparing this process with that of having the major departments performing the management, it seems to be just adding another management link that doesn't make sense.

Third, the goal of the special investment company is to realize an increase in the capital construction fund. Whether or not the fund can be increased depends on the management of construction projects and the results obtained by the projects after these go into operation. It is quite evident that the investment company can't replace the project management organization, and also can't conduct management of enterprises after they begin operations. Therefore, merely switching control of selected projects from the main departments to a special investment company will not solve the problems in investment return.

The author feels that the establishment of a special investment company, in the overall reform of the investment system, will at most, only bring about a shifting of the state acting as the chief investment entity to an enterprise acting for the state in investments. The investment company will itself only be an interim organization that will in the end evolve into an enterprise like project contracting company or an investment contracting company. At present, it is a reform measure but later it will become a target for reform itself. We should have a clearheaded understanding of this.

### **Inflation, Shortages, Unemployment Seen Hurting Reforms**

40060153 Beijing JINGJIXUE DONGTAI  
[ECONOMICS DYNAMICS] in Chinese  
No 11, 5 Nov 88 pp 16-19

[Article by Chen Dongqi 7115 2639 3825: "Achieve a Fundamental Turn Around in the Economic Situation by Working Hard at Reform"]

[Text] Recently there has been much discussion about the economic situation both among economic circles and in streets and lanes and much concern expressed about the future of reform. Pessimistic comrades say straight out that our reforms are verging on abortion, and that we are following in the footsteps of reforms in Eastern Europe. Optimistic comrades maintain, on the other hand, that the situation in reform is very good, and that needed control has removed the tremendous fluctuations of the past 2 or 3 years; economic growth has been powerful, and we have come to a favorable time when a great leap in reform can be realized. Still other comrades believe that reform has become mired in the double predicament of "difficulty in moving ahead, and impossibility of retreating," and they feel confused. Their enthusiasm for reform has dropped. Just how should the economic situation in 1988 be evaluated? What attitude and what response should we adopt in the present situation? Can reforms continue to deepen and advance? How can they be deepened and advanced? I would like to discuss some incompletely formed views on these matters here.

### **The New Situation That Reform Faces: Economic Crisis**

If we use as a reference the developed capitalist economy of the west, and the completely balanced ideal socialist economy that Marx envisioned more than 100 years ago, China's national economy, after 10 years of reform, has yet to leave the "critical operation" stage in which the economic climate has been very hectic throughout. At the very least, the lack of effective supply has not been replaced by a lack of effective demand. However, if the 10 years of reform are divided into an early stage (1979-1983) and a late stage (1984-1988), and if degrees of turmoil or relative relaxation in the economic climate are compared in terms of macroeconomic policy efforts, very clearly the hectic climate of the early stage, when reform was getting underway, has gradually tended toward relative relaxation, while during the late stage the turmoil has gradually intensified. During the "overheating" of the economy in 1984, some economists were quick in proposing theoretical ideas and policy proposals "to create a relatively relaxed economic climate for reform," which everyone accepted for a time. What a pity that these ideas were abandoned later. Both economic theory and government policy rather favored "the right amount of inflation" or "moderate inflation" in an effort to find a successful road of reform in the midst of a sustained or even an increasingly hectic climate. As a result, since 1984 latent dangers in the economic process

have not only not been gradually diluted or eliminated, but rather have tended to accumulate. In 1988, the market is flooded with paper currency; goods are in short supply; bank withdrawals have accelerated; and panic buying is the order of the day as the explosive aftermath of 4 or 5 years of accumulating and intensifying latent dangers builds into an economic crisis.

The current economic crisis is not just a food crisis; it is an all out crisis that has ramifications in every economic realm. The ways in which it differs from economic crises in western countries are as follows. It is a crisis not of production surplus, but of supply shortage manifested in the following ways: (1) a tendency toward sharp decline in savings deposits, and a rapid decline in the savings rate, resulting in a severe imbalance between investment and savings; (2) skyrocketing prices, renminbi depreciating with each passing day; (3) a serious shortage of goods on shop shelves, panic buying becoming the order of the day resulting in a "dearth of goods;" (4) intensified structural imbalance, with an abnormal decline in assets and capital utilization rates; and (5) a rise in the underemployment rate or the unemployment rate, accompanied by a general slowdown. Most important of these is the flood of currency, the serious imbalance between the shortage of goods and the availability of currency, and the rapid fall off in returns.

Some comrades do not acknowledge the existence of an economic crisis, and they object to the present hectic reform situation. They maintain that the panic buying of food, and the sudden withdrawals of savings of the past several months are normal, short-term phenomena inasmuch as short-term panic buying has occurred just before each government price reform decision of the past several years. I maintain that such a casual attitude can worsen misconceptions. The thing that should arouse serious concern is that the citizenry's reaction, and the anticipated intensity of its reaction, to a more than 20 percent rise in prices today is far higher than its reaction and the anticipated intensity of its reaction to the between 6 and 8 percent rise in prices of the past, and the panic buying pressure created by the 400 billion yuan in savings deposits now will be much stronger than the panic purchasing power created by the only 30 billion yuan in savings deposits of the past. In particular, the citizenry's headlong panic buying will result not only in a general drop in the quality of production enterprises' goods, but may lead to a greater tilt in the make-up of industry and products that makes the supply and demand structure of the entire society more irrational. Once the wave of panic buying has crested, the amount of goods accumulating in warehouses will expand suddenly to produce a false production glut crisis, and finally the long term sickly operation of the economy will push system reform to the track of chronic economic crisis. For this reason, I believe that economists and government policymakers positively should not treat the present panic buying lightly. We have to recognize that there is an economic crisis, and we have to proceed from

the demand for reform, and from the interests of the majority of society, particularly those at the low income level, to find remedies for the economic crisis.

#### **Reasons for the Current Economic Crisis: Analysis of Supply and Demand**

Many reasons account for the current economic shortage crisis. On the supply side, the most important one is the individual returns issue manifested as follows: (1) low production efficiency of funds. We do not have much money at the present time, but much of it is dissipated over too wide an area. Considering the nature of the country's economy with its plentiful workforce but insufficient capital, it goes without saying that industrial techniques that save capital have to be chosen in the economic growth process; however, the present capital coefficient is no lower than that of developed countries in Europe and America, and Japan. In economic growth, the more capital invested the greater the contribution. Computations made by Wu Jinglian [0702 2417 8834] et al show that during the first half of 1988 an additional 0.74 yuan of industrial working capital had to be spent for each yuan of industrial output value, or about double the usual 0.30 to 0.50 yuan. Furthermore, much of it was "lost" in the circulation process, a large amount of productive funds leaking from the hands of enterprises into the pockets of private persons as a result of disruptions caused by unconventional "circulation" (official racketeering) links. Consequently, some production funds turned into consumption funds with a potential for exerting market pressure through their use in the panic buying of consumer goods. Generally speaking, a sum of money in the hands of a private person is used more thriftily than when in public hands, and it is used more efficiently too. The problem is that in the present situation in which there is a lack of legal protection of mechanisms created by private capital, a large portion of the money that flows into private hands from government enterprises is not transformed into production capital, but rather is transformed into funds for the purchase of durable consumer goods or luxury goods. Thus, the process whereby social funds become capital for investment is distorted and interrupted; social funds become used for consumption, thereby decreasing the total amount available for production. (2) Low efficiency in the use of capital. As a result of widespread black-marketing and rampant "official racketeering," not only have prices soared, but there is a shortage of goods in markets. Since enterprises feel that "the situation might become worse," plus the virtual lack of teeth in budget restraints on enterprises, enterprises are not at all loathe to hoard products locally and to increase the amount of goods held in storage. For example, during the first half of 1988 prices for aluminum, nickel, sheet steel, and high (or low) pressure polyethylene rose with each passing month, and state supplies dwindled. The attitude of enterprises was "never mind whether it is needed now or not, and never mind how high the black market price may be, buy it back first and talk later so it will be available for use later on when it is needed." One result

was insufficient capital goods in market, supplies being unable to meet demand; another was that the idle rate for assets in enterprises became higher and higher. The amount of goods stored in warehouses today is roughly equal to the amount of fixed assets, while in Japan the former is only half the latter. Clearly, the country's assets utilization efficiency is extremely low. (3) Low manpower utilization efficiency. China's current manpower resources total approximately 650 million, but the underemployment rate stands at approximately 20 percent, and the unemployment rate is rising steadily. It is estimated that at least 20 million of the 96 million staff members and workers in state-owned enterprises have nothing to do, and a vast army of on-the-job unemployed exists in enterprises and government agencies. In particular, when workers in enterprises and some low pay workers see that "official racketeers" and private peddlers get rich without working, they resort to laying down on the job. As a result, there has been a general decline in labor efficiency. The drop in efficiency in these three regards began to intensify after 1984, and has now reached serious proportions. A direct consequence of the decline in efficiency is that the increase in supply cannot keep up with the increase in demand, and the economy has become mired in crisis.

On the demand side, the main problem is inflation. It has become increasingly apparent that we began to take the inflationary road as a matter of policy in 1984. From 1984 through 1987, the country increased the issuance of currency by about 29 percent, an amount much larger than the increase during the initial period of reform (1980-1983). The high velocity issuance of currency during these 4 years has penned up a large amount of unexpressed surplus purchasing power, and has buried inflationary price rise factors for 1988 and subsequent years. However, 17 billion yuan more currency was issued during the first half of 1988 than during the same period in 1987 (a net issuance of more than 8.8 billion and a failure to withdraw 8.3 billion from circulation). This added fuel to the fire of price inflation. In a situation of low effective growth and inadequate effective supply, reliance on the speeding up of currency printing presses to sustain false economic prosperity is bound to lead to price inflation and panic buying that are difficult to contain, and bring about a complete shortage crisis.

It appears that the current shortage crisis resulted both from objective factors having to do with the dual track system and from subjective factors having to do with blunders made in guiding macroeconomic policy. As of now, quite a few people concerned with economic matters stress only the former reason without acknowledging the latter one. Simplistic attribution of the imbalance between supply and demand solely to shortcomings in the system does not take into account policy blunders. I believe that such an attitude is understandable when it comes from a propagandist with a one-track mind, but when it comes from economists and government policymakers, it is undesirable. Indeed, the number of economists who express views critical of current policies seem

too few. Quite a few people are still unwilling to believe that criticism is not for the purpose of placing blame, but to improve our policies and to reduce future blunders in macroeconomic guidance so that reform can move forward in a healthy and smooth way.

#### **Short-Term Method for Getting Out of the Crisis Predicament: Macroeconomic Control**

Should active methods be taken to effect macroeconomic control in the face of the present economic crisis, or should a psychology of enduring and forging ahead while trusting to luck be adopted? It appears that the latter method certainly would be preferable provided it is really able to get the desired results. The problem is that the citizenry, particularly the low income citizenry, are approaching the "permissible limits" for enduring, and if things do not turn out right, reform may fall short of success. Thus, there is no choice but to use the former method. The "Six Measures" recently put forward by the State Council, and the principles (Three Sentences) recently put forward by the Third Plenum of the 13th Central Committee are wise actions, which may moderate the duration of the crisis and the hectic climate, calm the citizenry's feelings, and make a contribution toward correcting the macroeconomic policy blunders of the past several years.

During the past two years, economists have held the idea that "tightening up," "macroeconomic control," and "total balance" are old traditional methods, and they suppose that consciously or unconsciously, these methods have been wrung dry as means of reform. They regard them as "conservative." They understand reform only in terms of "microeconomic renewal," and they ignore the significance for reform of a change in the macroeconomic coordination mechanism, and effective macroeconomic control under the new economic order. Given the existing political system and climate of thought, such a fixed idea and a theoretical method of judgment really causes palpitations in people who talk about macroeconomic control. However, I believe it is neither fair nor appropriate to use approval or disapproval of "tightening up," "macroeconomic control," or "total balance" as a sign of support for reform or opposition to reform, or of emancipated thinking or unemancipated thinking. People are unanimous about the past reform decisions that have brought China's reform to its present point; the focal point for disagreement lies in how (methods and steps) to effect reform, and the direction of reform. I do not approve the slighting of macroeconomic control. When the economy is facing a crisis, failure to put on the brakes, and failure to tighten up not only makes the deepening of reform impossible, but the gains already made in reform may be lost. Particularly under conditions of a "bi-directional division of authority" (a division of authority between enterprises and markets, and between local jurisdictions and administrative authorities), macroeconomic control and total balance are especially important, even though the meaning and methods of control and balance are different from what

they formerly were. Actually, it is possible to have macroeconomic control in combination with market operation and free management of enterprises. Historically, the "[Ludwig] Erhard Reform" (1948), and the "Daoqi [6670 1142] Retrenchment" (1949) provide us with a successful experience in which "macroeconomic control" was intertwined with "removal of restraints on markets," and the market capitalism economic system of the time moved ahead under constant macroeconomic control. When western market economies are in a serious slump and crisis, governments always intervene strongly with short-term control measures. It seems that this antithesis between "macroeconomic control" and "market operation" is a new mechanism. To suppose that strengthening of controls and tightening up in times of turmoil are "retreats," "taking the same old road," and "aborting reforms" remains, in fact, a logical inference based on conventional theory. International experience demonstrates that when based on fair competition among enterprises, and when based on orderly market operation, macroeconomic regulation can become a powerful lever for balancing and giving impetus to healthy development of the national economy. While emphasizing "enlivening" in recent years, we have not taken into consideration the coordinated use of before-the-fact controls and after-the-fact coordination. As a result, things like "official racketeering," which inhibit competitive markets, have occurred.

Certainly, macroeconomic control is not just government and macroeconomic policymakers' rational readjustment of the activities of enterprises and households, and of market operations, but is also a matter of government and macroeconomic policymakers' restricting and balancing their own activities. Strictly speaking, government control over microeconomic (enterprise, household, and market) activity is a fairly easy matter; the real difficulty lies in how the actions of government agencies and macroeconomic policymakers can be very effectively regulated and controlled. In recent years, economists have devoted quite a lot of serious attention to the study of both the behavior of enterprises and households, and quite a few people have applied the Kornai category to the study of the actions of enterprises and households under the Chinese traditional system and the dual track system, but not much attention has been given to the actions of government and macroeconomic policymakers. Actually, the economic system in China during the reform period has moved gradually toward shortages and crisis largely because of blunders made in macroeconomic policies; government actions have been irrational, and macroeconomic policymakers have arbitrarily interfered too much. There has been no control mechanism to bring balance to policy-making at the macroeconomic level. This is one of the fundamental reasons why the growth rate in the industrial economy, the currency issuance rate, and the size of investment in capital construction during the past several years has greatly exceeded plan. Moreover, the individual arbitrariness of reform policies has also been very apparent.

It is for these reasons that I maintain that in order to get out of the crisis predicament quickly, it is necessary not only to increase macroeconomic control over the microeconomic level while insuring a change in the enterprise mechanism and normal development of the market system, but also to find a way at once to supervise, restrict, and balance the actions of government agencies and macroeconomic policymakers. This requires, in turn, an acceleration of reform of the superstructure, improvements in the existing political, administrative, and personnel systems, the establishment of a system of legal restraints, and a system for the purpose of effecting balance. The arbitrary interference of a small number of people frequently makes it difficult for macroeconomic control to be rational and effective.

**Long-range Way To Bring About a Fundamental Change for the Better in the Economic System: Selective Deepening of Reform**

In a situation of economic crisis, there can be no halt in reform much less a retreat to a product economy founded on the natural economy. Reform can only move ahead; it cannot go backward. However, advance must proceed from stability. There can be no reckless advance. An example is price reform, the key to success or failure of all reforms, for which a full estimate must be made of its demands on the environment, and a strategy for step-by-step advance instituted. There is no way by which a change in the enterprise mechanism and development of the market system can get around the critical point of price reform. However, though immediate completion of price reform may be attainable in theory; in practice, I fear, it is very difficult to do. Desire for instant success, I fear, will mean half the gain for twice the effort. This will be particularly true during the next 1 or 2 years when taking small steps in price reform and advancing from stability is likely to be the safer way of doing things. It is estimated that if the amount of currency issued during all of 1988 is on the scale of issuance during the last half of 1987, it will reach more than 40 billion yuan in a more than 27 percent rate of increase, or 7 percent more than during 1987. If the issuance of currency during the last half of 1988 continues at the same speed as during the first half of 1988, it may reach more than 50 billion yuan in a 34 percent increase, which is 14 percent or more higher than during 1987.<sup>1</sup> Clearly, no matter which "if" occurs, the currency situation will be fairly grim. Even without any structural price readjustments, the amount of currency already issued in 1988 will lead to price increases next year of approximately 20 percent. When prices are rising rapidly, it is necessary to protect the interests of bank depositors by preserving the value of their savings, to curb panic buying and panic withdrawals of deposits, and to allay the hectic market atmosphere. However, protection of value without corresponding commodity balance, continuing to rely instead on the issuance of currency, will, after a certain pause, continue to produce price rises. The result will be a vicious cycle of "price

rises—protection of value—increased issuance of currency—prices rises..." This cycle, and the vicious cycle of "price rises—wage increases—increased issuance of currency—price rises..." follow the same principle. Therefore, it is important to control the issuance of currency and overall price levels, using these methods to control the market climate in order to set the stage so that major steps may be taken in price reform 1 or 2 years later.

A look at the commodity and currency situation in 1988 shows that for the next 1 or 2 years wage and price reforms should be slow rather than hurried. The macroeconomic requirement for these 2 years is to bring about a fundamental turn around in the economic situation, returning macroeconomic policies to a theoretical foundation from which a relatively relaxed climate can be created. However, reforms that will not increase the situation's urgency, for which the state does not have to pay money or has to pay only a small amount of money, that can increase state revenues, or that can divert and precipitate out consumer goods purchasing power may be hurried up. In this reform, the following several matters may be considered first:

First is the sale of small state-owned enterprises as a means of accelerating the change from state to civilian ownership of small enterprises.

Second is putting some state-owned large and medium size enterprises under a staff and worker share system, or some other share system.

Third is sale of public housing to hasten the privatization of housing.

Sale of small state-owned enterprises, public housing, and land, and institution of a staff members and workers share system would both benefit the state, reverse the present outlays of public funds, and produce the financial resources needed for satisfactory completion of wage and price reforms, and would play a long-term role in moderating the consumer funds inflation that has steadily flourished without abatement for several years. In this way, not only can a fundamental turn around of the economic situation be effected while facing an economic crisis of shortage, but a further deepening of reforms can be achieved. Therefore, under guidance of a policy of seeking to move ahead from stability, we can smoothly reach the opposite shore of a new order in the socialist commodity economy.

**Footnote 1.**

Wu Jinglian et al: "The Price Reform Climate Looked at in Terms of the Economic Situation During the First Half of 1988," an internal-use-only document.

**PROVINCIAL**

**Jilin's Financial Inspection Shows Good Results**  
*SK1811081288 Changchun Jilin Provincial Service in Mandarin 1030 GMT 17 Nov 88*

[Text] Our province has achieved initial results at the self-inspection stage of the large-scale inspection of tax, financial, and pricing affairs.

According to statistics, by the end of October in the self-inspection stage, some 60 million yuan of illicit money had been ferreted out, 86 percent of enterprises and units had conducted self-inspection, and a number of major and appalling cases had been ferreted out.

This year's inspection of tax, financial, and pricing affairs has attracted the attention of governments at all levels. Government leaders have personally taken the lead in, concerned themselves with, and made arrangements for this inspection. Offices for conducting this inspection have been established at all levels, and all persons on duty have stuck to their posts.

However, many problems also existed at the self-inspection stage. For instance, a small number of localities and departments took a passive and perfunctory attitude on the large-scale inspection, thus yielding unsatisfactory results. Some enterprises and units harbored the idea of trusting luck and took a wait-and-see attitude, thus being careless in conducting self-inspection. As a result, the illicit money which should be returned to the state treasury has been returned slowly.

The provincial office in charge of the large-scale inspection called on all localities and departments to continuously attend to self-inspection conscientiously, not perfunctorily, in order to enter the major inspection stage in due time and continue to deepen this inspection.

### **Shaanxi Holds Meeting on Price Control**

*HK1811060888 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 16 Nov 88*

[Excerpts] Yesterday afternoon, the provincial party committee and provincial government held a meeting of the mayors of the large and medium-sized cities and put forward eight measures to control price increases and to do a good job in grasping market supplies.

After the responsible comrades of five large and medium-sized cities, including Xian, Xianyang, Baoji, Tongchuan, and Weinan, reported the situation on controlling prices and stabilizing the market, Vice Governor Xu Shanlin spoke on behalf of the provincial party committee and provincial government. Xu Shanlin said: Whether or not the situation in supplying the necessities for the people's daily life can be improved in a short time, whether or not the urban and rural people can spend the Spring Festival well, and whether or not the increase in the market prices next year can be made markedly lower than that this year is both an economic matter and a political matter. It is an important matter which we should now resolve well.

On behalf of the provincial party committee and provincial government, Vice Governor Xu Shanlin put forward the following demands:

1. Governments at all levels of the large and medium-sized cities must control price increases and put good arrangements for the market supplies in a prominent position and grasp this work. From the political angle, the leaders of governments at all levels must attach importance to the market work and really improve the market supplies.

2. It is necessary to strictly control the measures for regulating prices and to conduct large-scale inspection of the market prices. Between now and before the basic stabilization of the market next year, places shall not issue new measures for regulating prices or other administrative measures which will affect the people's daily life. All relevant departments in charge of this work shall not decide the regulation of prices or transmit the documents on raising prices to lower levels by themselves. [passage omitted] The provincial government has decided to conduct large-scale inspection of prices three times before the Spring Festival. All places must organize and carry out large-scale inspection very quickly. The cases discovered after investigation must be strictly dealt with according to the seriousness of the violations. [passage omitted]

3. It is essential to go all out to do well in grasping the supply of the necessities for the people's basic daily life. [passage omitted]

4. In the future, the measures or decisions for regulating prices of the necessities for the people's daily life and the administrative measures which directly affect the people's daily life must be carefully studied and arranged. Those that don't need to be altered must remain as far as possible the way the masses have become accustomed to. Regarding those that need to be altered, we must take in consideration whether it is beneficial to the overall situation or not, social influence, and the masses' ability to accept and bear. [passage omitted]

5. It is imperative to promote production, to increase procurement, and to make arrangements for supplying goods. In light of the present situation, we must do well in grasping the production and procurement of the marketable products and the procurement of grain and other agricultural and sideline products. In the peak procurement period, it is essential to completely fulfill the quotas for procurement. [passage omitted]

6. The state-owned commercial and grain departments must play their role as a main channel, correct the management guiding ideology, and in light of the overall situation, vigorously engage in the business of putting the commodities necessary for the people's daily life whose profits are small and turnover slow on the market. The amount of wholesale must be reduced and resale strictly prohibited. They must play a part in buying and selling commodities and regulating the market when the prices increase in the market, to keep down prices.

7. It is necessary to vigorously direct consumption. All economic departments, economic and press circles, and propaganda departments must teach the masses not to indulge in advance consumption in the form of reasoning everything out with the masses and in a lively form. Through the strength of public opinion and economic means, we must gradually get rid of the masses' fear of price increases and their worries about money devaluation to lighten the pressure on the market supplies and to create conditions for controlling prices and stabilizing the market.

8. The mayor must grasp the market work and implement the responsibility system. Duties must be fulfilled at all levels. From now on, the principal leading comrades of the governments of all large and medium-sized cities must be responsible for organizing a special group to give unified command, to control prices, and to make arrangements for the market. [passage omitted] Party committees at the same level must assign their principal leaders to help the government do well in grasping market supplies.

**Shanxi Governor Views Economic Measures**  
*HK0511060788 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 4 Nov 88*

[Excerpts] In order to truly translate the spirit of the 3d Plenary Session of the 13th CPC Central Committee into action, from 1 to 4 November the leading comrades of the provincial government concentrated efforts on listening to reports from relevant departments and bureaus on measures for improving the economic environment, rectifying the economic order, and comprehensively deepening the reforms. They seriously studied the issues in light of the current situation and problems and gained a clear understanding of the tasks for 1989 and the guiding idea for comprehensively deepening reforms in the province. The participants included Governor Wang Senhao and Vice Governors Bai Qingcai, Wu Dacai, and Wu Junzhou. [passage omitted]

Governor Wang Senhao delivered many important instructions while listening to the reports. He said that market arrangements for the New Year and Spring Festival are very important this year. We must organize a very good team and assign personnel to ensure sources of supply. In particular, we must do a good job in supplying industrial goods needed in daily life.

On rectifying order in coal transport and sales, Governor Wang Senhao reiterated that no unit or individual is allowed to transport and sell coal without approval from the provincial government.

On the economic work arrangements for next year, he proposed seven items of work requiring attention: 1) Further deepen the enterprise reforms and improve economic returns. 2) Strive to increase output of products in short supply, especially daily necessities, so as to

increase general supply. 3) Do a good job in technological transformation, and overcome short-term behavior in enterprise contracting. 4) Continue to launch the double increase and double economy drive and grasp the four weak cardinal links. 5) Promote production safety. 6) Improve enterprise management. 7) Step up ideological and political work for the staff and workers.

**FINANCE, BANKING**

**Bank Meeting Studies Inland Development**  
*OW1611135388 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 13 Nov 88*

[Text] A Bank of China seminar on how inland provinces should develop an export-oriented economy closed in Nanchang on 13 November. More than 60 representatives of the Bank of China's Head Office, Hong Kong and Macao Office, and eight bank branches in Guangzhou, Fuzhou, Shanghai, Hankou, and other cities in coastal areas and inland provinces, as well as [words indistinct] of Jiangxi Province attended the meeting, which was presided over by (Zhao Bingde,) vice chairman of the Board of Directors of the Bank of China's Head Office.

Jiang Zhuping, deputy secretary of the Jiangxi Provincial CPC Committee and vice governor of Jiangxi Province, called on the representatives attending the seminar on the evening of 9 November.

Representatives attending the seminar exchanged study reports and theses on the following subjects: how inland provinces should carry out the central authorities' economic development strategy for the coastal areas; how to widen economic contacts between inland provinces and the coastal areas; how to develop an export-oriented economy in inland provinces; and how the Bank of China can help inland provinces develop an export-oriented economy.

**Ways To Utilize Funds More Effectively**  
*40060041 Beijing ZHONGGUO JINRONG [CHINA FINANCE] in Chinese No 9, 4 Sep 88 pp 6-7*

[Text] To realize in earnest the spirit of State Council Document No 39 (1988), "Circular on the More Effective Utilization of Funds," and ensure that the task of potential-tapping for 1988 is fulfilled, the People's Bank of China, the State Planning Commission, and the Ministry of Finance recently formulated regulations on a number of specific issues, as follows:

1. To make it easier for localities to fulfill their stocktaking and potential-tapping task for 1988 and examine their efforts in this area, the amount of working funds for every 100 yuan of sales is lowered by 2 yuan. The circulation of funds is to be accelerated by 3 percent compared to the preceding year, thus saving 20 billion yuan in working funds. To tap potential, the particular must be compared with the general and efforts would be

expended in a dual fashion. Governments in the localities shall be responsible for organizing the departments concerned to fulfill the task for the locality in question. Special banks at all levels shall be responsible for checking the accounts of enterprises with which they do business. Planning commissions, finance departments, and people's banks at all levels shall be responsible for assisting the government to fulfill the task and examine the special banks.

2. The method used to take stock and tap potential in 1988 is "first deduct, then transfer." In other words, in conjunction with the department in charge, the bank where the enterprise has an account shall determine the target for potential-tapping and draw up a timetable for its completion. The bank and the enterprise are to establish a "potential-tapping account" and "potential-tapping special account" respectively. In accordance with the potential-tapping target and progress, the bank is to deal with the inventories and cut down on the amount of funds being used improperly through the enterprise and recover bank loans due. At the same time, branches of the people's bank in the regions, prefectures, and municipalities shall recall loans from special banks. Loans repaid to the people's bank shall be put in a "potential-tapping special account" to be used by special banks to meet working capital needs in accordance with the demand that the industrial structure, product mix, and loan structure be adjusted. The special banks should adhere to the policy of fostering what is good and limiting what is bad to support enterprises in a targeted way. Money from the "potential-tapping special account" should go to meet the working capital needs of the procurement of agricultural byproducts, enterprises which export to earn foreign exchange, the procurement of commodities for export, the production of popular products or products in short supply on the market, and national priority projects. Money from the "potential-tapping special account" should be distributed in accordance with the policy that "whoever taps potential should get to use the funds." All funds shall be spent where they originated. There shall be no attempt at interregional or inter-bank distribution.

3. It is demanded that stocktaking and potential-tapping be 50 percent completed by the end of September and 80 percent completed by the end of November. To ensure that the task will be completed on time as scheduled, special banks at all levels, in conjunction with the departments in charge of enterprises, shall draw up a plan to deal with the enterprise's overstocked materials and the improper utilization of funds. Special banks shall charge enterprises an extra 30 percent in interest on "special potential-tapping account" loans. If an enterprise completes the potential-tapping task and repays the loan on time, the bank shall refund the money to the enterprise plus interest. If the enterprise fails to complete its assignment as scheduled, it will be charged an additional 20 percent in interest and will come under close scrutiny and control regarding the way it spends the loan.

4. Enterprises which have adopted leasing and contracting and foreign-trade enterprises deregulated in the wake of foreign trade reform shall be denied new loans by the banks if they fail to repay old loans that are due or to deal with the problem of leftover funds by a set time. What is more, efforts will be made to recover loans that are due or overdue.

5. Introduce a management-by-objectives responsibility system for working funds within the enterprise. Incorporate the extent to which the unreasonable use of funds has been reduced and the increase in the effectiveness of fund utilization into the objectives of leasing and contracted management and the tenure objectives of the factory director (manager) so that they become an important yardstick for assessing performance and determining rewards and punishments.

6. Improve the system whereby an enterprise supplements its working funds on its own. An enterprise must strictly replenish its own working funds before it gives out bonuses. Every quarter or every six months, it must replenish its working funds with money from its retained profits or money it is allowed to keep to cover its losses. An enterprise that fails to replenish its working funds by a specified percentage or amount as scheduled would have its loans reduced correspondingly or suspended.

7. Enterprises must increase working capital based on the added value of the goods and commodities in stock under the unified prices of the central government and the appropriate province, autonomous region, or municipality. Otherwise, no bank loans would be extended to the enterprise to cover additional working funds requirements resulting from an increase in the prices of means of production.

8. No special bank or other financial institution shall issue loans to an enterprise which has not tried hard enough to move inventories and tap potential and which has been listed by the bank with which it has an account as an enterprise to which lending is to be cut or suspended.

9. Enterprises must establish a working assets annual inspection system. Special banks everywhere shall carefully examine and inspect the working funds report in the enterprise's books. When an enterprise still fails to distribute expenses after 1987 and continues to inflate its books or to use working funds as fixed assets investment and consumption funds, it shall be subject to credit sanctions if necessary, depending on the seriousness of the case. When an enterprise uses an excessive portion of a loan as working funds, it shall be required to repay double the loan as penalty and interest.

10. Intensify the examination of stocktaking and potential-tapping. Beginning with the third quarter, there shall be two nationwide examinations of stocktaking and potential-tapping, at the end of September and December, respectively. The examination will take place at four

levels. At the highest level, the State Planning Commission, the Ministry of Finance, and the People's Bank of China examine the head offices of the special banks and the various localities. At the second level, the head offices of the special banks examine their own system. At the third level, branches of the people's banks examine the departments in charge and branches of the special banks in conjunction with the various planning commissions, economic commissions, and finance departments (bureaus) at the appropriate level. At the fourth level, special banks at the grassroots examine the enterprises which have opened accounts in them on a monthly basis. Branches of the special banks are to submit examination results to their own head offices and the people's banks, planning commissions, economic commissions, finance bureaus at the appropriate level within 25 days after the close of the quarter. The head offices of special banks submit their results to the head office of the People's Bank of China, the State Planning Commission, and the Ministry of Finance within 25 days after the close of the quarter. This year, they should also report the results of the examination conducted at the end of November.

11. Localities may draw up detailed implementation methods in light of local realities and send a copy to the State Planning Commission, the Ministry of Finance, and the People's Bank of China for record purposes.

## INDUSTRY

### Anhui Urged To Bid for International Market Share

40060156 Hefei ANHUI RIBAO in Chinese  
14 Oct 88 p 4

[Article by Shi Xiaohu 0670 0876 5706: "The Market Guidance Issue in the Development of Anhui's Basic Industries"]

[Text] A series of issues in need of discussion remain in the study of a development strategy for Anhui Province's basic industries, notably the market guidance issue, for which a policy based on realities inside and outside the province should be set as early as possible. I believe that in a province such as ours located in the middle of the second line of the coastal area, the development of basic industries should also be guided by international markets. Agreement on this point would make it possible to level appropriate requirements on the province's basic industries in terms of industrial structure and product mix, would help reform the management structure and the organization of the province's basic industries, and would better guide development of the province's basic industries through the operation of the law of value.

A current point of view maintains that development of the province's economy should be under overall guidance of a "combination of internal and external" markets, internal markets predominating, or what is termed an "overall expansion type economic growth pattern that is oriented primarily toward the domestic market," the

main arguments for which are as follows: (1) The coastal region's externally oriented type of economic development will result in a yielding of the domestic market share that the coastal region now holds, and a shift of attendant processing and manufacturing capabilities, thereby enabling Anhui province to change to the pursuit of an overall development in which a domestic orientation is paramount. (2) The coastal region differs from Anhui Province in that special policies apply to it, and it has a more favorable geographic location, conditions that do not exist in Anhui. (3) An overwhelming majority of the products of the province's basic industries are sold in the domestic market, only a very small amount being exported; therefore, conditions do not exist in Anhui for engaging in an external orientation. There is a certain validity to these arguments; however, the conclusions derived from them are not necessarily correct.

I believe, first, that coastal region development of an externally oriented economy not only will not result in a "yielding of markets," but will, in and of itself, deprive basic industries in inland provinces and regions of their share in the domestic market. One point that should concern us is that most industries in the coastal region are processing industries and manufacturing industries no matter whether they are engaged in the "three forms of import processing and compensation trade," in attracting foreign investment, or are independently financed or joint venture enterprises. All of their products, except those sold abroad and used in compensation trade, as well as large quantities of locally produced copies, are dumped in the provinces and regions in the middle and western parts of the country. Furthermore, the level of economic development of the coastal region is just a little higher than ours, and far from developed to a late stage of industrialization. They have not been in being for 30 or 50 years or longer, so any expectation that the coastal region will yield domestic market share to inland provinces and shift its processing and manufacturing capabilities is fundamentally unachievable and unrealistic.

Second, the many special policies that the central government has set for coastal regions can be gradually instituted in inland provinces like our own, and some of them have indeed been instituted already. All special policies that have been proven in practice along the coast can be put into effect within a short time in inland provinces like our own, and then they will no longer be special.

Third, coastal regions do indeed have a better geographical location than we; however, careful analysis shows that except for some parts of Guangdong and Fujian provinces having distinctive investment, geographic, and human conditions, other provinces and cities have no more advantages than we. In addition, among the country's more than 20 inland provinces and regions, the geographical environment of our own Anhui Province is virtually the best. Therefore, we cannot be confused by the primarily domestically oriented market orientation

promoted by provinces like Shaanxi, Gansu, Ningxia, Yunnan, Guizhou, and Sichuan, as well as Shanxi and Henan provinces, delineating territory strictly and closing ourselves off. In fact, we are able to do a good job in all the externally oriented kinds of business in which Guangdong and Fujian provinces are currently engaged, including the "three forms of import processing and compensation trade," independent ventures, and joint ventures, but excluding the single area of processing of materials brought in from outside China, an area in which Anhui labors under a geographical handicap.

Fourth, the amount of foreign exchange that the province earns from exports is indeed low; however, this should not become a reason for our adoption of an internal market orientation. On the contrary, it should be a motivation for the province to move into international markets. First, though the amount of foreign exchange that all coastal provinces earn from exports is quite a bit higher than the amount Anhui Province earns, in terms of a percentage of the gross output value of industry and agriculture, it amounts to around no more than 5 percent for provinces and cities other than Guangdong, Shanghai, and Tianjin. This is not to mention that it did not amount to even that percentage during the initial stage of their development of an externally oriented economy. Next, adoption of a domestic market orientation would be bad for the large scale technical transformation of the province's basic industries. The sale inside the country of industrial manufactures means the province earns little foreign exchange; therefore, all the money earned can be used only for the purchase of equipment and production lines made in China, and most of the products that this equipment processes has to be sold in the domestic market. However, when coastal regions use the foreign exchange they have earned from the development of an externally oriented economy to buy advanced foreign equipment and production lines for themselves, and then dump on the domestic market goods not sold abroad, the basic industries that we have developed through reliance on domestic market guidance will be shaken.

In view of the above situation, the adherence of the province's basic industries to international market guidance should be said to be logical. Naturally, one cannot mechanically follow the methods of the coastal region. I believe that an "overlapping external orientation type" strategy may be instituted, which means specifically the adoption of the following four policy measures: (1) Every effort made to win from higher authority special policies for opening to the outside world, and subordinate jurisdictions should imitate the coastal regions in every way, and do everything possible to make the most of preferential policies for opening to the outside world. (2) Use the transformation of resources and technical progress as a springboard for the development of processing industries, while simultaneously formulating a series of policy measures for "the prosperity of Anhui from science and trade"; vigorously promote the experiences of the Maanshan Iron and Steel Complex, the Maanshan Design

Institute, and the 17 smelting coalitions to support the forward movement of all entrepreneurial units and scientific research units in the province; pool funds to form all types of technology-labor-trade and technology-agriculture-trade economic entities, as well as various kinds of tertiary industry economic entities to provide services, preparing organizationally for development of an externally oriented economy. (3) Try to demolish trade barriers inside and outside the province to enliven the flow of commodities; find a place in and consolidate the domestic market, simultaneously devoting energy to improving the investment climate by providing more preferential conditions to attract foreign investment and capital from coastal areas; emphasize development of compensation trade and joint ventures; actively export to earn foreign exchange, and make inroads in international markets. (4) Make use of the advantages that the province's basic industries enjoy in raw and processed materials and finished products, and use various means to form partnerships, stock share arrangements, or investments with provinces and regions in coastal areas, indirectly opening the way to international markets in this way. At the same time, the province's own technical transformation should be done more thoroughly, and the quality of processed and manufactured goods improved as a direct means of making inroads into international markets. By applying the foregoing policy measures properly, we will be able to reach our goals successfully.

**Machinery, Electronics Industries Face Cutbacks**  
*OW1611020488 Beijing XINHUA in English*  
0647 GMT 14 Nov 88

[Text] Beijing, November 14 (XINHUA)—The Chinese Ministry of Machinery and Electronics Industry has told enterprises it supervises to prepare for cutbacks in the coming year.

According to He Guangyuan, vice-minister of the machinery and electronics industry, the production of machinery and electronics products will be reduced by one-fifth in 1989.

It is estimated that the total national investment in industrial equipment will be cut by 20 billion yuan in 1989, and "this poses a serious problem for the machinery and electronics industry," the vice-minister said.

During the first nine months of 1988, the output of the machinery and electronics industry expanded at a rate of 20 percent, much higher than the national industrial growth rate of 17 percent, he explained.

He attributed the overstimulated growth to the excessive amount of capital investment in the industry.

"In 1986 and 1987, investment was two or three times higher than had been allowed for in the state plan. The planned investment was 2.2 billion yuan, but the actual amount spent was 5.5 billion yuan in 1986 and 6.8 billion yuan in 1987," he said.

For example, there are now 3,000 enterprises making wires and cables, yet only 200 of them were set up in accordance with the state plan, he said.

"The cutback in the national economy will very likely cause some enterprises to go bankrupt, but this will be a good thing, because it will eliminate the poorly managed ones," the vice-minister said.

### **Locomotive Industry To Upgrade Products**

OW1711032688 Beijing XINHUA in English  
1636 GMT 16 Nov 88

[Text] Beijing, November 16 (XINHUA)—Starting next year, China's locomotive industry will go all out to manufacture diesel and electric locomotives and no longer make steam powered ones, a senior official from the Railways Ministry announced here today.

"In a bid to modernize its railway haulage facilities, China will no longer produce steam locomotives", he said.

According to the official, diesel and electric locomotives already pull 60 percent of the trains on China's 52,000-km railways.

In the first ten months of this year, he said, China turned out 709 locomotives, of which diesel and electric ones made up over 70 percent of the total.

China is now second only to the Soviet Union as a world locomotive builder, he said.

In recent years China has invested heavily in this sector, the official said, adding that quite a number of diesel and electric locomotives of international standards have been manufactured.

The Shaoshan No. 4 electric locomotive, developed recently, is the most powerful engine in China.

China recently also developed the promising "Dongfeng" series of diesel locomotives. The Dongfeng No. 4 and Dongfeng No. 8 diesel locomotives are two of the world's largest haulage engines.

A new member, the "Dongfeng No. 5" diesel locomotive recently passed ministerial appraisal and was added to the Dongfeng family. It will soon be mass produced.

Since 1984, China has imported 570 electric and diesel locomotives from the United States and France, according to railway sources, and plans to buy 50 more this year.

### **Decision of State Council on Rolled Steel Management**

OW16111255 Beijing XINHUA Domestic Service in Chinese 1131 GMT 12 Nov 88

["State Council Decision on Strengthening Management of Rolled Steel"]

[Text] Beijing, 12 Nov (XINHUA, 11 November 1988)

Rolled steel is an important means of production. The past few years have seen considerable development in rolled steel production. At the same time, the state has reformed the management of this material to a rather big extent. The market for rolled steel has been opened. Rolled steel involved in market transactions has increased each year in both variety and quantity. This has played a positive role in invigorating the circulation of rolled steel, promoting its production, and ensuring the sustained development of the national economy. In the meantime, however, there have also been some problems, such as disorder in the market, excessive price rises, and purchases and resale made by some units and individuals aimed at reaping exorbitant profits. These problems have seriously affected the stability of our economy and the deepening of the reform program. To rectify the disorder in the circulation of rolled steel, promote its production, stabilize its market, and ensure the fulfillment of the needs of our country's production and construction, the State Council has decided to further strengthen the planned management of rolled steel as well as the management of its market.

1. Iron and steel enterprises must guarantee the fulfillment of mandatory plans the state has assigned them. Fulfillment of all mandatory plans of the state is a major prerequisite for stabilizing the national economy and ensuring that key requirements are met. It is also a bounden duty of every enterprise. All enterprises must receive purchase orders according to the quantity, quality, and specifications stipulated in the mandatory plans and deliver the goods in strict accordance with the contracts without delay. Fulfillment of the mandatory plans should be used as a major criterion for appraising the operations of enterprises. If an enterprise is found to have failed to fulfill the mandatory plan and sold products on its own, the enterprise leader should be held responsible, the receipts from such sales should be confiscated by the commodity price department, and a fine should be imposed on the enterprise. Both the confiscated receipts and the fine should be turned over to the state financial department. Moreover, such enterprises cannot be cited as advanced enterprises.

With regard to the principal requisites for production required by iron and steel enterprises in fulfilling the state mandatory plans, such as fuel, electric power, furnace materials, and transportation, the competent authorities should formulate appropriate plans to ensure their availability. Under the arrangements of the competent authorities, all enterprises and units concerned

should seriously fulfill these plans and ensure the supply of the requisites according to the contracts. If the enterprises and units concerned fail to execute the contracts, making iron and steel enterprises suffer losses, they should undertake due responsibility and should indemnify the losses. Besides, their leaders should be held responsible. These kind of enterprises cannot be cited as advanced enterprises. Any problems in this regard should be dealt with by the State Planning Commission together with the Ministry of Metallurgical Industry and the Ministry of Materials or settled through arbitration by the contract-management department according to law.

Iron and steel enterprises should submit quarterly reports to the State Planning Commission, the Ministry of Metallurgical Industry, and the Ministry of Materials on the implementation of their contracts and their requirements for production requisites to fulfill the state mandatory plans. The State Planning Commission, the Ministry of Metallurgical Industry, and the Ministry of Materials should then publish these in circulars issued quarterly.

With regard to key iron and steel enterprises, the Ministry of Metallurgical Industry or local metallurgical industry departments (bureaus) should dispatch inspectors to supervise their implementation of state plans and contracts and give guidance on the sale of rolled steel by the enterprises themselves. The inspectors should also report to their units on enterprise production and operation and on problems found in the enterprises.

2. Trading of cold-rolled sheet steel, cold-rolled sheet silicon steel, tin-plated sheet steel, and zinc-plated sheet steel shall be monopolized. The trading of these four types of rolled steel (domestically produced or imported), whose shortage is serious, shall be monopolized by the Ministry of Materials' China Ferrous Metals Corporation and by metallic material companies under the materials departments (or bureaus) of various provinces, autonomous regions, municipalities directly under the central government, and municipalities authorized to have independent economic planning. No other departments, units, or individuals are permitted to handle the trade. With the exception of these four types of rolled steel that the producers are authorized by competent authorities to keep for production use or for exchanging indispensable production means, for undertaking authorized processing in the ordering business, and for repaying loans, the remaining output of the producers shall be distributed by the state, which will organize direct contacts between producers and consumers. The Ministry of Metallurgy and the Ministry of Materials shall be responsible for liquidating loans, cooperative projects, compensatory trade projects, and processing contracts (and agreements) that steel enterprises have signed with their clients. For domestically produced rolled steel subject to the state's monopoly, prices may be readjusted according to the principle that profits may be higher than for other types of rolled steel;

and for those which are imported, part of them should be sold at prices set by franchised dealers, and those for which the state has set price ceilings should be sold at prices not higher than the ceiling prices. Monopoly measures shall be drawn up by the State Planning Commission, the Ministry of Materials, the Ministry of Metallurgy, and the State Administration of Commodity Prices.

3. Certain kinds of rolled steel, whose production is not included in state or local government plans, shall be rationed on a selective basis. The major types of such rolled steel are: heavy and light tracks, all types of shaped steel, medium and heavy-gauge sheet steel, steel plates for automobiles' chassis, thread steel, seamless steel pipes, wheel rim steel, ball bearing steel, high-speed tool steel, cog wheel steel, spring steel, welding rod steel, silicon sheet steel for electric motors, and cold forged steel. Metallurgical and materials departments should set aside a certain quantity of roll steel from those at the disposal of steel enterprises and organize major consumers and steel enterprises to negotiate regular supply at prices under the state-set ceilings.

4. Rolled steel dealers shall be screened. The following units are authorized to undertake rolled steel trade: 1) enterprises engaged in the trading of metals under materials departments; 2) suppliers authorized to be in the supply business by competent authorities of enterprises—which are directly affiliated with specific departments and which are authorized to handle direct supply—according to the plan for restructuring material supply; 3) marketing organs of steel enterprises and corporations authorized by the Ministry of Materials and the Ministry of Metallurgy to organize furnace charge for metallurgical enterprises; 4) enterprises operated by supply and marketing cooperatives to recycle scrapped metals; 5) supply and marketing companies of county and township enterprises commissioned by materials departments and county- and lower-level supply and marketing cooperatives. No other units and individuals may engage in the trading of rolled steel.

The aforementioned units should do their business within the scope prescribed by business administration departments. The supplying organs of enterprises' competent departments shall only supply the kinds of rolled steel needed by the enterprises and units within their own departments; the marketing organs of steel enterprises shall only market the portion of rolled steel at the disposal of the enterprises after these enterprises have fulfilled their mandatory production plans; metallurgical corporations may only organize the furnace charge for steel enterprises, and its varieties shall be approved by the Ministry of Metallurgy and the Ministry of Materials; and enterprises operated by supply and marketing cooperatives to recycle scrapped metals can only market the types of rolled steel processed by or traded with scrapped metals; and supply and marketing corporations of county and township enterprises can only supply the

types of rolled steel these enterprises need; and county- and lower-level supply and marketing cooperatives can only supply the types of rolled steel needed by local township enterprises and independent enterprises, as well as the types of rolled steel for peasants' housing construction.

The people's governments of all provinces, autonomous regions, and municipalities directly under the central government, and all relevant State Council departments shall be responsible for setting up special groups to screen rolled steel dealers. Specific assignments may be planned by business administration departments and materials departments. All screening projects shall be basically concluded by the end of this year and results shall be reported to the State Council.

Those dealers that have been approved to continue operations shall be licensed by county-level or higher business administrative departments to operate as corporate bodies. Applications for setting up new corporate bodies shall be submitted to competent authorities and licensed after being reported to materials departments and approved by business administrative departments. No other departments or individuals will have the authority to approve the establishment of rolled steel traders.

5. The rolled steel market shall be established in a well-guided and organized manner. In principle, there shall be one rolled steel market in each medium-sized city and two in each municipality directly under the central government or municipality that is a provincial capital. Any market in excess of this quota shall be merged or closed down. Moreover the Ministry of Materials shall establish one regional market each in Beijing, Shanghai, Tianjin, Shenyang, Wuhan, Chengdu, and Xian.

Under the sponsorship of the materials departments, the rolled steel markets' purpose is to provide services essential for production and construction, and not to make profits. To help consumers purchase small amounts of rolled steel that they need locally, materials departments may also set up some local trading centers according to actual needs.

6. The rolled steel market shall be strictly controlled. The marketing of the following types of rolled steel shall go through the rolled steel market: 1) rolled steel authorized to be marketed by major steel enterprises, or county and high-level steel enterprises (except those whose output and needs are handled by materials departments); 2) rolled steel marketed by state or local authorities; 3) imported rolled steel (except those imported by economic and trade department to support their export); 4) rolled steel that is in excess of the need of steel users; and 5) rolled steel processed by and exchanged for scrapped iron and steel.

Traders on the rolled steel market shall be enterprises eligible for rolled steel trading, and production or construction units. These enterprises may engage in direct buying and marketing, or may do so through enterprises handling buying and marketing services. As for rolled steel acquired from suspended construction projects, it shall be used through the regulation of departments in charge of these construction projects, or bought and marketed by materials enterprises. As for rolled steel stockpiled by rolled steel traders that have been closed down during the course of liquidation and consolidation, it shall be sold within a specified period; and if they fail to do so within the period, the rolled steel shall be purchased or sold by materials enterprises.

The following transactions are illegal: 1) trading of rolled steel by unauthorized units; 2) reselling order contracts or bills of lading after increasing their prices; 3) cash transactions without invoices; 4) failure to transact openly at designated areas.

All transactions at rolled steel markets shall without exception be handled through transferring accounts in banks, state-issued invoices shall be used, and they shall have the stamp of the rolled steel market. Banks will not handle or transfer the accounts if the invoices do not have the required stamp. Purchasing or marketing of rolled steel through bribing, paying "kickbacks," and other illegal means are strictly prohibited, and all violators shall be harshly punished; and the informants shall be awarded and protected.

Business, commodity prices, and taxation departments shall exercise their statutory rights to supervise all transactions on the rolled steel market.

Materials enterprises shall bring their intermediary roles into full play. Since the current brokerage operation that governs rolled steel transactions has more disadvantages than advantages, it shall cease for the time being, pending improvement.

County-level and lower steel enterprises need not depend on the rolled steel market to sell their rolled steel produced with local steel, but they must follow the state's pricing policies and other regulations, and use state-issued invoices.

7. The control of rolled steel prices shall be tightened. We should strictly enforce the factory prices of rolled steel produced according to state plan and the fees in connection with its marketing set by the commodity price department. No organizations are permitted to increase the prices and fees without authorization. Ceiling prices shall be set for rolled steel outside the state plan and for furnace charges. The State Administration of Commodity Prices shall work in coordination with other departments concerned to set ceiling prices and supervise implementation of them. Rolled steel shall be sold openly in the rolled steel market with prices clearly marked. Commodity price departments, administrations

of industry and commerce, and tax departments shall investigate anyone who jacks up prices in violation of ceiling prices and reaps staggering profits illegally, confiscate his goods and cash income, and punish him.

8. Export of rolled steel and raw materials shall be strictly controlled and irrational domestic consumption shall be restricted. The State Planning Commission shall work in coordination with the Ministry of Materials, the Ministry of Metallurgical Industry and the Ministry of Foreign Economic Relations and Trade to decide the total amount and variety of planned export of rolled steel, steel ingot, billet, pig iron, ferrous alloy, and coke. Unplanned export of such items should first be examined by the Ministry of Materials and the Ministry of Metallurgical Industry, and then get the approval and export permit from the Ministry of Foreign Economic Relations and Trade. The export of scrap iron and steel shall be managed in accordance with relevant provisions.

It is necessary to formulate policies for restricting irrational consumption. We should restrict consumption of tinplate used in packing and decoration of goods for domestic market or export goods earning a very low foreign exchange income (such as cookies, cakes, candies, cigarettes, canned food, and medicine). We should properly control consumption of stainless steel utensils. We should restrict or stop production of poor-quality and unmarketable electric fans, bicycles, washing machines, converted vehicles, electric motors, transformers and electric instruments. In order to produce and market any products, manufacturing enterprises must have production permits issued by the provincial-level department in charge. The departments concerned should work out procedures for restricting irrational consumption and formulate measures for conservation, substitution, recycling, and multipurpose use.

9. The materials department and its subordinate enterprises should obey law and discipline, offer good services, and be an example of policies implementation. Rolled steel delivered to the state by iron and steel enterprises in accordance with mandatory plans should be supplied in a timely manner to users according to plan and should not be sold as outside-the-plan products. Materials departments should control a certain amount of rolled steel and funds to enhance its regulatory ability and play its role well as the main supply channel. It should conscientiously offer good services and keep intermediate links to a minimum. Materials that can be directly supplied to users should not go through intermediate links. In principle, certain undersupplied varieties of rolled steel bought by rolled steel marketing enterprises should be supplied directly to users and should not be sold to other marketers. Rolled steel bought by county materials enterprises should be sold directly to users and should not be sold to other traders. Members of an organization in joint operations should sell rolled steel to each other.

10. It is necessary to strengthen overall control of the rolled steel market. The planning, materials, metallurgical industry, economic and trade, industry and commerce, banking, commodity price, taxation, customs, and other departments should work in coordination with each other under unified policies. They should flexibly use such means as credit, taxation, price, and material supply, and readjust industrial policy and the production and construction plan according to the market situation in order to regulate supply and demand, guarantee the supply of important materials, and stabilize the market. Other departments concerned should provide the materials departments with timely information on resources, demand, prices and import-export trade of rolled steel to help the latter improve overall management, release unified information, and give timely guidance for production and the market.

To improve rolled steel management and do good screening and rectification work is an important part of the effort to improve the economic environment and rectify the economic order. All localities (including coastal regions such as Guangdong, Fujian and Hainan, and the special economic zones) and all State Council departments should seriously strengthen their leadership and make well-conceived arrangements to seriously implement this decision.

**Development of Shanghai's Steel Industry**  
40060115c Shanghai SHIJIE JINGJI DAOBAO in  
Chinese 14 Nov 88 p 12

[Article by Qin Zongguang 4440 1350 1639: "Ideas on Development of Shanghai's Iron and Steel Industry"]

[Text] *All developed countries have put development of their iron and steel industries in an important strategic position in the course of realizing industrial modernization. Shanghai's iron and steel industry has had low input, high output, and ranked first in China's metallurgical industry for the last 38 years. Current issues are how it should develop, become export-oriented, and take part in international competition. Experts think that foreign trade policy restrictions should be relaxed, the existing industrial management system should be changed into the "Shanghai Steel Consortium," and the competitive advantages of the industry as a whole should be used to compete with consortia in foreign countries, such as Japan, the U.S., and West Germany.*

The iron and steel industry is an extremely important industry that uses basic raw and processed materials, and its growth rate affects that of the whole national economy. Thus, industrially developed countries, such as the Soviet Union, the U.S., and Japan, and other developing countries and regions have all put development of their iron and steel industries in an important strategic position in the course of realizing industrial modernization. Its importance is shown by the fact that China has spent huge sums of money to build the modern iron and steel enterprise of Baogang and to support existing iron and

steel enterprises, such as Angang and Wugang, in transforming and importing technology to achieve expanded reproduction. However, differing views have long been held on major strategic issues, such as whether Shanghai's iron and steel industry (not including Baogang and Meishan, and similarly hereinafter) should be restricted or developed, how it should be developed, and how it should become export-oriented in line with the economic reforms.

### **I. Should Shanghai's Iron and Steel Industry Be Restricted or Developed? How Should It Be Developed?**

Those who advocate restricting development of Shanghai's iron and steel industry give three reasons: 1. Development of Shanghai's iron and steel industry may exacerbate the social problems of environmental pollution, urban crowding, and too much energy consumption and is not in line with Shanghai's industrial growth orientation of "four lowers (lower energy consumption, lower use of material, lower freight volume, and lower three wastes—gas, water, and industrial residue) and two higher (higher technology-intensive and higher added value);" 2. The present production scale of Shanghai's iron and steel industry will be more than sufficient to fulfill Shanghai's economic growth needs as long as slight changes are made in the product mix and product quality is improved; 3. Except for water from the Huangpujiang River, Shanghai has no raw materials for development of its iron and steel industry and cannot continue to make steel without materials.

A. I think that Shanghai's existing iron and steel enterprises occupy an outstanding position in China's whole metallurgical industry. In 1987, they produced 5.19 million tons of steel, or 12 percent of China's steel output, second only to Angang; they produced 4,646,000 tons of rolled steel, or 11 percent of China's output, and first place. As to product quality, they produced 1,232 varieties of steel, over 22,000 varieties of standard rolled steel, and special steel products constituted a very large percentage of their output; they produced 12 percent of China's output of steel plates and pipes, which have long been in very short supply, 29 percent of China's output of strip steel, and 30 percent of China's output of silicon steel sheets, and 53.13 percent of their output was 172 varieties that were produced and delivered according to international standards. In the last 38 years, they have paid profits to the state of 23.07 billion yuan, or 6.7 times their fixed assets, and their low input and high output have been a model for China's metallurgical industry. With such a solid foundation, if a policy of continued development is adopted, Shanghai's iron and steel industry will be able to ensure realization of the goal of producing 100 million tons of steel for China's metallurgical industry before the end of the century.

B. Shanghai's iron and steel industry is based mainly on existing enterprises. Tapping the potentials of and transforming existing enterprises is still the major way to develop China's iron and steel industry. Under the

favorable policies of the Sixth 5-Year Plan, Shanghai's metallurgical system improved its self-accumulation, raised 736 million yuan, overhauled and technologically transformed one-third of its major facilities, filled in the gaps to form a complete line of equipment, and replaced complete processing sets for most of its steelmaking and some of its steel rolling equipment. In the Sixth 5-Year Plan, its steel output rose 15.2 percent, its rolled steel output rose 24.1 percent, and its profit taxes turned over to the state rose 32.3 percent over the Fifth 5-Year Plan. Of this, its gain from technological transformation of projects was 52,376,000 yuan, or 29.6 percent of its profit tax growth in the Sixth 5-Year Plan.

C. Development of the iron and steel industry is not necessarily in direct proportion to worsening of urban environmental pollution. The reason why an extra steel mill used to be an extra source of pollution was the unilateral neglect of environmental protection. During the "three wastes" control work in the Sixth 5-Year Plan, Shanghai's iron and steel enterprises basically eliminated the 17 worst pollutants that seriously endangered the environment and gradually began to comprehensively use wastes, such as gas, water, acid, alkalis, and oil, turning wastes into wealth. The negative method of restricting development must not be used just because history has shown that there is a slight risk.

### **II. How Can Shanghai's Iron and Steel Industry Develop an Export-Oriented Economy and Take an Active Part in International Competition?**

A. Shanghai's iron and steel industry has a severe shortage of raw and supplementary materials. Almost all of its major steelmaking raw materials, such as pig iron and used steel, and supplementary materials, such as fuel, ferroalloys, and even stone materials and clay, have to be imported from elsewhere in China. Only by changing from sole reliance on domestic market sources as in the past to reaching out to foreign market sources can it continue to exist and develop.

B. Shanghai's iron and steel enterprises produce many products that have gained a foothold and acquired prestige on international markets. An outstanding example is the "Shanghai Three" brand threaded reinforcing bar that Shanghai Steel Mill No 3 exports 100,000 tons a year of and that has become a trustworthy product that needs no inspection on Hong Kong markets.

C. Shanghai's iron and steel industry is on the seacoast, can react quickly to international market information, and has convenient sea and land communications for importing and exporting and complete foreign trade organizations. These show fully that Shanghai's iron and steel industry has a good foundation for developing an export-oriented economy.

### III. What Steps Should Shanghai's Iron and Steel Industry Take To Develop an Export-Oriented Economy?

A. Foreign trade policy restrictions should be relaxed and foreign trade duties and rights should be implemented. Shanghai's iron and steel industry now imports over 100,000 tons a year of raw and processed materials, such as ore, pig iron, and used steel, and exports over 150,000 tons a year of products, such as rolled steel, refractory material, and carbon steel. It also imports and exports a certain amount of technical equipment. For instance, it exports flexible metal pipe units to Thailand, guaranteeing the technology and the operation. It also contracted in 1988 to build a small iron and steel mill for Zimbabwe. However, this is nothing compared to the Shanghai iron and steel industry's present production scope and equipment standards, and to its medium- and long-range development plans and goals in particular. It has been unable to form a good climate for international competition or resolve the problems facing it of raw and processed material shortages and lack of technological transformation funds. In addition to Shanghai's iron and steel enterprises not having an open enough attitude and not being aware enough, the key reason for this is that existing foreign trade duties and rights have not been fully implemented. This can be seen in that the iron and steel industry has no direct foreign trade rights and too little foreign exchange. This makes it hard to arouse the initiative of iron and steel enterprises to develop international markets.

C. Moreover, in order to make Shanghai's metallurgical products more competitive on and enable them to break into and capture international markets on a large scale, it will be necessary to reform the existing industrial management system, fully develop the competitive advantages of the industry as a whole, change the Shanghai Metallurgy Bureau's present dual function (government and enterprise) to a single function (enterprise), set up the Shanghai Steel Consortium, and pool the whole industry's product, technical, equipment, and managerial advantages to develop fast-selling products and an export-oriented economy in order to compete with steel consortia in foreign countries, such as Japan, the U.S., and West Germany.

#### Report on Heilongjiang Industrial Output SK2911052188 Harbin HEILONGJIANG RIBAO in Chinese 12 Nov 88 p 1

[Text] Heilongjiang Province's raw coal output rose from 37.1 million tons in 1978 to 68.21 million tons in 1987, for an 83.9 percent increase; its crude oil output rose from 50.38 million tons in 1978 to 55.55 million tons in 1987, for a 10.3 percent increase; its timber output rose from 15.61 million meters in 1978 to 18.15 million meters in 1987, for a 16.3 percent increase; its steel

output rose from 547,000 tons in 1978 to 808,000 tons in 1987, for a 47.7 percent increase; and its fertilizer output rose from 297,000 tons in 1978 to 359,000 tons in 1987, for a 21 percent increase.

#### Conference in Fuzhou Analyzes Industrial Production Cool Overheated Economy 40060156b Fuzhou FUJIAN RIBAO in Chinese 7 Oct 88 p 1

[Text] The provincial government held a province-wide emergency conference on industrial production in Fuzhou on 15 and 16 October. Acting in the spirit of the third plenum of the 13th Party Central Committee, the conference analyzed the 1988 industrial situation, produced a consensus, studied measures and methods for overcoming the current overheating of the economy, readjusted plans for fourth quarter industrial production, and proposed ideas and actions to be taken in preparation for industrial production during the first quarter of 1989.

Deputy Provincial Governor Shi Xingmou [0670 1840 6180] and Provincial Economic Commission Vice Chairman Guo Zhengcong [6753 2973 3827] gave speeches at the conference.

The conference reported the industrial production situation in the province during 1988 as good, with a 30.4 percent increase over the same period in 1987. This included the fulfillment of a gross industrial output value of 7.19 billion yuan by state-owned enterprises within budget, and the realization of 1.62 billion yuan in profits and taxes, for a 16.7 and 24.9 percent increase respectively over the same period in 1987, the return exceeding rate of growth of output value. Nevertheless, it should be realized that problems indeed exist as a result of too hot and too rapid growth. This has resulted in a series of problems including uneven development of processing industries, and raw and processed materials industries, a large shortage of raw and supplementary materials, a rise in prices, an intensification of the transportation shortage, a conflict between supply and demand for energy, and too tight a stretching of the entire economy. If this continues, the sustained, steady, and coordinated development of Fujian's economy will be impossible. We must fully understand the problems caused by too rapid development and overheating of the economy, as well as their harmfulness to the situation as a whole. Proper control of the speed of industrial growth, and lowering the temperature of the overheated economic situation is absolutely necessary.

The conference held the main reasons for the province's too rapid rate of industrial growth to be as follows: A rather energetic investment in industrial fixed assets. During the past 3 years, 4.7 billion yuan has been invested in new fixed assets in state-owned enterprises, 2.24 billion of it during 1987, and most major production projects came on stream during 1987 and 1988. The output value attributable to this investment accounts for

approximately one-fourth of the total increase in output value during 1988. Rapid development of township enterprises and the three kinds of partially or wholly foreign-owned enterprises. Gross industrial output value from the three kinds of partially or wholly foreign-owned enterprises in Fujian Province almost doubled over the same period in 1987, newly added output value from them accounting for 34 percent of provincewide newly added output value. Output value from township industries increased 52 percent over the same period in 1987, and newly added output value from them accounted for 13.8 percent of newly added output value for the province as a whole. Prefecture and municipal assignment of financial responsibility, and enterprises' institution of contracting systems stimulated interest in production, and gave impetus to the development of industrial production. In some places, however, a one-sided pursuit of large scale investment occurred, projects being mounted ill-advisedly. In some enterprises, contract agreements failed to take all factors into account. They took into account only the speed occasioned by abnormal phenomena such as increased production and increased profits. Flourishing demand in both domestic and foreign markets stimulated the development of production.

In response to the overly fast development of the province's industry, the conference proposed that during the fourth quarter of industrial production a firm grip on readjustment of the product mix, and strengthening of macroeconomic controls should be paramount in order to moderate the phenomenon of a too tightly stretched economy existing everywhere. Emphasis should be placed on the four protections and the one hold down as follows: Protect the people's necessities of life and products that support agriculture and earn foreign exchange while holding down production of everyday products; protect energy as well as raw and processed materials, but hold down production of everyday processed goods; protect products for which there is a ready market, but hold down production of slow moving products in over-supply; protect projects that provide a good economic return, but hold down production of poor quality, high priced products. All jurisdictions and all departments should conscientiously protect products that should be protected, hold down the production of products that should be held down, and prohibit production of products that should be prohibited. Limited production or a halt to production should be called for high consumption, poor quality, and seriously polluting products, as well as for slow-selling products that accumulate in inventory. In particular, small paper mills, small sugar mills, small canned goods factories, small breweries, small cement plants, small ferrosilicon plants, and small plywood plants that have sprung up everywhere without rhyme or reason should be looked into. A double increase and double economy movement should be relentlessly launched in an effort to lower consumption of raw and processed materials, and of energy, to lower production costs, and to obtain returns and funds through conservation. Organization of forces to do a

good job of preparing for production during 1989. During the fourth quarter, enterprises are to conduct a compulsory inspection and repair of equipment to improve the equipment in-service rate and to insure safety in production. In addition, they are to pay attention to preparatory work relating to raw and processed materials and to energy.

The conference stressed that there can be no relaxation in the readjustment of the speed of industrial production through seeking truth in facts and through the deepening of reform activities in enterprises. The pace of reform has to be accelerated to make breakthroughs in the deepening of enterprise reform.

The conference called on governments and units concerned at all levels to rigorously carry out the plans and policies of central authorities, rigorously enforce orders and prohibitions, and insure sustained, steady, and coordinated development of industrial production.

### **Need To Slow Industrial Growth To Cool Overheated Economy**

*40060156c Beijing RENMIN RIBAO in Chinese  
25 Oct 88 p 1*

[Article by Zhang Qixian 1728 1142 0341: "Need for Control of Rate of Industrial Growth"]

[Text] The main trend of industrial production for 1988 has been good; nevertheless, in terms of present conditions and long-term, stable development, the speed of industrial growth during the past three quarters has been too fast. This has intensified some contradictions in economic work, and it must be brought under proper control during the fourth quarter.

Industrial production during 1988 was marked by an unrelieved steady rise in the speed of development for a sustained 15 to 20 percent high speed increase. Plans called for a 7 percent increase in gross industrial output value for the whole year, but the actual increase for the period January through September was 17.5 percent, gross output value goals for the entire year being fulfilled by July. Current production plans of some provinces and cities suggest that there will be no great decline in the extent of growth during the next several months. Forecasts call for a more than 16 percent growth rate for the whole year.

High speed development has not only intensified conflicts between supply and demand for energy, materials, capital, and transportation but has also stimulated a rise in prices of the means of production, and has also covered, to a certain extent, contradictions and problems in the economic structure and in enterprise management. For example, despite a turn for the better in the supply of coal during the past 2 years, this year saw renewed shortages, with 25 million tons being removed from supplies in storage from January through July.

Despite very rapid development of electric power production, the even more abrupt increase in demand caused an increase in the shortage of electric power. The conflict resulting from the railroad transportation shortage is extremely prominent. Transportation in some areas and sections can satisfy only between 20 and 40 percent of the needed amount. The shortage of capital will show up further during the tightening of credit during the fourth quarter.

Reasons for the too high a speed of industrial development are as follows: First is too large a scale of capital construction. Increase in both the building of production facilities, and consumption demand have been too sudden. Second has been a rise in market prices and public panic buying of goods that have attenuated sustained large scale growth of industrial production. Third is the delegation of financial authority to individual jurisdictions, each jurisdiction using its increased receipts of public funds to increase industrial production. Enterprises have gone in for contracting and linking wages and welfare payments to returns but currently reliance is still primarily on the expansion of production and an increase in speed to increase earnings. Fourth, some provinces and cities are still vying with each other in the witless pursuit of high speed. Reportedly, some places have proposed a rise in output value during the fourth quarter, and have set high quotas.

The recently convened third plenum of the 13th Party Central Committee stated explicitly that the country's economic situation is good at the present time; however, the economy is overheated, speed of development is too fast, and the scale of construction is too large. A certain amount of retrenchment is necessary. Implementation of the Central Committee's policy requires that we adopt effective and appropriate measures for a suitable reduction in the too high speed of growth.

Better fulfillment of production plans for 1988 and gaining the initiative in industrial production for 1989 entails rational planning now of production for the coming 2 months to reduce the overheated atmosphere, to control speed at a suitable level, and on no account to

engage in further vying between areas or pursuit of output value and high quotas. We should be circumspect in action, and be sure to prepare the raw materials early, have the funds available ahead of time, and get equipment repaired in advance for production in the spring of 1989.

Capital construction projects and technical transformation projects now underway should be diligently checked. Construction should be halted on projects from which returns are not good, and efforts concentrated on those projects that can go into production on time, thereby realizing early returns and increasing material strength for increasing production while conserving funds, and for upgrading and updating products during 1989.

It is necessary to slow the development of collectively owned industries, as well as township and village-operated industries, and it is particularly necessary to limit development of small cotton textile mills, small woolen mills, and small cigarette plants that compete with large enterprises for raw materials. Plants that consume scarce raw and processed materials and electricity only to produce products not needed in daily life such as pop-top cans, aluminum alloy doors and windows, and rectifiers are to halt production without fail or shift to other production.

Special emphasis should be placed on the improvement of product quality, lowering consumption per unit of product, reducing all enterprise expenses, and doing a good job of turning losses into profits for better fulfillment of all economic quotas for 1988, and to lay a firm foundation for increased output and increased earnings during 1989.

#### Output of Main Industrial Products

HK1411095788 Beijing CEI Database in English  
14 Nov 88

[Text] Beijing (CEI)—Following is a chart of the output volume of main industrial products in September, 1988, released by the CSICSC. [China Statistics Information and Consultancy Service Center].

Item	Unit	Jan-Sep 88	Sep 88	Percentage over Jan-Sep 87
Bicycle	10,000	3008.40	367.10	99.03
Sewing Machine	10,000sets	709.80	84.90	97.82
Watch	10,000	4414.00	597.50	94.64
TV Set	10,000sets	1741.50	243.10	126.02
Color TV	10,000sets	707.70	110.00	151.05
Radio	10,000sets	1127.10	115.00	90.69
Tape Recorder	10,000sets	1642.80	237.10	114.76
Washing Machine	10,000sets	768.40	96.70	98.48
Camera	10,000sets	189.70	22.50	115.73
Fan	10,000sets	3442.20	331.40	119.36
Refrigerator	10,000sets	509.70	74.30	187.69
Chemical Fibre	10,000tons	93.30	11.20	108.44

Item	Unit	Jan-Sep 88	Sep 88	Percentage over Jan-Sep 87
Yarn	10,000tons	345.20	39.70	107.19
Cloth	100million meters	132.70	15.70	106.70
Chemical fibre cloth	100million meters	48.50	5.60	107.70
Silk	10,000tons	3.50	0.50	93.37
Silk Fabric	100million Meters	11.40	1.30	101.16
Woollen fabric	10,000meters	19988.00	2345.00	103.97
Knitting wool	10,000tons	15.00	1.90	114.53
Sugar	10,000tons	314.80	0.30	82.17
Salt	10,000tons	1679.40	236.70	125.09
Cigarette	10,000cases	2208.30	265.50	106.03
Machine-made and Kraft Paper	10,000tons	823.00	95.90	109.73
Newsprint	10,000tons	18.80	1.50	68.62
Anastatic Printing Paper	10,000tons	54.30	6.10	101.67
Synthetic Detergent	10,000tons	97.90	12.00	107.51
Bulb	100million	13.50	1.50	106.70
Gasoline	10,000tons	1378.50	147.30	105.62
Kerosene	10,000tons	289.50	28.20	89.68
Iron Ore	10,000tons	11516.00	1280.80	102.46
Pig Iron	10,000tons	4223.50	466.00	104.99
Steel	10,000tons	4448.80	488.50	107.84
Rolled steel	10,000tons	3519.10	387.30	108.32
Wire Rod	10,000tons	581.30	66.60	115.83
Steel Plate	10,000tons	439.90	47.20	103.41
Coke	10,000tons	3535.70	389.70	106.04
Sulphuric acid	10,000tons	828.50	94.40	116.16
Sodium carbonate	10,000tons	188.00	21.40	107.61
Caustic soda	10,000tons	218.70	23.50	107.19
Ethylene	10,000tons	87.40	9.70	138.24
Purified benzene	10,000tons	42.00	4.60	122.74
Synthetic ammonia	10,000tons	1483.30	161.10	102.48
Fertilizer	10,000tons		146.50	0.00
Nitrogenous Fertilizer	10,000tons	1032.20	109.50	102.24
Phosphoric Fertilizer	10,000tons	308.50	36.50	120.24
Chemical pesticide	10,000tons	15.80	1.70	74.33
Pharmaceuticals	10,000tons	14.20	1.60	125.55
Tyre	10,000	2217.40	272.20	119.22
Synthetic rubber	10,000tons	18.80	1.40	117.60
Plastic	10,000tons	115.50	12.50	106.26
Timber	millioncubic meters	3375.002	68.00	91.74
Artificial Board	10,000cubic meters	198.20	22.40	117.55
Cement	10,000tons	15001.30	1881.10	112.89
Plate Glass	10,000tons	5126.60	626.00	127.96
Power equipment	10,000kw	764.30	139.90	113.53
Machine tool	10,000sets	13.20	1.50	119.67
Precision machine tool sets	960.00	119.80	110.85	
Large machine	toolsets	3535.00	431.00	119.51
Automobile	10,000	47.60	6.00	138.02
Truck	10,000	31.30	3.90	131.51
Tractor	10,000	4.40	0.40	105.33
Small tractor	10,000	106.00	11.80	126.00

Item	Unit	Jan-Sep 88	Sep 88	Percentage over Jan-Sep 87
Locomotive	set	652.00	80.00	94.91
Passenger car	set	1418.00	143.00	107.91
Freight car	1,000sets	17661.00	2001.00	104.93
Internal Combustion Engine	10,000h.p.	4235.10	557.20	128.74
Civil Steel Ship	10,000tons	70.40	10.00	66.01
Computer	sets	170.00	10.00	303.57
calculator	10,000sets	275.20	42.60	129.02

### Industrial Growth Rate Statistics Inflated

40060115b Shanghai SHIJIE JINGJI DAOBAO in  
Chinese 14 Nov 88 p 6

[Text] The National Economic Information Center has calculated that 1988's industrial production growth rate statistics are inflated. The figure for the first quarter was inflated about 4.4 percent, while the actual growth rate should have been 12.3 percent.

It is estimated that although China's industrial production rate has increased rapidly since 1984, the figures have been inflated more than 2.5 percent a year.

Analysis shows that 1988's industrial growth rate statistics are inflated for the following reasons: 1. Current instead of fixed prices were used for some of the GVIO. Some enterprises made slight changes in the packaging and specifications of old products and passed them off as new ones to avoid state price controls, with the percentage of new products exceeding 50 percent in some enterprises. Since the output value of new products is calculated according to the current year's prices, the rapid price increases in the last few years have caused a certain amount of inflation in statistics. In addition, the shortage of qualified statisticians, the misunderstanding of the difference between current and fixed prices, and the direct use of current prices to calculate industrial output value in some enterprises, new ones in particular, have also made statistics less reliable; 2. Transregional joint ventures between enterprises have developed very quickly in the last few years. When calculating output value, the separate counting of products that were originally produced in one enterprise and then included in another enterprise's production has caused them to be counted twice.

## CONSTRUCTION

**Vice Minister on Improving Construction Industry**  
OW1611130888 Beijing XINHUA Domestic Service in  
Chinese 1308 GMT 14 Nov 88

[Text] Beijing, 14 Nov (XINHUA)—The work to improve the economic environment and rectify the economic order in the sector of construction industry shall be launched in an all-around way with attention focused on improving the construction market, Gan Zhijian, vice minister of construction, announced today.

According to Gan Zhijian, the gross social output value created by China's construction industry in the decade since the reform and open policy were launched has reached more than 1 trillion yuan. This is a tremendous contribution for the development of the national economy. However, because of the excessively large scale of investments in fixed assets and the too rapid growth of the ranks of designing and construction workers in the recent years, fairly serious confusion has also occurred in the construction market. This is manifested mainly in the fact that a small number of government offices or their functionaries are using the powers controlled by them over the launching of a construction project, the assigning of a contract or the allotment of funds and materials to extort and accept bribes, demand commissions, or seek quick profits by actually taking part in the designing and construction operations. According to the incomplete estimates of 25 provinces and autonomous regions alone, 785 serious cases of such profiteering activities were punished by them in 1986 and 1987. The amount of bribes asked and accepted reached 8.15 million yuan.

Gan Zhijian said: The focal point of this work to rectify the economic order in the construction industry sector will be to crack down on profiteering and bribery. He called on all localities to resolutely rectify the problem of no separation between government administration and enterprise operations and between official and commercial activities. He called for efforts to crack down on the activities to bid for designing and construction businesses and run major building materials operations in the name of various kinds of companies and to seek quick profits by transferring or reselling the contracted businesses; strictly crack down on the activities of the personnel of state organs, institutions, and enterprises to extort commissions or seek and accept bribes by using their powers over the launching of a project or by peddling construction businesses; crack down on construction without certificate and license or attempts to seek a construction contract beyond the prescribed competency level. In addition, efforts should be made to rectify order in the public utilities trades and planning and designing departments and in the construction quality supervision and control departments.

It has been learned that the Ministry of Construction issued a circular recently calling on all localities to take immediate action to rectify things in the construction

market with leadership and in a systematical manner. The circular made it clear that tenders should be invited again for all projects that are illegally handled and that all building materials resold on the market and illegal incomes gained from contract transfers should be confiscated. Those who are found to be responsible for the low quality of a construction project resulting from shoddy work and inferior materials or the accidents arising therefrom shall be made to pay compensations for the economic losses and placed at a lower competency grade of operations. The circular pointed out in particular that no unit should try to hire designing and construction units under any pretext to continue the construction of those projects which the state or the local governments have already decided to stop or postpone.

### **Cooperatives Herald New Phase in Housing Reform**

OW1611132188 *Beijing XINHUA in English*  
0639 GMT 15 Nov 88

[Text] Wuhan, November 15 (XINHUA)—Sixty-six members of China's first housing cooperative recently moved into new apartments built with their own money, XINHUA learned today from a symposium held in Wuhan, capital of Hubei Province.

At the symposium, experts predicted that housing cooperatives depending on individually-raised funds with the help of the government or enterprises are a breakthrough in China's reform of its housing system.

In the past few years China has been probing for a way to abandon the outdated housing system which distributes houses at extremely low rents.

However, wholesale commercialization of housing won't work yet because people simply cannot afford to buy houses or rent them at commercial rents, the symposium was told.

"Housing cooperatives have turned out to be a feasible way to get over the impasse," experts agreed.

People would be more keen to invest in their own houses, and this will not only help ease the state's financial burden but also mitigate the housing shortage, they explained.

With 20 other housing cooperatives across the country, the building area has amounted to more than 160,000 square meters, and the momentum is being kept up, according to statistics released by the Housing Association of China.

The symposium was told that the State Council and departments concerned are drawing up interim provisions to promote housing cooperatives.

### **Ministry Says Real Estate Expanding, Doing Well With Some Problems**

HK1111155588 *Beijing CEI Database in English*  
11 Nov 88

[Text] Beijing (CEI)—At least 170,000 real estate deals worth 1.6 billion yuan have been concluded in China in the past three years, according to statistics provided by the Ministry of Construction.

According to the statistics, a total of 275 real estate offices have now been opened in more than 20 Chinese provinces, autonomous regions and municipalities.

During the past three years, real estate exchanges have also expanded their services. The real estate exchange center in Chongqing City, Sichuan Province, now offers 12 services, including purchase, sale and exchange of houses, sale of newly-built apartments, and legal advice.

However experts from the Ministry of Construction said there are still some problems in the real estate market, including irrational pricing, tax evasion and black marketing.

## **FOREIGN TRADE, INVESTMENT**

### **Economic Cooperation Between Heilongjiang, Soviet Far East Discussed**

40060094 *Beijing GUOJI SHANGBAO in Chinese*  
5 Nov 88 p 3

[Article by Zhang Hengxuan 1728 1854 6513: "On Economic Cooperation Between Heilongjiang and the Soviet Far East"]

[Text] In Heilongjiang and the Soviet Far East there is a new upsurge in sentiment for developing mutual economic cooperation. Data supplied by the sectors concerned predict that by the end of 1988 the volume of trade between these two regions may reach 250 to 300 million Swiss francs—a new record. More than 30 agreements will also be concluded for small and medium-sized projects in tourism and in the export of economic technology and services. Of course new situations and issues have also arisen. For example, occasioned by the fact that within a very short period of time we have approved as many as 100 companies to engage in foreign business, there is an urgent need for us to enhance centralized coordination and administration.

There is some concern that, because the Soviet Far East has a population of only some 8 million people, the market cannot be very large. We need an accurate assessment of the size of the market for Sino-Soviet trade and cooperation and of how much potential exists. To this end, we must undertake a serious investigative study in order to forecast market potential scientifically. We must neither underestimate the situation nor exceed actual possibilities.

Heilongjiang and the Soviet Far East are key regions for development in China and the Soviet Union, respectively. These two regions each encompass a vast territory and a huge expanse of land, and each has a comparatively small population. At the same time, they each possess extraordinarily bountiful natural resources and subterranean mineral deposits. They constitute a real treasure among small number of places left in the world that have not been completely developed. These two regions began to concentrate on development at the beginning of the 1950's, at which time they took preliminary steps to establish economic sectors and industrial structures that would be substantial, relatively comprehensive, and technologically advanced. Some of the enterprises established were key enterprises in their respective nations. The two regions are also vital to the effort to institute comprehensive development in China and the Soviet Union by the year 2000, or even by the year 2050. Each one is a gateway both for opening up to the outside world and for establishing contact with the hinterland of the country concerned. Consequently, each is also of inestimable value for developing China and the Soviet Union, as well as for advancing economic cooperation between these two extensive regions.

This relaxation of restrictions and blossoming economic cooperation between Heilongjiang and the Soviet Far East is different from the opening of China's southeastern coastal regions to the outside world and the subsequent international economic exchanges and cooperation that have occurred between them. It also differs from coastal trade between the Soviet Far East and Japan. To sum up many years of practical experience, it features the following characteristics:

1. Economic cooperation between Heilongjiang and the Soviet Far East is part of border-area and local economic cooperation between China and the Soviet Union—two socialist nations. Each region has the self-determination to engage in local economic relationships with the outside world, and each is also restricted by centralized state policies. This economic cooperation is one part of each nation's overall foreign economic and trade relationships, and it is one level of a multilevel structure. It complements and is also an irreplaceable part of economic and trade relationships in these two nations. State economic and trade relationships should help sustain economic cooperation between Heilongjiang and the Soviet Far East and allow them to deal in certain items and varieties so as to expand the sphere of cooperation continuously.

2. Economic cooperation between Heilongjiang and the Soviet Far East is directly organized and guided by local governments, conforms to the socialist principle of a planned commodity economy, and is carried out in each nation in a cooperative economy, by state-run enterprises authorized to conduct foreign business. No private, capitalist economy participates in this process.

3. This kind of economic cooperation is also built upon the common international principle of mutual equality and profit, but it is a kind of mutually indispensable auxiliary economic cooperation. Consequently, particularly in the initial stages, cooperation is generally small in scale, diverse, sporadic, and often variable. The items, varieties, quantities, and volume of trade are all somewhat limited.

4. The two partners have adopted barter transactions to conduct trade because the economic cooperation launched between them is mutually beneficial and the two partners lack current international currency. They have even adopted payment in kind, in whatever form is agreeable to both parties, to settle accounts on service exports and for economic and technical cooperation. They use Swiss francs as the conversion standard.

5. Economic cooperation between Heilongjiang and the Soviet Far East, and the form it takes, is a longstanding historical tradition and is built upon a solid foundation. Not only is it the result of long-accumulated practical experience, but the central governments of the two nations concerned have granted it formal approval under the new conditions that pertain. In 1983 the Soviet and Chinese governments first sanctioned the restoration of partner relationships between foreign trading companies in the Soviet Far East and those in Heilongjiang and the Inner Mongolia Autonomous Region. In May 1987 the Moscow Convention of the Sino-Soviet Trade Commission formally approved the mutual relaxation of restrictions and the development of economic cooperation between four sets of corresponding cities: Suifenhe and Pogradichnyy, Tong Jiang and Leninskoye, Heihe and Amur Oblast and Blagoveshchensk, and Manzhouli and Zabaykal'sk. In March 1988 China also sanctioned the complete opening of Heilongjiang's border region and the initiation of economic cooperation with the Soviet Union. The Soviet government also adopted certain measures to transfer more jurisdiction to lower levels. Precisely because the two governments actively expedited the process in this way, since the beginning of this year more than 10 cities and towns along the whole border, a like number of key inland cities, and several tens of companies have begun to participate in economic cooperation.

6. Joint Chinese and Soviet efforts and the continued maintenance of border peace, stability, good neighborliness, and friendship are essential prerequisites for developing long-term cooperation in economic relations and trade, science and technology, and cultural affairs.

As far as Heilongjiang is concerned, the most important thing right now is to enhance leadership and centralized coordination among the various border cities and towns, Harbin and other key cities, and the different companies and units that have authority to conduct foreign business. The Soviet Far East has already established a central coordinating committee. The Soviets already

recognize the need for strengthening administration, and we must also turn our attention to this matter. We also need to resolve the following issues skillfully and promptly:

A. For a specified period of time we must not approve any additional companies to do business with the Soviet Union. And we must be resolute in overhauling the up to 100 companies that already have that authority. We must help all those companies not yet in a position to do business with the Soviets to improve their situations and as quickly as possible enter into a business relationship. As for those companies that are unable to meet the necessary conditions within a short period of time, we should temporarily revoke their business permits and change their business focus as soon as possible.

B. We should put centralized coordination and supervision into effect over the pricing of the various kinds of imported and exported commodities.

C. We must comply with stipulations concerning the different kinds of commodities that may be handled through state trade, provincial trade, and regional border trade, respectively. It is forbidden to try to control sources of state trade.

D. We must take action to open up highway and water transport. Goods exported or imported from port cities and towns do not have far to go.

E. Leading cadres and workers in charge of carrying on foreign economic cooperation must pay close attention to professional and legal training. They must improve their managerial standards and political and professional qualities.

F. To augment leadership in this task, I suggest that we consider the fact that we can suitably enhance the management mechanism. Just as the Japanese have established commercial agencies, I suggest that we consider establishing a unified chamber of commerce—including the participation of each company doing business with the Soviet Union—to assist the government in central coordination over the field.

### China's Inflation Blamed on Foreign Trade Malpractice

400600170 Shanghai SHIJIE JINGJI DAOBAO in Chinese 14 Nov 88 p 14

[Article by Hu Jitai 5170 0370 0669, Director of the Taiwan Department at the Shanghai Institute for Research for International Studies: "An Objective Evaluation of China's Inflation"]

[Text] Excess currency is not necessarily the cause of inflation and the relationship between the volume of currency in circulation and prices is not a matter of simple arithmetic. Taiwan issued a record amount of currency during the three consecutive years from 1985 to 1987 but prices never rose.

In my view, excessive [investment in] capital construction will not necessarily lead to inflation. Financial deficits also will not necessarily lead to inflation.

There is also no necessary correlation between inflation and economic development but there is a certain correlation between the former and labor productivity. The economic development of Asia's "four little dragons" was very rapid but it did not produce inflation.

While it is true that foreign debt can create financial difficulties, it is not the only cause of such difficulties. Taiwan is one example of [a country] that used foreign debt successfully. Brazil, on the other hand, met with failure in its handling of foreign debt. China is in an even worse situation than Brazil. It borrowed much from abroad, but instead of investing it in productive projects as was the original intention, has actually used much of it for consumption.

While the rising prices of agricultural products are partially responsible for higher prices; such rises are perfectly justified.

I believe that the key problem causing inflation lies in our lack of attention to comparative advantage in foreign trade. Importing superior goods and exporting inferior ones is tantamount to devaluing the RMB and artificially creating inflation.

### Trade Value by Country, Region Reported

HK1811001388 Beijing CEI Database in English 17 Nov 88

[Text] Beijing (CEI)—Following is a form showing the total value of China's imports and exports with 59 countries and regions in October 1988.

(Unit: 10,000 U.S. Dollars)

Name of Countries	October		January-October	
	Export	Import	Export	Import
Total	404,426	432,672	3,526,047	3,909,901
Hong Kong/Macao	179,923	113,574	1,452,544	955,340
Japan	68,804	93,810	622,810	809,132
Asean Nations	28,358	24,252	226,281	222,446
Indonesia	2,589	4,853	18,674	58,553
Malaysia	3,108	4,366	24,409	38,733
The Philippines	2,717	639	23,009	10,250
Singapore	13,962	8,324	119,285	72,415
Thailand	5,941	6,071	40,676	42,496
Brunei	41	229	1	

(Unit: 10,000 U.S. Dollars)

Name of Countries	October		January-October	
	Export	Import	Export	Import
Bahrain	101	659	32	
Bangladesh	722	446	6,735	2,449
Korea	2,673	2,226	28,637	18,855
India	1,202	483	11,679	7,175
Iran	3,519	357	15,277	1,331
Iraq	735	3	5,283	332
Kuwait	1,409	392	9,460	5,278
Oman	59	545	3,643	
Pakistan	4,637	1,240	23,057	4,583
Qatar	47	506	589	3,551
Saudi Arabia	2,166	601	18,506	15,026
The United Arab Emirates	1,709	1,387	14,526	5,075
Algeria	53	126	2,549	165
Egypt	348	13,925	847	
Libya	296	4,909	3,563	
Zaire	42	77,471	491	
EEC	35,939	65,910	366,737	588,738
Belgium	1,503	3,429	19,512	26,194
Denmark	799	1,164	9,185	10,042
Britain	5,002	7,480	51,688	63,250
FDR	11,353	27,219	112,497	255,726
France	4,211	8,293	39,799	65,665
Ireland	94	107	930	1,342
Italy	5,666	10,936	57,625	111,649
Luxembourg	28	103	112	1,002
The Netherlands	6,025	2,692	59,503	25,538
Greece	282	718	3,512	3,292
Portuguese	215	318	2,792	2,269
Spain	761	3,452	9,581	22,768
Austria	244	1,161	3,058	18,448
Bulgaria	320	185	3,053	6,118
Czechoslovakia	2,534	3,890	28,629	37,977
Finland	486	1,613	5,601	11,311
GDR	3,113	3,980	23,303	29,736
Hungary	1,835	1,583	11,276	15,168
Norway	371	629	4,396	10,814
Poland	3,988	2,354	27,232	27,118
Romania	4,484	4,534	25,330	44,382
Sweden	1,123	2,566	9,720	23,798
Switzerland	1,141	2,978	16,214	34,465
Soviet Union	16,183	17,253	118,277	119,405
Yugoslavia	618	410	3,061	8,652
Argentina	49	619	495	26,828
Brazil	354	7,925	6,382	52,097
Chile	375	608	2,648	8,055
Cuba	1,419	2,266	11,322	25,610
Mexico	97	3,818	871	9,500
Peru	255	2,052	480	14,453
Canada	2,514	13,014	31,561	144,394
U.S.	26,724	44,578	261,374	477,697
Australia	2,979	6,146	26,361	84,517
New Zealand	478	3,195	3,126	31,305

**On Developing Shanghai's Economic Cooperation With Foreign Countries**

40060146 Shanghai SHIJIE JINGJI WENHUI  
[WORLD ECONOMIC FORUM] in Chinese  
No 5, 5 Oct 88 pp 10-13

[Article by Qian Zongqi 6929 1350 6386, Cai Fukui 5591 4395 1145, Jiang Lun 5592 1510, and Shu Jinzhong 2631 6855 0022: "Policy Liberalization Vital To Developing Economic Cooperation with Foreign Countries"]

[Text] The thrust of economic development in Shanghai is toward export. An important part of an export-oriented economy is economic cooperation with foreign countries. Faced with the new situation, it is imperative that we study and ascertain the current state and future outlook of Shanghai's economic cooperation with foreign countries, formulate appropriate policies and measures, and make further progress.

**I. Current State and Future Prospects**

Shanghai's economic cooperation with foreign countries (primarily overseas project contracting, labor cooperation, and the establishment of overseas enterprises) began in 1981 on the basis of years of economic assistance to foreign nations and has achieved notable successes in recent years. By late 1987, Shanghai had undertaken projects or engaged in labor cooperation with over 20 countries and regions, including Iraq, Iran, Jordan, Nigeria, Thailand, the U.S., and Japan. Over 200 contracts had been signed, with a total value exceeding \$200 million. More than 10,000 workers had been sent overseas, earning close to \$100 million in foreign exchange. Right now over 3,000 laborers are working overseas. Moreover, the mix of workers has changed. Dominated by workers in labor-intensive trades and primary services such as light industry, textiles, nursing, and the restaurant business in an earlier period, it has now broadened to include workers in such areas as navigation, dredging, and fishery, thus improving the margin of profit in the process. At a higher level, computer software technology also has been exported recently. In 1986, over 20 types of software products were exported, including some developed jointly by China and foreign firms, earning over \$10 million in foreign exchange. The channels of labor export too have been diversified. Apart from the government sending workers overseas, private labor export was launched in the winter of 1986. In addition, 25 enterprises have been created in 11 countries and regions in recent years.

Shanghai today faces a grim situation in its drive to further economic cooperation with foreign countries. Internationally, the 1960's and 1970's were the golden age of labor cooperation and project contracting. Since 1980, owing to the economic crisis in world capitalism, the collapse of the prices of oil and other primary commodities, and the Iran-Iraq war, the international labor market has declined and is currently in a state of contraction, with the volume of business dipping year after year. For instance, the combined value of project

contracts worldwide fell from \$129 billion in 1987 to \$81.6 billion in 1985, a drop of 37.2 percent, with the Middle East accounting for merely \$21.6 billion, barely one-quarter of the volume at its peak. Because the market has shrunk and protectionism is ever on the rise, deals are clinched on increasingly harsh terms, which only intensifies competition on the international labor market. Domestically, numerous central agencies, provinces, and municipalities have set up a total of 72 international economic and technical cooperation companies so far (of which 36 are affiliated to central ministries and 35 are local enterprises) in order to lay their hands on a slice of the international market on their own, sometimes to the extent of competing among themselves and causing an outflow of profits. Nationwide, over 50,000 people have gone overseas as laborers. In Iraq alone, there are eight Chinese companies with 10,000 workers in the field as laborers and construction workers. Thus Shanghai faces both domestic and international competition as it pushes for more economic cooperation with foreign countries, which makes it all the more difficult to do business.

Be that as it may, we must also be aware of Shanghai's favorable conditions and bright prospects. First, one can be optimistic about the future of the international labor market. International project contracting and labor cooperation have almost bottomed out. The short-term world economic outlook is for slow growth. Oil prices have bounced back and shown signs of stabilizing. In the Iran-Iraq War, a cease-fire has been arranged recently. When the war is over, both countries must rebuild their economies. The world contracting and labor markets, therefore, are expected to turn the corner and recover, perhaps even expanding slightly. Moreover, these markets are huge markets. Even now large projects are under way in some countries and regions. In 1987, for instance, Iran alone spent a total of \$1.25 billion to pay for dam and subway construction and imported equipment for such industries as textiles and medicine. In Iraq, projects on the drawing board, including an oil refinery and a thermal power plant, will require almost \$2.7 billion in outlays. The project contracting and labor markets remain big business.

Second, Shanghai has clear advantages and opportunities that should enable it to develop economic cooperation with foreign countries. 1) Most of our partners in overseas contracting and labor cooperation are countries that received Chinese economic aid in the past. Since 1955, Shanghai has undertaken 281 foreign economic assistance projects, one-fifth of the national total. The projects are widely distributed in 44 countries and regions in Asia, Africa, and Latin America and can be found in the textile and light industries, machinery, communications, metallurgy, chemical industry, building, electronic instruments, agriculture, and water conservancy, among others. But these projects of the 1950's and 1960's now need to be modernized technologically and fitted with new equipment. Herein lies an opportunity for Shanghai to develop its contracting and labor cooperation markets. 2) Shanghai has a formidable

industrial base, with a full lineup of industries and considerable expertise in manufacturing accessories and parts. It enjoys a solid edge in science and technology and production processes and boasts an army of engineers, technicians, and skilled workers of a high caliber, who may not be the equal of those in developed countries but are highly competitive in the Third World. In the case of small and mid-sized projects and even some large projects, Shanghai is capable of delivering a product on a "turnkey" basis. 3) Shanghai has years of experience in foreign economic assistance, extensive overseas connections, and good access to market information. There is close coordination between the multitude of agencies involved. Moreover, Shanghai currently accounts for a minuscule share of the world's total labor trade, not even one one-thousandth. Thus the development potential is tremendous.

Shanghai must and can further economic cooperation with foreign countries and cultivate the overseas contracting and labor markets as a way of expediting the development of an export-oriented economy provided it reviews its work for the past several years in earnest, learns from the useful experience of other countries, faces up to the existing difficulties, grasps any opportunity, makes the most of its strengths, and takes strong effective measures.

## II. Problems and Countermeasures

At a time when it is faced with competition at home and abroad, Shanghai today has many problems and difficulties in its drive to further economic cooperation with foreign countries. Essentially they involve ideological understanding, the utilization of funds, methods of operations, competitiveness, foreign trade and economic management system, and the training of foreign economic relations and trade personnel. It is with these issues in mind that we make the following proposals:

**1. Raise understanding.** Leaders and departments concerned at every level should further their understanding of economic work involving foreign countries. Economic cooperation with foreign countries is an important aspect of China's policy of opening to the outside world as well as an indispensable element of the development of an export-oriented economy in Shanghai. It has enormous implications for boosting our foreign exchange earnings, spearheading the flow of exports, providing jobs, absorbing advanced foreign technology, promoting friendly international contacts, and so on. Shanghai must and can speed up the development of economic cooperation with foreign countries. The prospects look very promising if only the leadership makes it a priority, the departments cooperate with one another, and enterprises in foreign economic relations and trade excel in business. If we do well in project contracting and labor cooperation, we will help increase Shanghai's foreign exchange earnings and accelerate the creation of an export-oriented economy.

There is a critical need to formulate a foreign economic development strategy for Shanghai if economic cooperation is to develop in a planned, systematic, and targeted way. Already Shanghai's economic development strategy has been approved by the central government. The time has now come for the city to examine and decide on an economic development strategy at the secondary level. In determining such a strategy, it must proceed from realities and fully utilize its every advantage in order to achieve its targets. Through the formulation of a strategy on foreign economic relations and trade, not only can we clarify the direction and set the goals of economic cooperation with foreign countries and take various effective measures, but we can also mobilize the appropriate industries and sectors to participate in and support the development of foreign economic relations and trade.

**2. Revitalize the economy.** We should learn from beneficial foreign experiences and adopt common international practices to vitalize foreign economic relations and trade. First, we should "concentrate on one trade but diversify methods of operations." Labor export can go through a variety of channels. (For example, the government can undertake an entire project as well as send workers overseas in a piecemeal fashion.) In the private sector, individuals should be free to go abroad to work even as private companies export laborers in an organized way. Labor export can take a variety of forms. (For instance, we should be ready to accept payment in kind, link labor export to foreign economic assistance or to the import and export of commodities, and include it as part of the effort to open up trade with a third nation.) It can take place at various levels, (including high-tech level, middle level, and low level, with emphasis still on the latter two for the time being.) The types of projects too can be diversified to include large, mid-sized, and small projects, with emphasis on mid-sized and small projects right now. It should also be geographically dispersed. (For example, we should consolidate the Middle Eastern and North African markets; open up the markets in Southeast Asia, Oceania, and Latin America; and explore the Soviet and Eastern European markets.)

Second, we must seek financial support. The problem of funding can be resolved in several ways. 1) Seek support from finance agencies in the form of additional working funds. 2) Secure more loans from domestic banks. A credit relationship may be established with a multitude of banking institutions. 3) Borrow from overseas banks. With the approval of the national agency in charge, an enterprise in foreign economic relations and trade may seek foreign exchange loans from a prestigious foreign bank on its own and spend the money at its own discretion. 4) Raise funds in society. It can raise funds from among sectors and enterprises (both central and local, irrespective of region or industry) related to its business by issuing bonds, etc.

Third, strengthen cooperation with related sectors and enterprises. Enterprises in foreign economic relations and trade should develop overseas cooperation jointly with the backing of production, construction, design, and science and technology departments. They should

negotiate, sign contracts, and make study trips abroad together. They should also sort out the distribution of benefits between themselves and departments that cooperate with them. (For example, they should charge low management fees and look out for the interests of cooperating units when working out deals with a foreign country.)

Fourth, we must do our homework first before undertaking a project. For example, when we contract to do a project, technical preparations must be made. When we send laborers abroad, there must be workers ready. Making such preparations in advance would be instrumental in raising Shanghai's bidding success rate on the international contracting and labor markets. When a turnkey project is involved, we should have a general idea of what it involves; we should create a technical file to include such information as engineering input, various technical and economic targets, and efficiency so that we can respond quickly as soon as information on international engineering targets becomes available. Turning to labor export, there should always be a pool of workers ready to go overseas. This will enable us to send workers abroad and honor a contract soon after winning a contract. That way Shanghai's international reputation will be enhanced.

Fifth, we should set up an international information network to gain access to information. Access to information is a prerequisite for developing our business. In this area, Shanghai has a long way to go. One way to create a foreign economic information organization is to bring together all the institutions and personnel stationed overseas by Shanghai's foreign economic relations and trade agencies and secure the leadership and support of Chinese embassies and consulates. The organization's responsibilities will be to collect international market information and provide us with feedback. Such an organization may be first set up in nations and regions where the conditions are right. Gradually others may be set up elsewhere to form a network.

**3. Intensify reform.** We propose that the central ministries in charge limit the number of enterprises in the nation involved in foreign economic relations and trade and step up macro-management and coordination. We also suggest the following: 1) strictly observe government-enterprise separation, simplify administration, and delegate authority. For example, the Shanghai branches of enterprises affiliated to central ministries are enterprises in name only. In both planning and finance, they are controlled by the parent companies. When a branch company signs a contract, it must do so in the name of the parent company. In effect, the branches are nothing more than the agents of the parent companies. Then there are some specialized departments in charge which have also gone into business as a project contractor or labor exporter. Most of these departments lack the mechanisms and energy to open up the international market. As such they should be reformed. Branch companies that have reached a certain scale of operations

and achieved some operational capability should be turned into economic entities, separate from the parent companies in planning and finance. They should go into contracting, adopt independent accounting, and be held responsible for their own profits and losses. Where conditions are right, the foreign economic operations of a specialized department in charge should be hived off to form a specialized company in foreign economic relations and trade so as to enable it to function better as a business concern.

Second, expand the operational decision-making authority of enterprises in foreign economic relations and trade. This is vital to our effort to intensify reform. Once they have attained a certain sales volume, enterprises should be given decision-making authority. They should be free to sign contracts on their own and export commodities (that is, equipment, materials, spare parts, and finished products related to their scope of business) on their own. They should be free to examine and review personnel to be sent abroad (engineers and below), borrow from foreign banks (not exceeding a limit to be set each year), and determine their own labor, wage, subsidy, and reward systems. They should also be empowered to recruit, hire, appoint, and dismiss workers on their own. That way enterprises will be able to function flexibly to compete with foreign enterprises. At the same time, they should be given more economic responsibilities as appropriate and corresponding material benefits so that power, responsibilities, and interests are integrated properly.

Third, develop lateral economic links. A major effort should be made to create the right conditions and establish a Shanghai regional foreign economic (holdings) corporation combining foreign trade with industry, technology, construction and banking. A share-holding system (with the state and enterprises as shareholders) may be introduced. At the same time, cooperation should be furthered with enterprises in foreign economic relations and trade that are affiliated to other provinces, municipalities, and the central ministries. There should be a suitable specialization (in terms of both scope of operations and geography) between the various enterprises, accompanied by close cooperation in order to present a united front to the outside world.

**4. Liberalize policies.** To meet the needs of economic revitalization, policies must be liberalized, particularly in Shanghai. First, we must encourage exports. The export of equipment and materials necessitated by a project undertaken overseas should be treated preferentially in the same way as electronic machinery exports. They should be exempt from the export tax. Product taxes and value-added taxes collected at various points should be refunded. Most of the foreign exchange earned should be retained by the enterprise concerned. A set percentage of the foreign exchange earned should go to the local government and to production enterprises that supplied the equipment and materials. The rest should be retained by the enterprise to offset its deficit or increase its surplus.

Second, materials supply. Key equipment and important materials needed by a contracted project should be reported to the materials agency for inclusion in the plan in order to guarantee supply. Other equipment and materials may be purchased by the enterprise on its own from a domestic production enterprise without going through a third enterprise. When a piece of equipment was purchased at a low price, the production enterprise should be allocated a set percentage of the foreign exchange earned. When it was purchased at the market price, no such allocation is necessary.

Third, preferential tax treatment. After 5 years, enterprises in foreign economic relations and trade should continue to enjoy an income tax cut in order to enhance their capacity for self-accumulation and self-development.

Fourth, wage system. An overseas wage system may be applied to workers sent abroad. In this case, wages may be set based on the wage level in the country concerned. The worker sent abroad should be paid a foreign wage appropriate to his job. During the period he is overseas, he remains on no-pay leave from his old job. His living expenses and those of his family in China will be paid out of his wages. But he must remit a specified portion of his foreign exchange income to China to ensure foreign exchange earnings for the state.

Fifth, private labor export. It has been over 1 year since Shanghai launched private labor export. Thousands of people have registered, but the number of people who have actually gone overseas remains quite small. The problem lies with overly rigid policies, which means that such policies must be liberalized. For example, there should be no ceiling on the number of years a worker can stay abroad. The minimum net income of a worker should be lowered. The percentage collected as management fee should be reduced, so on and so forth. We should also do a better propaganda job and offer better services to enable private labor export to grow significantly.

**5. Training of personnel.** This is pivotal to the development of economic cooperation with foreign countries. When all is said and done, competition on the international market today is competition between qualified personnel. To develop project contracting and labor cooperation, we must put together a professional corps of a fairly high caliber and improve its political, professional, and technical standards continuously. On the one hand, therefore, we must select, recruit, and train personnel (including managerial, engineering, and technical personnel) in order to beef up enterprises in foreign economic relations and trade. On the other hand, we must reform the labor and personnel system. We may, for instance, adopt the practices of Pakistan and South Korea; we may recruit workers based on the needs of project contracting and labor cooperation. These workers will not be allocated work at home but will be sent overseas after they have met certain requirements at the

end of a period of specialized training. That way we can both satisfy the demand of foreign work and mobilize the workers' enthusiasm and initiative, thereby improving the economic benefits of contracting and labor cooperation.

### **On Further Developing Border Trade**

40060053 Dalian CAIJING WENTI YANJIU  
[RESEARCH ON FINANCIAL AND ECONOMIC  
PROBLEMS] in Chinese No 9, 5 Sep 88 pp 17-19

[Article by Su Xuesheng 5685 1331 3932: "How To Further Develop Border Trade"]

[Text] China is a country covering a vast territory, with an inland border stretching more than 22,000 km, 128 border counties (administrative districts), and a population of 20 million-plus living in these regions. Twelve nations border on China: Korea, Soviet Union, Mongolia, Afghanistan, Pakistan, India, Nepal, Sikkim, Bhutan, Burma, Laos, and Vietnam. The border zones essentially are minority nationality regions. From the north to the southwest, the border provinces include Heilongjiang, Jilin, Liaoning, Inner Mongolia, Xinjiang, Tibet, Yunnan, and Guangxi. Historically, trade across these provincial borders dates back to ancient times. Further developing border trade today facilitates trading activity by the border nationalities; it is a powerful means to reduce the disparity in economic development between the border region and the interior, as well as an important factor in fostering friendly relations between the peoples of neighboring countries. It plays a significant role in expediting development of the border regions and bringing prosperity to the peoples of both the coastal area and hinterland sooner rather than later.

### **I. Restoring and Expanding China's Border Trade**

A matter of major import to the party and the state is the nationalities and border questions. The period since the third plenum of the 11th CPC Central Committee has been the best ever for economic development in the nationality regions. "Show unswerving interest in comprehensive political, economic, and cultural development of the various minority nationalities, advance steadily along the path of socialism, and gradually achieve genuine equality for the national minorities." This is the overall policy for the new period set by the CPC Central Committee regarding the nationalities. In order to gradually make equality a reality for each minority nationality, we must accelerate economic development in the border regions, and progressively reduce the disparity in economic development between the border and minority nationality regions and the other regions of China. Actively expanding border trade, therefore, is an important aspect of expediting border area development.

Because of the emphasis on socialist construction and the policies of reform and opening over the past several years, the nationality border regions have revitalized

themselves and enhanced their self-development. As for border trade, many areas have proceeded from their actual conditions in terms of nationalities and borderland status; they have advertised their strong points and suppressed the negative ones, capitalized on their strengths, and quickly restored and developed border trade. In 1985 Yunnan Province designated Dehongzhou a border trade development zone. In the 3 years since then, total imports and exports doubled each year. Moreover, it promoted development of state-run, collective, and individual business activity, resulting in a large increase in financial revenue. In the Inner Mongolia Autonomous Region, after the resumption of border trade with Mongolia and the Soviet Union in 1983, the volume of such trade has risen yearly, with total imports and exports increasing 10-fold in the 5 years. Some 80 percent of the products exported to the USSR were produced locally by small and mid-sized enterprises, which effectively promoted development of local industries in the border areas. In Guangxi Province, Jingxi County, Hurun Township, Nongyi Village originally was a poor area, but after the village was made a border trade point in 1983, the lives of a great many people rapidly improved. In 1986, 5 of the 85 households in the village had incomes of 10,000 yuan or more, and 38 households had incomes of 3,000 yuan or more. The per capita income in Yadong County, the Tibet Autonomous Region, increased from 265 yuan in 1980 to 718 yuan in 1986 as a result of opening up markets for the mutual benefit of border inhabitants. The county's Xiasima Town is a major border trade distribution center, and the income of the masses there has increased even more rapidly; in 1986 the per capita income amounted to 1,208 yuan. Tumen City in Jilin Province began developing border trade with Korea in 1981, and total import-export trade increased 123-fold from 1981 to 1987. For Dandong City in Liaoning Province, total volume of import-export trade has increased considerably every year since 1982, when border trade with Korea was resumed and expanded.

Developing border trade not only is important economically for the various localities, it is also important politically. Briefly stated, the essential points are as follows: First, it can open up both domestic and foreign markets, expand commodity circulation, and increase economic and social benefits. Second, it can rather quickly promote production and rational readjustment of the industrial mix, and boost development of the communications, transportation and tourist industries. Third, it can increase state and local financial revenues, and save and earn foreign exchange. Fourth, it makes life easier for the people of both sides and enriches their consumption. Fifth, it facilitates contact between the people of the bordering countries, enhances ethnic unity, promotes friendship between the people of the two nations, stabilizes border areas, accelerates commodity economy development in nationality regions, reduces the disparity in economic development between the border areas and the interior, and advances the state's four modernizations.

Although border trade has developed rapidly over the past several years, many restricting factors remain to expanding such trade in various localities. Restrictive policy measures still exist in many areas which affect better development of border trade. This principally is manifested in such things as restrictions placed on the areas over which trade can take place, the scope of commodity exchange, and the number of business deals and type of transactions allowed. Management of import-export commodities is stiflingly over-centralized, which inappropriately emphasizes exporting locally what is produced locally or what is available locally, importing locally what is required locally and selling those imports locally, as well as not allowing the sources of export goods to be obtained outside the local area or for import goods to be sold other than locally. The result is to place all sorts of artificially imposed obstacles to developing border trade. Take Liaoning Province's Dandong City, for example: the "Huanghai" brand 60-passenger diesel bus built by the Dandong Automobile Manufacturing Plant has been judged a superior product, and enjoys a ready domestic market. At a conference last year on border trade, Korea proposed ordering 13 of the "Huanghai" buses at 100,000 yuan per vehicle, and 100 skip cars for 50,000 yuan each. Furthermore, it wanted to settle the accounts using U.S. dollars. But the system stipulates that border trade accounts cannot be settled using foreign currency. Since the Koreans wanted to purchase the vehicles and the Chinese wanted to sell them, there was no alternative but to work through the China Automobile Corporation, and call on a Hong Kong business to act as an intermediary. The Korean side transmitted foreign exchange to the Hong Kong business, and after that business raked a little off the top, it in turn handed the foreign exchange over to the China Automobile Corporation. The corporation thereupon used renminbi to settle accounts with Dandong. This is a circuitous way of concluding business transactions. It is clear that if this restrictive approach is not changed, it will be difficult to further expand border trade.

## II. Developing Border Trade Holds Broad Prospects

China is an integrated multinationality state made up of 56 ethnic minorities. More than 60 percent of the total area of the country comprises minority nationality autonomous regions. The vast majority of the national minorities reside in the border areas, and 20-plus nationalities live as neighbors to the same ethnic group outside the country. This makes it much easier to develop border trade in the frontier regions and nationality areas.

First, identical ethnic groups live as neighbors. In general, where the interior boundaries between the nationalities have been broken down, they can communicate with each other, orally and in writing, and their customs and habits are similar. Procedures for leaving and entering the country are simple for the border inhabitants in these areas, they help each other in production and each supplies what the other needs in terms of daily necessities. In addition, many of the national minorities are

related by marriage to border residents outside the country, and this forms the social foundation for border trade and mutual markets. At the same time, there are numerous Chinese living in bordering countries and many operate businesses abroad. They are an important object of our engaging in border trade, and represent an important channel for attracting capital, technology, and talent.

Second, there are the advantages of geographical position. For example, the port of Fangchuan in Hunchuan County, Jilin Province, is located in a triangular region called "the place where three countries can be seen in a glance;" the cities of Manzhouli and Erenhot in Inner Mongolia are said to be a "continental bridge" for trade which links the Soviet Union, Mongolia, and the countries of Eastern Europe. In addition there is the Inner Mongolia northern railroad, which plays an important role in international dealings, a railroad soon to be extended from Usu, Xinjiang, to Ala Pass on the Sino-Soviet border. There is as well the Kela-Kunlun highway to Pakistan and the Dianmian highway to Burma. All of these represent geographic boons to developing border trade.

Third, there are abundant export commodity resources. With the exception of the Soviet Union, the countries which border on China essentially are agricultural countries. They lack industrial goods, while many of the daily necessity industrial goods in China are suited to their needs. There are few sales outlets in the interior for some commodities, whereas the people in the bordering countries are quite fond of them. This makes it easier to expand border trade.

Fourth, all the border countries have relaxed restrictions somewhat in their opening to the outside. After Korea promulgated its "Joint Venture Law" in 1984, it gradually implemented a policy of opening to the outside world, and first opened up Sinuiju to China. As for Sino-Soviet border trade, the USSR has adopted a positive attitude in recent years; Gorbachev, in a 1986 address in Vladivostok, said, "Historically, China and the Soviet Union have helped supply each other's economic needs and it is fully possible to expand these contacts (including border area contacts)." Mongolia also desires to expand border trade. Although China and Vietnam presently are in a state of war, our opening up border trade was welcomed by Vietnamese border inhabitants.

The above-mentioned ethnic, geographic, and natural advantages, and being on good terms with neighboring countries provide a relaxed environment for expanding border trade.

#### How China Can Further Develop Border Trade

The report of the 13th CPC Plenary Session stated: "International economic relations are becoming more and more intimate in the contemporary era; no nation

can seal itself off and hope to develop." "Closing the country to international contact can only result in our lagging farther and farther behind." "We must enter the world economic arena with greater courage, select a proper import-export strategy and foreign capital utilization strategy, and expand economic and technical cooperation and trade interflow with the various nations of the world, including developed and developing countries." Border trade is an important component of China's overall policy of further opening to the outside world. For the purpose of better developing border trade, the following suggestions are set forth for everyone to explore.

1. Policy and guidance pertaining to border trade must be made clear. We need to integrate inland border trade with the coastal open zone, implement a dual open policy which incorporates intraregional, interregional, and foreign markets, develop on an intraregional basis, see that east and west complement each other, act in unison in foreign matters, separate government administration from enterprise management, conduct exchange at equal value, balance imports and exports, seek reciprocity and mutual benefit, and vigorously develop the economies of the nationality and border areas, enhance ethnic unity, strengthen border defenses, promote the state's four modernizations, and develop good relations with neighboring countries and other inhabitants of the border area.

2. Implement an open border trade system characterized by multiple channels, components, levels, and goods. We must achieve simultaneous development of the state, collective and individual, and not allow monopolies. But in order to integrate leadership, we could separate operations (including joint operations) and transfer the strengths of the various parties, thereby providing diversity and adaptability, such as border town trade, periodic border resident country fairs, border economy central commodity exhibitions and sales, goods ordering conferences, etc. At the same time, we could also opt for a relatively high level of economic cooperation, such as processing imported materials, producing goods based on imported samples, introducing technology, and equipping, exporting labor and mutually establishing stores and hotels.

3. Adopt specific preferential policies. In conducting licensed commodity importing and exporting, we should grant specified tariff reductions, and as far as possible keep all the foreign exchange earned in a locality there for its use. At the same time, we must allow compensation trade, technology trade and Sino-foreign joint ventures which are part of the state's foreign trade regime to be adapted and applied to border trade, and we should abolish unreasonable restrictions. Simultaneous with completely opening up border trade, we must set up step by step and in a planned manner interior border nationality open economic trade zones or special economic zones, and grant ample authority to the autonomous areas to develop border trade, set relevant management

methods in accordance with the laws established in the nationality areas, and implement policies more preferential than those in the coastal economic open cities and special economic zones. In the initial stage of implementation, we should consider having all imported foreign exchange in a given area be utilized in that area to expand infrastructure and port construction in order to accelerate expansion of the commodity economy and border area development in the nationality areas.

4. We must enhance comprehensive services in the border trading ports. Organizationally, in order to ensure the development and smooth implementation of border trade, we must appropriately establish and strengthen public security, industrial and commercial management, customs, tax collection, banking, commodity inspection, and health quarantine entities in the border trade areas. This is to ensure that border trade will proceed in a smooth, healthy, and orderly manner. At the same time, along with intensifying economic system reform, when the state restructures the cadre system, we should give priority to deploying the cadres required for the entities listed above to further the development of border trade.

**Shanghai Foreign Trade Boasts Increase**  
*OW1711032388 Beijing XINHUA in English*  
1653 GMT 16 Nov 88

[Text] Beijing, November 16 (XINHUA)—Shanghai registered a total of 5.77 billion U.S. dollars - worth of imports and exports in the first ten months of this year, according to today's OVERSEAS EDITION of the PEOPLE'S DAILY.

This is a 20 percent increase compared with the same 1987 period. Moreover, some 3.82 billion U.S. dollars came from exports, an increase of 9.6 percent.

There was a big increase in exports of light industrial, textile, heavy industrial and agricultural products. Among them exports of heavy industrial products increased by 17.9 percent, and industrial products as a whole made up 83.5 percent of the total export figures.

Even products like automobiles, motorcycles, elevators and TV sets, which had to be imported in the past, are now being sold on the international market by Shanghai, the paper said.

Exports to Japan amounted to 450 million U.S. dollars worth, a sharp increase of 35.1 percent and redressing the imbalance for the first time. Exports to Latin American countries increased by 20 percent.

In order to stimulate exports, the paper said, Shanghai has established 120 new trade—industry and trade—agriculture coordination bodies. In addition, enterprises concentrating on export production are given more autonomy.

**Import, Export Value for October Reported**  
*HK1811001188 Beijing CEI Database in English*  
17 Nov 88

[Text] Beijing (CEI)—Following is a form showing the total value of China's foreign trade in October 1988:

(unit: 10,000 U.S. dollars)

	Oct.	Jan.-Oct.	Increases over same period 1987 (percent)
Total	886,442	7,807,356	24.56
Import	425,653	3,715,367	23.50
Export	460,789	4,091,989	25.53
Balance	-35,136	-376,622	

**Shandong Exports More Goods**  
*OW1711151888 Beijing XINHUA in English*  
0204 GMT 17 Nov 88

[Text] Jinan, November 17 (XINHUA)—East China's Shandong Province had exported 2.548 billion U.S. dollars-worth of goods by the end of October, according to an official from the provincial foreign economic relations and trade commission.

The province overfulfilled this year's target for export trade two months ahead of time. The export earnings so far are 2.4 percent over the quota, the official said, adding that Shandong is expected to earn three billion U.S. dollars in foreign exchange this year.

Though exports of machinery, electronics and chemical products have increased, peanuts, garments, carpets, drawnwork, graphite, livestock and textile products are still the main export goods for the province, according to him.

So far, the province has established trade relations with 150 countries and regions, the official said.

**Shenzhen Customs Cracks Down on Smuggling**  
*OW1711024988 Beijing XINHUA in English*  
1528 GMT 16 Nov 88

[Text] Shenzhen, November 16 (XINHUA)—The Kowloon Customs Office in South China's Shenzhen Special Economic Zone handled 2,888 cases of smuggling and detained 52 suspects between January and October, XINHUA learned today.

Officers seized goods worth 49.21 million yuan, and also solved 13,908 cases, fining the offenders 9.93 million yuan during the same period, according to a customs official.

The office reorganized its management system and established a special group to supervise its operations after a number of its officials were arrested for accepting bribes from Hong Kong smugglers.

A center was also set up to supervise the vehicle inspection work, the official said.

For example, 460 illegal video recorders were discovered in an oil truck at Wenjingdu customs on September 3. Between August and October, the newly-established center investigated 36 smuggling cases and confiscated goods worth 8.98 million yuan.

The office has also stepped up its supervision of foreign-funded enterprises, which have been found involved in 53 cases of smuggling worth 9.91 million yuan.

#### **458 Overseas Enterprises Approved**

*HK1711130188 Beijing CEI Database in English  
17 Nov 88*

[Text] Beijing (CEI)—By the end of September this year, China has approved the setting up of 458 enterprises overseas involving a total investment of 1.838 billion U.S. dollars, of which China accounts for 678 million dollars, or 17 percent.

These projects are located in 67 countries and regions and mainly concentrated on industrial production and resources exploitation, including aluminum, rubber, printing and dyeing, timber and paper pulp, deep-sea fishing, iron ore and gold mining. Half of these have gone into production or are under construction. China has sent several thousand management and technical personnel as well as workers to the projects abroad.

Over 80 percent of the enterprises in operation are doing well. For example, the Citifor Inc., a China International Trust and Investment Corporation branch in the United States specializing in timber exploitation, has been sending most of its products back to China. Another enterprise, a knitting mill in Mauritius, began production while under construction. It has recouped all of its investment in two years and is now making profits.

#### **More Rubber Products Exported**

*HK1811000188 Beijing CEI Database in English  
17 Nov 88*

[Text] Beijing (CEI)—China's export of rubber products this year is estimated to reach 400 million U.S. dollars.

Tan Zhuzhou, vice-minister of chemical industry, said at a press conference here that China's rubber industry export is increasing at an annual rate of 20 to 30 percent in the past few years.

Over a dozen kinds of rubber products such as rubber shoes, tyres, gloves and foam mattresses are being exported to some 50 countries. However, total output value constitutes only 8 percent of the sales volume.

According to rubber department of the Chemical Industry Ministry, China's rubber products output is slightly higher than demand, thus egging on export. The worldwide fright of aids spiralled China's production capacity of rubber gloves to an annual output of 6 billion pieces, mostly for export.

#### **Oilfield Technology, Equipment**

*OW1711032588 Beijing XINHUA in English  
1641 GMT 16 Nov 88*

[Text] Beijing, November 16 (XINHUA)—China's largest oilfield, at Daqing in Heilongjiang Province, will export oil technology and equipment, instead of exporting only crude oil as before.

The Petroleum Technology Development Corporation of Heilongjiang Province (PTDC) is set to export oil technology and equipment. The company is composed of three units: the Daqing oilfield, Harbin Marine Boiler and Turbine Research Institute and Heilongjiang Computer Applied Development and Research Center.

The company has talked with some foreign firms about the possibility of such exports, PTDC Director Jin Beifu told XINHUA. "The foreign firms were interested in the company's equipment and technology."

The company is negotiating with a Hong Kong trading firm, he said, and is expected to export by the end of this year testing instruments and supersonic oil - water interface meters.

Also, Jin said, the company will bid for the construction of a thermal power station using gas as fuel in Pakistan.

He said that the company will also undertake research and development into oil technology and oilfield construction, as well as exporting and importing oilfield technology and equipment.

#### **Excessive Crude Oil Exports Causes Domestic Shortage**

*HK1511114188 Beijing CEI Database in English  
15 Nov 88*

[Text] Beijing (CEI)—Excessive exports of crude oil products are causing a short supply of crude oil products on the Chinese market, official sources of State Council department say.

China has been lacking crude oil for many years, but it exports large amounts every year.

In 1987, 27 million tons of crude oil were exported.

Officials noted that, due to the excessive exports of naphtha and calcium carbide, the production of polyvinyl and polyacrylic resin that uses naphtha as their raw materials has long remained low. Plastic films for agricultural use are in serious short supply, too.

Prices of these products have been soaring up. For instance, the state has set the price of plastic film at 3,500 yuan per ton but black market price has shot up to more than 10,000 yuan per ton. The purchasing price of polyethylene chloride resin that uses calcium carbide as its raw materials was set at 2,700 yuan per ton in 1987 but the price rose to 5,000 yuan per ton in domestic markets.

Meanwhile, China is exporting petroleum coke, which is being imported in large volumes.

**More Foreign-funded Enterprises in Shandong**  
OW1711043088 Beijing XINHUA in English  
1618 GMT 16 Nov 88

[Text] Shandong, November (XINHUA)—Authorities in east China's Shandong Province approved 111 new foreign-funded enterprises by the end of October, more than twice the 1987 figure.

According to a local official, the intended foreign investment in 274 projects amounted to 230 million U.S. dollars, representing a 125 percent rise over the corresponding period last year.

Wang Shanke, vice director of the Shandong Foreign Economic and Trade Commission, said authorities have also rubberstamped 57 projects with 230 million U.S. dollars foreign government funds.

The investments are in light industry, textile, farm produce processing and aquatic farming, Wang said.

Shandong, a coastal province, occupies an "important" position in the country's gas, coal, gold, textile, food, petro-chemical, and machine building industries, according to Wang.

**Xinjiang Sets Record at Guangzhou Trade Fair**  
40060171 Urumqi XINJIANG RIBAO in Chinese 15 Nov 88 p 1

[Text] At the recently concluded Guangzhou Autumn Export Commodities Fair, Xinjiang signed agreements for exports totaling \$44.21 million, setting the best record to date. Cotton yarn, cloth, cotton polyester fiber, silk, and other such traditional export commodities still predominate, accounting for 28 percent of the transactions concluded. Products from Xinjiang's chemical industry have now risen to third place among the region's commodities traded. Industrially-manufactured goods and agricultural sideline products represent a growing force with "Tianshan" brand cashmere sweaters and woolen sweaters occupying the lambswool sweater counter at the fair and paper, shoes, machine tools, bearings, tomato ketchup, dried fruits, etc. beginning to gain headway in the international market.

## LABOR

### Characteristics of Labor Force

40060119 Shanghai SHIJIE JINGJI DAOBAO in Chinese 14 Nov 88 p 11

[Article by Research Fellows Dong Keyong 5516 0344 3938 and Zhang Gang 1728 6921: "Current Status of and Outlets for China's Manpower Resources"]

[Text] *Editor's Note: The development of China's manpower resources is in a steadily intensifying vicious cycle. Change of the social environment is a basic method for breaking the vicious cycle, the crux of which is the building of a labor market that encourages the self-exploitation of manpower resources. The independent economic position and independent character of workers is a prerequisite for eradication of manpower dependence and the building of a labor market; therefore, reform has to begin here.*

In worldwide terms, China's manpower resources are a decisive element in China's modernization. Therefore, a clear understanding of the present status of manpower resources, and an exploration of outlets to solve this problem holds important significance for China's development during the 21st century.

### The Intensifying Vicious Cycle

For the past several decades, the development of China's manpower resources has moved in a vicious cycle. This situation is still intensifying today, and is manifested in the following several ways:

Lack of mechanisms for effectively controlling overall population growth.

China's present population places a serious burden on economic and social development, and as yet no effective mechanism has been found to control overall population growth. Current control methods really only limit population reproduction in high quality and superior environments; they cannot restrict population reproduction in low quality and odious environments. The result is a worsening of the overall structure of manpower resources.

### Decline in Overall Quality

Evaluation of manpower resources quality entails the use of several criteria. China's manpower resources overall quality problems are manifested conspicuously in the following ways:

Low level of education. Nearly one fourth of available manpower resources are illiterate or semi-illiterate. Furthermore, despite this situation, talk about the uselessness of reading books has become rampant once again in recent years.

Low skill level. Most technical workers have low technical skills, and they lack the motivation to study in order to master new skills. The professional level of professionally skilled personnel is far below advanced world levels.

Widespread dependent character. China's manpower resources possess a very strong psychology of dependence; they lack independent awareness and independent character. This inevitably means a lack of creative impulses.

#### **Distorted Manpower Resources Structure**

Not only are China's manpower resources huge in size and low in quality, but their structure is also extremely distorted. This shows up in the "four much and four little" as follows:

Much low quality manpower and little high quality manpower. Most of the available manpower is unable to meet requirements for modernization of the economy.

Much high quality manpower in official agency positions, but little in production positions.

Much technical talent is in the high quality workforce, but the number of administrative and managerial personnel can hardly meet the needs of a commodity economy.

Much labor immobility, but little labor mobility. Workforce mobility is a problem, and the mobility rate is on the decline. The result is a simultaneous structural redundancy and shortage of personnel.

#### **Rapid Rise in Labor Costs and a Serious Unemployment Potential**

China's labor costs have risen rapidly in recent years. When money wage earnings, and non-money wages, as well as various government subsidies are added together, the amount vastly exceeds the low wages that the popular mind imagines. Accompanying the rapid rise in labor costs has been a decline in work hour utilization rates, and a serious lack of work to do in the workplace.

#### **Unregulated Movement in the Exploitation of Manpower Resources**

The maturation and exploitation of China's manpower resources has come about in an unregulated environment. This is manifested in the following ways:

Manpower resources development faces extremely unequal opportunities.

Steady increase in "local policies" in the system whereby workers are regarded as owned by a department.

Frequent change in, and short-term nature of policies. Lack of long-range planning has resulted in the formulation of numerous ad hoc rules and regulations to deal with various real problems, inevitably resulting in frequently changing and short-term policies.

#### **"Black Hole" Digests the Elite**

One important feature in the exploitation of China's manpower resources is difficulty in forming an elite stratum. Practice by societies all over the world show that a social elite, in which entrepreneurs and the intelligentsia form the nucleus, provides the motive power for the society. In China, however, most of the achievers in the entrepreneurial and intellectual fields have been attracted into the ranks of government officials. The huge, all-controlling government inevitably sucks in high quality talent like a huge "black hole." Nevertheless, because of the peculiar way in which government works, the elite that is sucked into the "black hole" finds it difficult to bring their vitality and their expert creativity into play.

Basic line of thought for breaking the vicious cycle.

The exploitation and transformation of manpower resources touches on problems in three regards.

Problems in three regards that exploitation of manpower resources faces are the quality of individuals, group structure, and the social environment. By quality of individuals is meant the quality, intelligence, skills, and ideas of each individual. By group structure is meant the form of organization and the form of organizational operation. By social environment is meant the political, economic, social, cultural, and educational administrative systems in the society in which the individuals and groups are located. Therefore, for developing countries, transformation of manpower resources has to start with these three; not a single one can be dispensed with.

In China at the present stage, change of the social environment is at the heart of the problem of exploiting China's manpower resources, and this means reform of China's economic, political, social, cultural, and educational administrative systems. China's traditional socio-economic system placed a damper on the exploitation of manpower resources. The "two irons and the one pot" (namely, the iron rice bowl [sinecure], the iron armchair [position tenure], and the "large common pot of food" [egalitarianism]) stymied the exploitation of manpower resources to an even greater extent. For this reason, system reform must precede exploitation of China's manpower resources for the building of a new social environment that is able to encourage manpower resources self-exploitation and re-exploitation.

The crux of system reform as applied to the exploitation of manpower resources lies in the establishment of manpower markets. The market mechanism should replace the administrative mechanism in the allocation

of resources. Establishment of a manpower market requires, first of all, a spelling out of the property rights relationships, benefits relationships, and responsibilities and authority of government, enterprises, and the individual workers as a basis for shaping an interrelated and interacting mechanism. The market, not the government, should encourage manpower resources self-exploitation. When labor markets exist, government's role should be the formulator of market rules and regulations, and the one who takes on most of the burden of providing social support, with the function of safeguarding the smooth operation of market competition.

Establishment of laborer's independent economic position and independent character is a primary condition and prerequisite for the eradication of manpower dependence, and the building of labor markets. This is where reform has to begin. Of course, this will also involve numerous system problems such as welfare, insurance, employment, and housing.

#### **The Ultimate Outlet Lies in Total Exploitation of the World's Manpower Resources**

Policies of "sending people out," and inviting people in" should be courageously applied, and a stance of opening to the outside world adopted to realize advantages from the "hybridization" of manpower resources. Support should be drawn from the social, economic, and cultural "large scale collision" of manpower resources from all countries to bring about the modern transformation of China's manpower resources. This is the only way to establish, in a fundamental way, the position that China's manpower resources should enjoy in the international economic grand design.

## **TRANSPORTATION**

#### **New Air Route Between Beijing, Yancheng** *HK1611154788 Beijing CEI Database in English* 16 Nov 88

[Text] Nanjing (CEI)—A Trident Passenger plane flew for the first time from Beijing to Yancheng on November 11, inaugurating a weekly flight and the third air line established by Yancheng.

Located midway along the coast of Jiangsu Province, Yancheng is an open economic coastal area approved by the state council earlier this year. It has rich shoal resources and a sizable industry.

Since 1986, the Yancheng Airline Corporation has opened the Yancheng-Nanjing and Yancheng-Shanghai lines.

#### **New Air Route From Beijing to Shandong Opens** *SK1811052988 Jinan Shandong Provincial Service in Mandarin* 2300 GMT 18 Nov 88

[Text] With the approval of the China National Aviation Integrated Corporation, beginning 18 November, a British-made model (viscount) passenger aircraft will be making the trip from Beijing to Weihai and Jinan every Friday. The aircraft will take off at Beijing Nanyuan airport at 0830 every Friday.

#### **Report on Eight New Airline Routes** *HK0711032888 Beijing CHINA DAILY (BUSINESS WEEKLY Supplement) in English* 7 Nov 88 p 1

[Text] East China Airways, one of China's airlines, plans to open eight new routes this month to cope with the surge of travellers.

The routes are Nanjing-Hong Kong, Nanjing-Guangzhou, both using Bae-146 aircraft; Yantai-Beijing, Fuzhou-Xi'an, using Tridents; Shanghai-Xiamen using A-310s; Nanchang-Ganzhou using Yun-7s; Nanchang-Changzhou using An-24s; and Jinan-Hangzhou using Short-360s.

East China Airways, formed in June, is based in Shanghai and flies about 70 domestic as well as some international routes.

#### **New Locomotives Added to Railways** *OW1711190688 Beijing XINHUA in English* 0757 GMT 16 Nov 88

[Text] Beijing, November 16 (XINHUA)—The strain on China's overloaded railway system will be somewhat eased by the addition of a number of new locomotives that have been put into service since the beginning of this year, an official of the Railway Ministry said here today.

The engines include an electric locomotive, a suburban passenger train, and a number of new engines used for hauling freight and passengers, he said.

The 8,700-horsepower Shaoshan No. 4 electric locomotive is most powerful engine of its kind in China and has a maximum speed of 100 kilometers per hour.

According to ministry experts this locomotive reaches advanced international standards of the early 1980s and is expected to become the mainstay of China's industrial freight-hauling service.

#### **Foreign Vessels Can Now Use 41 Ports** *OW1811134888 Beijing XINHUA in English* 1245 GMT 17 Nov 88

[Text] Beijing, November 17 (XINHUA)—China now has 41 ports open to foreign vessels, Lin Zuyi, vice minister of communications, said here today.

They are Shantou, Shanwei, Shekou, Huangpu, Guangzhou, Zhangjiang, Chiwan, Wanzai, Meisha, Jiuzhou, and Guanghai in Guangdong Province; Qingdao, Yantai, Shijiu, Weihai, Longkou, and Lanshan ports in Shandong Province; Lianyungang, Nanjing, Zhenjiang, Nantong, and Zhangjiagang in Jiangsu Province; Haikou, Basuo, and Sanya in Hainan Province; Fuzhou, Xiamen, and Quanzhou in Fujian Province; Zhoushan, Ningpo, and Wenzhou in Zhejiang Province; Dalian, Yingkou, and Dandong in Liaoning Province; Tongjiang and Heishan in Heilongjiang Province; Fangcheng and Beihai in the Guangxi Zhuang Autonomous Region; and Qinhuangdao, Tianjin, and Shanghai.

According to Lin, more and more Chinese ports are opening up to foreign ships with the rapid development of the country's foreign trade.

He said China has a total of over 200 ports and more than 220 berths. Over 90 percent of the country's foreign trade is handled by its coastal ports.

#### **First Free Port on Line in Hainan**

*HK1411021788 Hong Kong HONGKONG STANDARD in English 14 Nov 88 p 5*

[Text] The first free port in China, at Yangpu in northern Hainan, will be in operation by the end of next year, THE HONGKONG STANDARD has learned.

Japanese construction giant Kumagai Gumi (HK) Ltd is studying a \$20 billion investment plan for the port. It is the first foreign company so far to invest in the port.

Mr Ma Xiyan, director of the Yangpu port preparatory division of the Hainan Provincial Port Bureau, said Yangpu would have free port policies similar to those in Hong Kong and Singapore.

"The Hainan People's Government Social and Economic Development Research Centre is formulating a set of special policies for the free port," he said.

"Yangpu will be the first port in China to allow duty free imports and exports."

Having visit Hong Kong three week ago, Mr Ma said Yangpu would do well to follow the territory's system, especially the management of Kwai Chung container terminal.

"Yangpu's policies will be more liberal than those of the Hainan Special Economic Zone in general. A completely duty free region will be set up in Yangpu," Mr MA said.

"After studying the research centre's report, the provincial government will announce the full set of port policies for Yangpu."

Mr Ma said the provincial government has given priority to develop the port.

The first stage of construction, which started in February last year, would be finished and ready for operation in the latter part of next year.

The first stage of construction will include a berth for vessels of 3,000 tonnes to handle shipments of construction materials, and two 20,000-tonne berths, one for general cargo and the other for multi-purpose functions.

"The provincial government has already invested 30 million yuan (HK\$63 million) in building a 59.5-kilometre, three-lane highway connecting Yangpu with Haikou," Mr Ma said.

The highway is scheduled to go into service early next year.

"Kumagai Gumi has signed an agreement with us to develop a 30-square kilometre site in Yangpu. The investment is planned to be around HK\$20 billion, but the final figure has yet to be worked out," he said.

Kumagai Gumi plans to build a complex of roads, coal gas supply, telecommunication network, electricity supply, drinking water supply, waste water disposal and a sewage system in Yangpu.

"A chemical industrial city will be built in Yangpu and so far letters of intent for nine projects have been signed," Mr Ma said.

Among the projects, Kumagai Gumi will build a thermal power plant with a capacity of a million kilowatt-hours. Construction of two generators with the capacity of 350,000 kilowatt-hours each would start next year.

"To serve the power plant, we plan to build a berth particularly to handle coal vessels up to 50,000 tonnes," he said.

Mr Ma said funds came mainly from Japanese state loan of \$80 million (HK\$624 million).

"As the provincial government decided to make the port a key project, \$10 million (HK\$78 million) was allocated to the first stage of construction and \$50 million (HK\$390 million) to the second stage," Mr Ma said.

"The remaining \$20 million (HK\$156 million) will be allocated to building Haikou harbour, another key project in the provincial development plan.

"Yangpu port can have 26 berths with at least three for 50,000-tonne vessels. The second stage of construction will start in early 1990 when three 20,000-tonne berth will be built.

"The third stage will depend on a review of the operation of the first two stages," he said.

## PRC MEDIA ON FOREIGN ECONOMIES

### Introduction to New Journal

40200001 Beijing JINGJI SHEHUI TIZHI BIJIAO  
[COMPARATIVE STUDIES OF ECONOMIC AND  
SOCIAL SYSTEMS] in Chinese No 4, 20 Jun 88 pp 1-7

[Article by Rong Jingben 2837 2417 2609, translation provided by Beijing's Central Translation Bureau]

[Text] For three years now the bimonthly journal COMPARATIVE STUDIES OF ECONOMIC AND SOCIAL SYSTEMS, published by the Central Translation Bureau in Beijing, has been issued on a trial basis for restricted circulation in China. It is now ready for general distribution at home and abroad.

As editor-in-chief of this journal, I should like to avail myself of this opportunity to explain to our Chinese and foreign readers why we launched this journal and how it has fared over the first three years of publication.

When the Central Translation Bureau started the journal in 1985, people were perplexed. And at the first symposium it held on the management and reform of enterprises, some participants expressed surprise that scholars engaged in the study of Marxism-Leninism should concern themselves with the management and reform of enterprises. It seems that theoretical workers who translate and study classical works are only expected to cite classics whenever they open their mouths. But anyway, why did the Central Translation Bureau decide to launch a journal of comparative studies of economic and social systems?

It is well known that Marx concentrated his studies on the laws governing the development of capitalism. It is probably under his influence that many laws governing the development of socialism have been set forth in the theories of the conventional socialist political economy. Nevertheless, it turns out that for several decades China's practice in the socialist economy has been inconsistent with these laws, and no one has taken the trouble to find out why. Is it because these are not laws at all, or is it because we have failed to act in accordance with them? And people began to lose interest in them.

At first, socialist planners in China made a point of exploring new ways in practice and learning through trial and error, or in other words, of advancing cautiously, step by step, the way one wades across a river. Practical experience is a major source of knowledge. But are there no laws governing the socialist economy? Is the only way to make progress to rely on our own experience, on trial and error?

How should the study of Marxist theory be integrated with the practice of China's drive for socialist modernization? This is a question that Marxist theoretical workers have to consider seriously.

Unlike people working in the natural sciences, people working in the social sciences cannot discover laws by overcoming obstacles and performing experiments in a vacuum. They can do so only by making scientific abstractions. In one of his prefaces to Capital [as published] Marx wrote, "In the final analysis of economic forms, ... neither microscopes nor chemical reagents are of use. The force of abstractions must replace both."<sup>1</sup> When making scientific abstractions, Marx always made a point of comparing Great Britain with Germany and other West European countries, observing that the country that was more developed industrially only showed, to the less developed, the image of its own future and that these tendencies were working with iron necessity towards inevitable results.

Why can't we follow the example of Marx and make extensive comparisons between all types of countries and regions in the world today, studying the laws governing their economic and social development and its inevitable trend? When the Central Translation Bureau put forward this idea and proposed to launch a journal of comparative studies in this area, we received a prompt and eager response from many prominent theorists throughout China. They agreed with us that comparative study was an important means of understanding the laws governing economic and social development and of upholding and developing Marxism. It would help to overcome not only the tendency towards dogmatism, that is, the exclusive adherence to laws discovered under conditions of the past, but also the tendency towards empiricism, that is, the exclusive reliance on experience to the neglect of theory. And ultimately, it would help us to carry on our fine tradition of integrating theory with practice. It was on these considerations that the Central Translation Bureau founded this journal, edited by a number of well-known scholars and supported by various quarters. Because of the many difficulties and our lack of experience, we decided to start by publishing the journal on a trial basis with a restricted circulation.

The enthusiastic response of our readers during the first three years of publication has shown that Comparative Studies addresses questions that are of keen interest to them. In their practical activities people are always making comparisons consciously or unconsciously. It seems that the question our readers are most interested in is: Why is it that the productive forces of the developed countries under the capitalist system are still growing and that the real incomes of their people have been raised considerably, whereas the economies of the socialist countries have failed to advance smoothly as expected? After our interview with Xu Jiatun, Director of the Hong Kong Branch of the Xinhua News Agency, on present-day capitalism and socialist modernization was published in the first issue of the journal this year, it was reprinted in Hong Kong's TA KUNG PAO and WEN HUI PAO and in many other newspapers and magazines on the mainland. The interview was so warmly received by such a wide audience precisely because it answered questions of common concern.

In developing the economy, we should not cling to the laws we already know but should keep discovering new ones. In Marx's days, in the wake of the Industrial Revolution, ownership of capital became the foundation on which to formulate policies for production and the operation of enterprises, which brought into existence the capitalist system based on the exploitation of labor by capital. The socialists, whose objective is to eliminate capitalist private ownership of the means of production in favor of public ownership, have brought the socialist system into being.

In the present-day world, as production develops and science and technology advance, the economic structure has become ever more complex, more and more risks are involved in business operation, and information has become increasingly important. Under the capitalist system, in order to reduce risks in business operation, personal capital has been gradually converted into capital of legal entities through the mutual purchase of shares by banks and enterprises, thus giving rise to a "mixed economy." At the same time, the decision-making power in the operation of enterprises has been gradually shifted from the hands of the owners of capital to the hands of people who have knowledge and information, thus bringing about an "intermediate stratum" of managers. Together with government officials and scientists, these people, known as "the elite of society," are playing a tremendous role in the development of production and the progress of science and technology. Under capitalism, the changes I've just mentioned in the economic and social structures have promoted the development of the productive forces.

When the socialist system came into being, the working people, having abolished capitalism and all systems of exploitation displayed enormous enthusiasm for production. Public ownership of the means of production takes the form of centralized control by the state. Through planning, the socialist state has played a great role in encouraging the development of the economy. However, under the system of centralized state planning, an "intermediate stratum" of administrative officials has emerged. These officials merely obey administrative orders, without assuming any responsibility for the increasing risks involved in business operation or trying to make any innovations with the help of the ever-increasing amount of information available. Obviously, the system does not serve the needs of contemporary economic development. As an alternative, people tried to realize public ownership through a system of workers' self-government. Nevertheless, such self-government cannot replace operation and management by entrepreneurs who dare to assume risks and who possess knowledge and information; moreover, it is still subject to control by the intermediate stratum of local administrative officials and by the immediate interests of the insecure "owner—the workers and other employees as a collective. Accordingly, the model of workers' self-government is not a successful one. All this shows that although the means of production are owned by the

public, although the system of exploitation of labor by capital has been abolished and although socialism is displaying great vitality. Its present economic and social structures do not correspond to the needs of the development of the productive forces.

In view of the developments of the world situation today, we should no longer confine ourselves to comparing "-isms," but should move forward to compare economic and social systems. The achievements of the developed countries in the wake of the changes in their economic and social systems may well be the "image of the future" of underdeveloped countries like China. It will be very useful to compare our country with the developed countries, making systematic studies of both the positive and negative aspects of their experience. Through such comparisons we can at least see certain trends or laws of historical development. For example, the building of socialism calls for enterprises that are independent of administrative organizations, capable of facing market risks and prepared to try new things, a massive corps of entrepreneurs who possess professional knowledge and information and a government which tries to create an environment that encourages innovation on their part and whose personnel cooperate with them instead of simply giving them orders.

In recent years, having come to understand this historical trend or law, the Central Translation Bureau has held many symposiums on the management and reform of enterprises, inviting as participants outstanding entrepreneurs and leading cadres of the Party and government who were enthusiastic about reform. Through these discussions we have become keenly aware that China's existing structures have hindered the growth of entrepreneurs, stifled many people's intelligence and wisdom and caused an enormous waste of valuable resources. They have kept people bogged down in seeking instructions, making reports, wrangling endlessly over each and every thing, establishing connections and getting benefits through the "back door," instead of encouraging them to work hard and make innovations. The participants have also come to realize the importance of making comparative studies and proposed establishing an entrepreneurs' club in which members could exchange knowledge and information and conduct such studies for the benefit of the reform of economic and social structures and the growth of entrepreneurs. We all believe that reform and the growth of entrepreneurs are important guarantees for the realization of China's socialist modernization. It is gratifying that comparative studies have won the support of policy-makers and entrepreneurs. They have told us, "You're not studying dogmas but genuine Marxism."

I remember that the late Jiang Chunfang [1203 2797 5364], former Deputy Director of the Central Translation Bureau, often advised us that in translating and studying Marxist-Leninist classics we should constantly try to improve our skills, following the example of the monks of the Tang Dynasty who went on pilgrimages to find Buddhist scriptures and then translated and studied

them. We thought this was good advice when we were translating and studying Marxist-Leninist classics, and we think so all the more now that we are publishing the journal. We need not only learn from the experience of other countries, but also "beg alms" like monks—that is, raise funds for our journal, and seek the assistance of theorists who have real knowledge and deep insight. However, we are different from monks. We pin our hopes on the people, the living God. We often recall Marx's remark that theory becomes a material force as soon as it has gripped the masses. Bearing this in mind, we are convinced that when the laws discovered through our comparative studies have "gripped the masses," they will surely help our country shake off poverty and become prosperous. Since consciousness can be transformed into matter, it can certainly win the support of material forces. This conviction of ours is shared by entrepreneurs. They have provided our journal with both moral and material support. And this, in turn, has enhanced our confidence that we can continue to run it well.

During these three years, COMPARATIVE STUDIES OF ECONOMIC AND SOCIAL SYSTEMS has not only been supported by theorists, entrepreneurs, and members of political circles at home, but has also begun to enjoy the support of friends abroad. These friends have contributed to the journal, attended our symposium, given us lectures, and invited us to go abroad for academic visits and exchanges. We feel certain that when the journal is given wider circulation these exchanges will expand. We hope it will serve as a bridge between people engaged in comparative studies in China and in other countries and help promote reform and opening to the outside world.

In the first issue of COMPARATIVE STUDIES OF ECONOMIC AND SOCIAL SYSTEMS we reprinted an essay on the philosophy of "OP" by Professor Lin Jintu in Taiwan, who believes that to create new things one must take action, and that although such things may not be perfect in the beginning, efforts should be made to improve them later, thus realizing K + 1. The journal COMPARATIVE STUDIES OF ECONOMIC AND SOCIAL SYSTEMS that we have launched in China is a new thing and it is indeed far from perfect. But we shall do our best to achieve K + 1, that is, to improve it issue by issue. Three years have elapsed, and we have only reached a new starting point. We hope that, with the support of our readers and friends at home and abroad, this journal will become better as time goes on.

We wish to exchange publications and other materials with foreign institutions engaged in comparative studies.

Address: Editorial Board of COMPARATIVE STUDIES OF ECONOMIC AND SOCIAL SYSTEMS 36 Xixiejie, Xidan, Beijing, China

#### Footnote

1. Karl Marx, "Preface to the First German Edition," *Capital*, Eng. ed., Progress Publishers, Moscow, 1977, Vol. I p. 19.

## AGRICULTURE

### State Council on Rural Irrigation Works

OW1511031488 Beijing XINHUA Domestic Service in Chinese 0137 GMT 13 Nov 88

[Text] Beijing, 13 Nov (XINHUA)—The State Council recently relayed to the various localities and departments the Ministry of Water Resources' "opinions regarding reliance on the masses' cooperation to build rural irrigation works." The State Council circular stated: An important measure in enhancing agricultural staying power is to develop rural irrigation works to improve production conditions. Reliance on the masses to build rural irrigation works has been a traditional Chinese practice. From now on the policy of relying mainly on one's efforts while seeking state assistance should be implemented for the construction of rural irrigation works. We should implement labor accumulation, pool funds at all administrative levels and through all channels to build irrigation works, and systematically carry them out year round.

The Ministry of Water Resources' "opinions regarding reliance on the masses' cooperation to build rural irrigation works" stated: For the past 2 years the various localities have vigorously built rural irrigation works during winter and spring. The situation of rural irrigation work projects having fallen in disrepair over the years and their diminishing benefits has been turned around. The trend of the gradual decrease in irrigated land throughout the country since 1980 has started to ease. However, rural irrigation works have yet to adapt to agricultural development requirements.

In order to further consolidate and develop rural irrigation works to increase agricultural staying power, localities with suitable conditions must mobilize the masses to pursue labor accumulation, persist in building irrigation works throughout the year, and do a good job in constructing rural irrigation works. Based on repeated investigations and studies and after soliciting relevant departments' approval, the Ministry of Water Resources has forwarded the following suggestions regarding the matter of relying on the masses' cooperation to build rural irrigation works:

1. One must rely on the masses' cooperation and organize them on a long-term basis to persistently build rural irrigation works in order to enhance the capability to withstand flood and drought damage, transform medium- and low-yielding farmland, enhance agricultural staying power, and promote agriculture's steady growth.

2. Rural irrigation works construction should be voluntary and based on actual needs, one's capabilities, practical results, and implementing the policy of relying mainly on one's efforts while seeking state assistance.

3. Rural irrigation works construction should be carried out at different levels and within the area that will receive the benefits. The village or group should carry out projects within their own boundaries. Projects spanning beyond villages should be carried out by the township or jointly by the villages concerned. Projects spanning beyond the township should be carried out by the county or district, or jointly by the townships concerned.

4. Rural irrigation works construction should rely mainly on the labor accumulation manpower for rural irrigation works. This is an important method for peasants to invest their labor in the development of irrigation works for improving production conditions. Everyone in the rural labor force must play their part in labor accumulation for rural irrigation works. Labor accumulation manpower should be shared accordingly by the labor force, contracted according to surface area, or a combination of both as determined by the masses. In general each person is to contribute 10 to 20 working days. Dependents of martyrs and servicemen, households enjoying the five guarantees [wu bao hu 0063 0202 2073], nongovernment schoolteachers, and peasants with special difficulties may have their conditions taken into consideration for reduction or exemption. Manpower working days for rural irrigation projects' labor accumulation must be implemented as fully as possible. Those who do not contribute labor may offer substitution of the same value, or money in lieu of labor. Residents and enterprises in cities and towns within the district receiving benefits (including indirect benefits) from a rural irrigation work project must share appropriate responsibilities. Each locality shall assign a certain amount of labor to them for sharing responsibilities, or money in lieu of labor in accordance with different circumstances.

5. Manpower labor accumulation for rural irrigation works must be used only for the construction of small projects or the maintenance, renovation, and transformation of existing projects in flood control, irrigation, drainage, water supply, and water and soil conservation within the county, township, or village boundary. It must also be used only for dredging small rivers that cover drainage areas of less than 30 square kilometers. It does not include state capital construction large- and medium-sized water conservancy projects, flood prevention along rivers, dealing with flood emergencies, leveling land, or repairing canals and ditches in farmland contracted by peasants within the project's boundaries.

6. The principle of "whoever benefits shall share the responsibilities" should be implemented during the construction of rural irrigation work projects. A project should be accomplished mainly by the labor force of areas directly benefiting from it. When there is a need to seek assistance from the labor force in areas that do not

benefit from the project, exchanging labor for labor or using money to substitute for labor should be used. Contracts to fulfill a project on a specific date should be signed voluntarily.

7. A system to clear and settle accounts for manpower labor accumulation for irrigation work projects should be set up. All localities should seek to accomplish a given target and settle the account within a given year. Those who cannot fulfill their obligation may transfer it to the following year, or use money to substitute for labor.

8. Water conservancy development funds should be set up at county and township levels. The source of funds should be from the following channels, and deposited into special accounts for use in their designated areas.

(1) Appropriation from standby financial resources of counties and townships;

(2) Pretax expenses set aside by township and town enterprises for social purposes;

(3) The portion of the farmland use tax counties and townships retain. A certain percentage shall be used for water conservancy development funds;

(4) Depreciation and maintenance expenses drawn each operational year for rural irrigation work projects;

(5) Money in lieu of labor for rural irrigation work projects received from beneficiary areas (including areas receiving indirect benefits);

(6) Other funds used for the construction of rural irrigation works.

9. Besides allocating a portion of the materials from the overall state farm materials supplies plan, materials departments in all localities must help acquire the remaining materials required for constructing rural irrigation work projects (including the part of pooled funds) from the market.

10. Compensation for occupied land and young crops, destroyed houses, and home removals during rural irrigation work projects' construction shall be decided upon and reasonably regulated by the unit organizing the project. The state shall not pay any compensation.

**Peasant Households Earn More Cash Income**  
*OW1011044088 Beijing XINHUA Domestic Service in Chinese 0750 GMT 8 Nov 88*

[By reporter Lu Yongjian]

[Text] Beijing, 8 Nov (XINHUA) — According to a sample survey conducted by the Agricultural Survey Team of the State Statistics Bureau, there were major changes in Chinese peasants' cash income from January to September this year. For the first time, their income

from products of animal husbandry exceeded that from agricultural products, and income from secondary and tertiary industries continued to rise relatively quickly.

Recently, the Agricultural Survey Team of the State Statistics Bureau conducted a sample survey of 66,982 peasant households in 846 counties throughout China. The survey shows that the average cash income (exclusive of income from savings or from loans) of peasant households was 370 yuan in the January-September period, an increase of 79 yuan, or 27 percent, over the same period last year. After adjusting for price rises, the increase was 12.6 percent. The per-capita net cash income of peasants was 235.87 yuan, an increase of 48.23 yuan, or 25.7 percent, over the same period last year. After adjusting for price rises, the increase was 9.9 percent.

For the first time, income earned from products of animal husbandry was higher than that from agricultural products, indicating a major change in peasant's cash income structure for this year. From January to September this year, peasants' per-capita cash income earned by selling products was 208.44 yuan, of which 90.3 yuan came from products of animal husbandry, while 87.28 yuan came from agricultural products. The relatively quick increase in cash income from products of animal husbandry was mainly attributed to rising prices. Besides, per-capita cash income earned by peasants from village and town enterprises as well as secondary and tertiary industries was 23.41 yuan, an increase of 24.1 percent over the same period last year. Only income earned from economic associations [jing ji lian he ti 4842 3444 5114 0678 7555] decreased.

The sample survey also shows peasants' cash payment grew faster than cash income, and their payments for production expenses grew faster than payments for consumption in daily lives. From January to September, peasants' per-capita cash payment (exclusive of payment for savings and loans) was 392 yuan, 84 yuan more than the same period last year, of which 117.86 yuan went to defray production expenses, an increase of 31.5 percent over the same period of last year, while 238.87 yuan went to defray consumption expenses in daily lives, an increase of 26.6 percent.

Because of an increase in the comparative returns [bi jiao xiao yi 3024 6525 2400 4135] of animal husbandry, the per-capita investment in animal husbandry was 31.02 yuan, an increase of 74.9 percent over the same period last year. The per-capita investment in agriculture was 52.75 yuan, an increase of 20.5 percent. However, the increase in this year's agricultural investment was basically used for defraying extra expenses caused by rising prices of chemical fertilizer and pesticides.

**Electrification in Rural Areas Accelerated**  
*OW1611112888 Beijing XINHUA in English*  
0633 GMT 15 Nov 88

[Text] Hangzhou, November 15 (XINHUA)—Twenty-four out of 100 rural counties chosen as pilot regions for

the goal of realizing electrification by the year 1990 already have enough electricity for agricultural and daily use, according to a senior Chinese engineer.

The remaining counties will have adequate electricity within the next two years, said Liu Zijian, a senior engineer from the Ministry of Water Resources and Electric Power, at an international seminar on electrification in rural areas and economic development.

In 1983, the state picked out 100 counties, which have adequate water resources but lack electricity, to realize electrification through building power facilities.

Most of these counties are located in poor or mountainous areas of China's 10 southern provinces. Previously, the population lived mainly on state financial aid and burned candles for lighting.

According to the electrification plan, 90 percent of families in these counties should have adequate electricity for use in cooking and lighting.

Facilities for the processing of agricultural products, irrigation, threshing, fish-hatching and sheep-shearing should also be electrified.

Electricity needed by township-run factories and other establishments will be guaranteed.

The annual consumption of electricity for each person will be averaged at 200 kilowatt hours (kwh), Liu said.

By the end of last year, power stations with a combined capacity of two million kilowatts have been built in these counties, providing 80 percent more power than that in 1983.

To date, a total of 770,000 households are using electricity for cooking.

Electrification of rural areas has promoted industrial growth and improved people's living standards, Liu said.

The total industrial output value yielded by the 100 counties now makes up 43 percent of the area's gross agricultural and industrial output value.

In addition the annual net income of farmers has risen from 199 yuan in 1982 to 374 yuan in 1986, partly as a result of the increased availability of electrical power.

**Guangdong Beer Exports**  
*OW1911141088 Beijing XINHUA in English*  
0152 GMT 17 Nov 88

[Text] Beijing November 17 (XINHUA)—The Guangdong Qiangli Beer Group Ltd signed a contract Tuesday with two American companies to export one million cases of beer to the United States per year.

Developed in 1980, Qiangli Beer entered the world market last year. Exports this year are expected to be worth 4.5 million U.S. dollars.

### Proposals for Rural Grain Procurement Policies Aired

40060121 Beijing JINGJI CANKAO in Chinese  
12 Nov 88 p 4

[Article by Zhou Qiren 0719 0366 0088, Development Office, Agricultural Research Center, State Council: "Tax Payments in Kind, Reduction of Fixed Procurement, and Expansion of Exchange Procurement—an Exploration of Grain Policy Under Inflationary Conditions"]

[Text] We maintain that on the grain issue, a policy must be maintained of "an equitable sharing of burdens by the peasants, the state, and consumers." The basic focus on "raising prices, raising taxes, reducing procurement and reducing sales" cannot be abandoned; however, the way to achieve this should be new readjustments aimed at the inflationary environment, the crux lying in reduced reliance on money in the grain deduction and exchange process, and an expansion of the use of tangible goods exchange.

Forecasts calls for an approximately two percent decrease from 1987 in the country's grain output for 1988. This decrease in 1988 grain output occurs against a backdrop of four consecutive years of failure to revive the country's gross output of grain to the 1984 level. As a result, the country's economy will come under tremendous pressure from increased demand for grain brought about by population increase and a rise in income level, thus provoking an intensification of the conflict between grain supply and demand under new conditions.

The grain shortage will cause a rise in the market price of grain and associated products, will increase state grain procurement difficulties and an exacerbation of relations with the peasants, will force an increase in state grain procurement prices that will have an adverse affect on the public finance and banking situation, and will also result in an increase in imports that increases pressure on international payment capabilities. There can be no doubt that all of this will not only not ameliorate inflation, but rather will intensify economic instability. Therefore, winning annual increases in grain output has become one of the important policy goals affecting the overall situation, the achievement of which will require formulation of corresponding short-range grain policies.

### I

Different explanations have been offered for the country's decreased grain production since 1985 and its failure to make a comeback, and these different explanations suggest different policy orientations; hence, a brief discussion is called for.

Initially people supposed that the decline in grain output resulted from the "blind optimism" of 1984 (which was actually a recognition of the basic fact that the 1983-1984 general difficulty in selling grain resulted from "a low level glut." During the last half of 1985, however, the "pessimism theory" gained the upper hand on the grain issue. The pessimism has lasted three years, and still grain output has not exceeded the 1984 figure, so it is clear that the problem does not arise out of people's subjective evaluation as to whether there is too much or too little grain. In the absence of correct policy actions, more hollering about three years of grain shortage will make an increase in grain output difficult.

Yet another explanation is "insufficient investment." This is certainly true because, theoretically speaking, insufficient output of a product is certainly a result of inadequate investment. The question is why was it that investment in grain production was insufficient after 1984.

Most of the investment in grain in China is made by two main entities. One is the peasants, and the other is the government. From 1980 through 1984, peasant investment in grain was quite adequate. Purchase of draft oxen, plows, and machines, labor inputs, fertilizer inputs, and improved varieties caused an abnormal increase in grain production. After 1984, the overly low comparative price of grain became increasingly serious; marketability of output reached its lowest point relatively, while the price of chemical fertilizer input rose, thus causing a worsening of the supply situation. This was the main reason why peasants did not invest sufficiently in grain production. The process whereby the state invests in grain production changed substantially during the 1980's. Investment and disbursement of public funds for agriculture decreased, but subsidization of agricultural prices increased tremendously. The change in this process played a positive role that was remarkably effective in boosting grain output from 1976 through 1984. In particular, the strong stimulating role of agricultural prices on producers, and the increases in reserves and ability to invest of grain farming peasant households have to be commended, but the new process also has numerous shortcomings, including the following: (1) Ability to regulate consumption through product prices is very weak, particularly so in the case of low-priced grain that is consumed in large quantities. (2) As a result of the inversion of buying and selling, the burden on public finance becomes greater and greater. (3) Market flow of products such as grain is obstructed. (4) Internal and external returns for agriculture are appreciable, but infrastructure, in which peasant households do not have the resources to invest, and investment in agricultural science and technology are weakened excessively. By comparison, central and local government financial investment in other areas has been too hot year after year, resulting in government underestimation of the impact on society of its investment in agriculture. In short, the "insufficiency of investment" can explain the inadequate supply of grain, but the reasons for the

insufficiency of investment need to be analyzed more specifically to find possibilities for making improvements within a short period of time.

One explanation making the rounds recently is that the potential from contracting production to peasant households has been exhausted, and that the fields that peasants farm are too small, causing overly high grain production costs, and no profit from farming. Such an explanation cannot answer the question of why farming by separate households "suddenly" ceased to work properly in 1985, nor is it able to answer the question of why, after 1985, the same small scale farming by peasant households still maintained continued increase in output of other agricultural products of fairly high marketability. To just what size fields should be enlarged in order to bring about a decline in grain production costs is a matter requiring even greater use of reliable verifying data for further study in order to reach a policy conclusion. Examples from inside China and abroad show that until such time as a fundamental change is made in the overall restrictive condition of a large population relative to available land, expansion of the size of fields will often cause a rise in the financial costs of agriculture (as well as uneconomical actions such as too early mechanization of farming), or will cause a decline in the land productivity rate. In an economy in which manpower is relatively plentiful and both land and capital are scarce, the gain in increasing the labor productivity rate is not worth the loss from trading any one of these elements. It is particularly noteworthy that in the process of expanding the size of fields, administrative power would be reapplied to encroach upon and deprive peasants of their self-determination in farming. The consequences of such an "artificial speed-up" would be to shake the confidence of all peasants in reform policies, which would lead to a more pervasive short-term attitude on the part of the peasants, the spread of which should be halted and guarded against.

On the basis of the foregoing analysis, the writer holds a basically negative attitude toward both the "blind optimism" theory and the "overly small size" theory, and agrees with the "insufficient investment" explanation, while believing that further analysis of the mechanism is needed.

Our main explanation of the trend of the country's grain production since 1985 is as follows:

(1) The "comparative price regression" in grain procurement prices and other agricultural product prices, as well as in the sale price of industrial manufactures used in agriculture stimulated decline in prices of grain products.

(2) The 1985 "inverse 3:7 mixed procurement price" [whereby the purchase price was calculated at 30 percent of the state purchase price and 70 percent of the excess purchase price] weakened market grain price marginal stimulation of grain production.

(3) The amount of state procurement of grain at low prices (including first and second centralized procurement) is too large a percentage of the amount of grain for sale. As a result peasants in many grain growing areas have no excess grain to send to market after satisfying their own needs and their obligation to sell grain to the state. This has led to an overly small availability of grain for which the supply is elastic in response to market price.

(4) The sale price of grain in cities is very much out of line with the supply and demand situation, price functioning only extremely weakly to regulate consumption. This results in excessive demand for grain, and this demand signal is not transmitted to producers through the price mechanism.

(5) Opportunity costs for agricultural manpower have risen, and not only are price ratios for grain products low, but the amount of per unit labor used for their production is lower than for fine agricultural products, livestock products, and industrial and commercial products. Consequently, annual income is relatively very low, causing an outward shift of resources.

(6) The rural taxation system needs rebuilding. The current taxation situation amounts to a concerted attack on grain production.

(7) Investment in infrastructure and in technical development and promotion for grain farming is insufficient. Government investment generally favors cities and high consumption.

(8) Reform of the grain movement system has lagged; benefits to agriculture and business are not equitable.

The various foregoing factors that have hampered an increase in grain output in recent years are, in the final analysis, a conflict among the interests of the national treasury, the interests of urban consumers, and the interests of the peasants. These fundamental conflicts have yet to find an appropriate mode of existence and method of regulation during the course of movement toward a commodity economy.

Short-term grain policy should serve the overall policy objective of promoting an increase in grain output. The remedy must be fitted to the illness, regulation being manifested in the relationship of distribution benefits on the grain issue, with particular pains being taken to find an effective method for regulating interests in an inflationary situation. This is the only way to find a correct grain policy orientation.

## II

It must be noted that in an inflationary situation, grain policy orientation can easily be carried to extremes. In fact, two fairly extreme grain policy orientations have been proposed during 1988.

At one extreme is the advocacy of immediate "complete removal of restrictions" on grain prices. The background to this proposal was a steady rise in prices of the means of production. Grain growing peasants sustained too heavy losses, and their enthusiasm declined. The rational core of this policy is that the sharing of benefits between cities and the countryside, and between industry and agriculture should be founded on exchange of equal value. This is right, of course, and it is also one of the basic lessons learned during several decades of building the country's economy, particularly in how to handle peasant problems. However, the process of realizing this objective does not move forward of its own accord, because the socio-economic conditions required do not exist in a ready-made form under the present system. Furthermore, exchange of equal value does not mean that social deductions (such as agricultural taxes and land taxes) have to be abolished. In the old system, prices and taxes were lumped together; openly levied taxes were light, but hidden taxes were excessively heavy. Even in terms of the long range objectives of reform, not only can there be no removal of price restrictions, but the tax system will have to be rebuilt as well. If removal of restrictions on grain prices also causes an increase in the tax burden, not only will there be long-term problems in socio-economic performance, but there will be no source of funds to pay the costs that society will have to pay for reform of the grain system; hence, this is not very realistic.

The opposite extreme orientation favors an across-the-board reversion to mandatory orders to control grain production, including closing of grain markets, dictating the area to be sown to grain, and increasing the amount of grain procurement at low prices. The effectiveness of such a policy orientation is very doubtful because, first of all, an overly high market price for grain not only increases difficulties in fulfilling state fixed procurement grain quotas, but it also stimulates peasant expansion of production. The closing of markets only helps the state obtain grain during the present season at the cost of possibly sacrificing an increase in grain supply during the following season. Second, the greater the difference between the low state procurement price and the market price for grain, the more onerous the "bounden duty" to supply the state with grain, and the unfavorable position of grain relative to the multitude of agricultural products can only become more conspicuous, further hurting grain supply. Third, control of the grain growing acreage has been only minimally effective in the past, and in a situation in which countless millions are engaged in grain growing, it is even more difficult to enforce. Fourth, an overly strained atmosphere regarding the grain issue may lead to underreporting of output at every level, evoking a reduction in procurement as well as increased peasant reluctance to sell. Therefore, the policy orientation at this extreme not only runs contrary to the basic strategic objectives of reform, but is also unfavorable for consolidation of the current situation.

A correct grain policy orientation can only rest on the realistic foundation of the two track system that shows

concurrent concern for the real ability of all major interests groups to carry the burden, and strives to readjust benefits.

Its policy essentials are as follows:

A rise in prices, meaning a rise in state fixed procurement grain prices for an increase in returns to grain growing peasants and a decrease in grain procurement difficulties.

A reduction in procurement, meaning a reduction in the amount of fixed procurement grain for which the state pays a low price, and an increase in the market price of the portion that regulates grain production.

Holding down sales, meaning a reduction in the amount of grain sold by the state at parity prices without affecting the actual grain rations of city and town residents, and an expansion in sales of grain at negotiated prices and market prices as a percentage of total grain sales.

A tax increase, meaning an increase in tax rates for openly levied taxes on agriculture and land in order to increase the amount of funds available for expansion of financial support to grain system reform.

Of the above provisions, rise in procurement prices and reduction in the amount of procurement are concessions made by the state in exchange for the peasant groups' fulfillment in full of their fixed grain procurement quotas. The holding down of sales is a concession made by the consumer group in support of state reduced procurement from the peasants and an increase in procurement prices in exchange for a continued insured supply of grain rations at parity prices. The rise in taxes is a concession by the peasant group in support of, and in exchange for state and consumer price rise, reduced procurement, and the holding down of sales. The essence of this whole policy is that peasants, the state, and consumers jointly share the burden of economic pressure exerted by a rise in grain prices, reversing the overall negative stimulation of grain production produced by the 1985 "inverse 3:7 ratio mixed procurement price"

In fact, grain policy since 1985 has been basically this body of policies. The increases in grain production for two consecutive years during 1986 and 1987 showed this body of grain policies to be effective, and demonstrated a little rise in prices, a little holding down of sales, a little more reduction in procurement, and a little increase in taxes each year in a step-by-step progression away from the reduced grain output whirlpool, and realization of the reform objective of "making hidden taxes open, and removing restraints on prices."

In a situation of fairly high inflation, first of all, it is vastly more difficult for the state to raise grain prices. Too small a raise will do no good at all, because the gap between market prices and procurement prices is widening rapidly. Too great a raise cannot be supported out of

available financial resources, and the issuance of more currency will only add fuel to the fire of inflation. More seriously, should the government raise procurement prices for such a basic primary product in a situation of generally anticipated inflation, this might lead to a series of cyclical price hikes, the difference from the list price of grain continuing to widen, and the price ratio between grain and industrial manufactures regressing once again at a high level. No matter what situation occurs, either the state does not dare to increase grain procurement prices tremendously, or a raise will be offset by a rise in the prices of other products. Second, the holding down of grain sales becomes a more sensitive social variable that is difficult to move ahead with in terms of economic possibilities and equitability.

Should it not be possible to hold down sales of grain, reduction in procurement will become empty talk. Conversely, difficulties in relying on financial resources to raise prices will be even greater.

Finally, inability to raise prices, reduce procurement, and hold down sales on schedule will be tantamount to not removing the hidden taxes on grain, to say nothing, naturally, about raising open tax levies. The consequences of having only the peasant group shoulder the burden of grain system reform (and in an inflationary situation at that) will not be accepted by the peasants no matter how calculated.

One might say that even though the body of grain policies that includes a hike in prices, raising taxes, reducing procurement, and holding down sales may be a fairly correct starting point, it could not withstand the test of inflation and the new macroeconomic environment that was forecast. We can use this line of reasoning to explain the 1988 decline in grain output, and we can also use it to explain why a rather extreme grain policy orientation may gain ground at the same time this year.

If a short-range grain policy does not focus on inflation to make readjustments in its formulation, both further wavering of grain production and movement of grain policy toward a somewhat extreme orientation are possible.

### III

Inflation and its anticipated consequences have already seriously weakened the regulatory function of currency and prices. The peasants no longer believe that government changes and control of currency and prices can change the price ratio between grain and fertilizer, or the imbalance in the price ratio between grain and cash crops. In the case of an economic activity such as anticipated grain production, which has such a substantial effect on investment, should the rise in procurement prices be vastly lower than the amount of inflation that the peasants expect, the price rise will inevitably act as a negative inducement. Therefore, in the current readjustment of benefits among the various parties concerned

with the grain issue, sole reliance on currency and price levers will scarcely prove effective. More reliance must be placed on the regulation of amounts (such as procurement amounts), and exchange of tangible goods.

Specifically, this means the following three things:

(1) Payment of taxes through levies in kind. By this is meant the collection of agricultural taxes in the form of grain, which applies not only to payment of taxes on grain crops but to all products of the soil. This both prevents a further decline in true open land tax levies during inflation, and also insures the state's ability to control a greater amount of grain. (At a payment in kind of 12.5 kilograms of grain per mu of land, the total amount of grain collected from the country's 1.9 billion mu of cultivated land would be 23 million tons.)

(2) Reduction in fixed procurement. By this is meant a lightening of the burden on producers in a situation of rapid widening of the gap between state procurement price and market price, and a moderation of the tense relations between rural grassroots level cadres (representing the state) and the peasants. Some small adjustments can be made in the price paid for this fixed procurement grain as financial resources and the market situation warrant; however, conversely, it must be emphasized that reduction in surplus grain fixed procurement quotas would be in the nature of a tax adjustment, and peasants would have to fulfill quotas to the maximum. By this means, the state could stabilize its grain quota at at least 20 million tons.

(3) Expansion of exchange procurement. By this is meant that the state, as the sole dealer in chemical fertilizer, would assemble a large quantity of chemical fertilizer (including the chemical fertilizer that was formerly coupled to procurement) for exchange with grain growing peasants of grain for fertilizer at a rate of approximately 1:0.5. The nature of this exchange would differ from taxes or adjusted taxes; however, in an inflationary situation, the state would have to hand down quotas to both fertilizer plants and the peasants. Analysis of the make-up of the country's current fertilizer supplies shows that insuring the state between 7 and 10 million tons of grain via this method should not be too big a problem.

If matters are handled in this way, as a result of a readjustment of the relative burden through the payment of taxes in kind, reduction in the intensity of grain procurement at low prices as a result of state reduction in procurement, and insuring the input of supply through the exchange of fertilizer for grain, peasant enthusiasm for grain production could revive.

Though the state will have to do a much more solid job in organizing the fertilizer for grain exchange, and in the payment of taxes in kind (work quality being decisive in

grain policy effectiveness), it will be repaid in the easing of relations with the peasantry, and it will be assured of getting hold of more than 50 million tons of grain.

The holding down of sales should be instituted gradually. For a time, there can be no great reduction, and the state can continue to supply grain purchased at market prices and negotiated prices. Government avoidance of the extreme policy orientation of closing markets, will enable the peasants to continue to gain a certain amount of inducement from market prices.

In short, through adaptations in the form of concurrent concern for the interests of all parties, and regulation, a road can be found for China's grain policy.

#### IV

Finally, let us discuss how to dovetail short-term grain policy and the long-range objective of reforming the grain system.

The writer maintains that the general line of thinking on grain system reform should proceed from the realities of a two track system, and head in the direction of one track having to do with taxes, and the other track have to do with exchange of equal value. Such a reform objective (which does not equate with "complete removal of restraints") would permit "payment of taxes in kind, reduction of fixed procurement, and expansion of exchange procurement" to serve as an intermediate transitional stage.

First the short term policy of "reduction in fixed procurement" can be carried out in a dynamic way. Finally, it can become an integral part of the reduction of open taxes, which is to say that in addition to existing open taxes, more equitable new land taxes could be instituted in tandem in the future.

Second, the payment of taxes in kind could be remonetarized in the future with changes in the economic environment and increase in the degree of market development. The steps in this direction could be divided into: (1) levying of a tax payable in money based on the current year market price for grain, and (2) calculation of taxes entirely in money terms.

Third, the ratio of exchange between fertilizer and grain could be readjusted each year on the basis of market prices. Once it became possible to set the ratio firmly on the basis of market prices, money could then be used as the medium for development into exchange of equal value.

Of course, we cannot forecast accurately just when this conversion might occur; however, analysis of the mechanism shows that an increased use of tangible goods in short-term grain policy can be dovetailed into the grain

system's long-range reform objectives. Once conditions have matured, this can be smoothly promoted. About this, there should be no worry.

#### Food Industry's Development Noted

OW1611111388 Beijing XINHUA in English  
0856 GMT 15 Nov 88

[Text] Beijing, November 15 (XINHUA)—China's food industry has increased by five-fold its output value during the past decade, and it is now the third biggest contributor of the total output value in the whole country, according to a source from the Ministry of Light Industry.

The output value of China's food industry reached 113.4 billion yuan in 1987. It is expected to increase to 125 billion this year. The figure will continue to grow at a speed of 10 percent every year, the official said.

Food industry has earned 30 billion U.S. dollars for China in the past 10 years. Its export value reached 4.5 billion U.S. dollars last year, accounting for 12 percent of the country's total.

Only a few years ago, beer was badly short in China. It now turns out 6.5 million tons of beer each year. China has become the world's fifth biggest beer producing country after only the United States, Federal Germany, the Soviet Union and Britain. Qingdao beer, produced by China's Shandong Province, is now at great demand in the world market.

Various canned foods also have a ready market in many foreign countries. Last year China exported 530,000 tons of canned foods to abroad, earning 540 million U.S. dollars.

#### Increased Meat Production Planned

HK16111153788 Beijing CEI Database in English  
16 Nov 88

[Text] Beijing (CEI)—China plans to increase its meat production by 12.6 million tons in five years, while reducing the proportion of pork consumption from the present 83 percent to 78 percent among the Chinese people.

They also plan to increase poultry consumption to 12 percent in five years, according to sources from the Ministry of Agriculture.

The State Council has allocated 1.5 million tons of grain as subsidies to support non-staple food production. The people's Bank of China and the Agricultural Bank of China have loaned 1.1 billion yuan for the same purpose. The State Planning Commission has arranged new investment for animal and poultry base construction.

Experts predicted that by 1992, China's annual per-capita meat consumption will rise from the present 19.7 kg. to 22.9 kg.. The consumption of milk, eggs, and fish for each person will rise from 5.4 kg., 3 kg. and 8.7 kg. to 7.4 kg., 4.9 kg. and 10.4 kg. respectively.

The Agricultural Ministry plans to build a production capacity of one million egg chickens and two million table chickens for every million urban population on the average, and to set up 104 pig breeding bases in the country and build beef producing bases in central China.

### Improve Farm Loans

40060108a Beijing JINGJI CANKAO in Chinese  
4 Nov 88 p 4

[Article by Wu Guodong 0702 0948 2767 of the Agricultural Bank of China: "Improve Farm Loans"]

[Text] The problems of agriculture have come to attract extraordinary concern throughout society. In the huge agricultural economy system, agricultural loans (excluding those to township enterprises) are a major subsystem. A study of the problems of agriculture requires a study of how we put key elements into play and this inevitably touches upon the issue of how we put credit funds into play. This article will analyze the development of credit in the nation from 1980 to 1987 and will offer a proposal on how to put more agricultural credit into play.

### Diagnosis—Credit Funds Put Into Play Still Haven't Had Their Best Effect on Turnover in the Agricultural Economy

—*Leaning toward non-agricultural industry.* First of all, looking at credit expenditures nationwide, agricultural credit expenditures accounted for only about 4 percent of total credit expenditures of banks throughout the country at the end of 1987. Adding the credit expenditures of credit cooperatives, agricultural credit expenditures made up only about 8 percent. Second, of the total loans made by the Agricultural Bank and by credit cooperatives, agricultural loans accounted for only 23 percent of total loans in 1987. During this same period, the overall output value of agriculture accounted for 49 percent of overall output value in farming villages. Industrial and commercial loans increased 400 percent but agricultural loans increased only 190 percent. If we subtract those instances where grain loans represent specialized individually-run factors, agricultural loans are still growing slower than industrial and commercial loans. Furthermore, looking at the speed of growth in agricultural loans at the Agricultural Bank itself we can see that it was 13.5 percent during the Fifth 5-Year Plan but only 12.1 percent during the Sixth 5-Year Plan.

—*Maintain the conventional inclination.* From the Agricultural Banks' loan statistics for collectives and agricultural households from 1983 to 1985, we see the

proportions of loans for planting crops were successively 83.2 percent, 74.3 percent, 66.4 percent, 63.9 percent and 50.6 percent, averaging about 70 percent, of the total agricultural loans. Only about 30 percent of the loans went to diversified economy and, of this, very little went to forestry and livestock husbandry. Of the loans for planting farm crops, about 80 percent were used in paying such production expenses that year as chemical fertilizer, seed planting, pesticides, and plastic film. Very little went into basic agricultural construction, agricultural mechanization, and transformation of agricultural technology. The amounts that went into developing agricultural natural resources were even more insufficient. In 1987 developmental production loans were only about 10 percent of total loans. Looking at the whole situation of what we've put into play, we can generalize by saying that more is being put into conventional production and less is being put into developmental production; more is being put into short-term production and less is being put into long-term production; more is being put into planting crops and less into the forestry, animal husbandry, side-line production, and fishery industries.

—*The error of sluggish flow.* According to incomplete statistics of the Agricultural Bank for 1987, overdue agricultural loans that can't be collected on time make up approximately more than 30 percent of all agricultural loans. And about 15 percent of all loans are bad debts that can't be collected. Loans that are insufficient from the start are not all returned to normal circulation, and this cuts down on the flow of revolving funds even more.

The primary problems of agriculture can be summarized as a weak infrastructure, an out-of-balance ecological environment, poor production conditions, insufficient utilization of natural resources, unreasonable internal structure and a lower comparative profit. To solve these problems we must increase and improve the key elements we put into play. In particular we must increase and improve the agricultural loan funds we put into play, build up a concept of long-term behavior, and implement preferential industrial loan policies and regional loan policies for agriculture.

### The Treatment—Create a Credit Fund Flow With Scientific Efficiency Based on Operational Channels in the Agricultural Economy

—*Increase the flow.* When the People's Bank is arranging loans, it should first consider the requirements of agricultural development. Agricultural loans made by the Agricultural Bank now account for 4 percent of total bank loans on all scales made by banks nationwide. This should be increased to over 10 percent and the speed of development should be equal or slightly higher than loans overall. Within the bounds of the targets above, we should increase the overall amount and proportion of loan funds that go into agriculture.

—*Adjust the direction of the flow.* When arranging agricultural loans, we must make a comprehensive consideration of the various requirements and reasonably adjust the directions in which we employ funds. The developmental strategy for this is to progressively move from a scattered use of loans toward relative concentrations of funds used in development of key areas, key industries, and key projects, and progressively move from primarily supplying loans for the short-term toward an increased ability to provide medium and long-term loans. We should also emphasize improvement of production conditions and construction of infrastructure, and progressively move from primarily supporting traditional, extensive, conventional agricultural production toward an emphasis on supporting the development of natural resources, the application of advanced technology and the implementation of intensive farming. We should progressively move from singly supporting the chain of production toward supporting expansion of the entire reproduction process, develop socialized services before, during and after production, and progressively move from supporting scattered, middling household management toward support of proper scale management. Also, we should progressively move from primarily supporting crop planting toward increased proportions of loans going to forestry, animal husbandry, sideline production and fishery industries. Specific goals are to progressively increase the proportion of medium and long-term loans from the current less than 10 percent to between 30 and 50 percent and to increase the proportion of forestry, animal husbandry, sideline production, and fishery loans from the current 30 percent to about 50 percent.

—*Speed up the flow.* This is another aspect of increasing the flow. Under situations with a constant amount of deposits, if we speed up circulation, this is equivalent to increasing the flow of the supply. Overdue loans should go down from the current 30-plus percent to about 10 percent. Bad loans should drop from the current 15 percent down to less than 5 percent. Loan funds that can participate normally in circulation should go up from the current 80 percent to over 90 percent. To resolve this problem, in addition to further perfecting such measures as management of time, management according to law, and management of loan personnel, we should explore the construction of new risk mechanisms.

**Guangxi Increases Cane Sugar Production**  
*OW1711030388 Beijing XINHUA in English*  
1531 GMT 16 Nov 88

[Text] Nanning, November 16 (XINHUA)—South China's Guangxi Zhuang Autonomous Region, one of China's leading sugar producers, is expected to produce 1.2 million tons of cane sugar in the current refining year, 230,000 tons more than last year.

Zhao Weichen, vice chairman of the regional government, attributed the sugar output growth to the measures his government has taken to boost sugar production this year.

Since the beginning of the year, Guangxi has added 66,000 hectares for cane growing to last year's two million.

It also has invested 500 million yuan (135 million U.S. dollars) in building four sugar refineries with a daily production capacity of 1,000 tons each and in renovating 48 old sugar refineries.

Zhao said Guangxi's annual sugar output makes up about 20 percent of China's total.

At present, cane is being collected and refined in the region.

**Water Conservancy Needed To Increase Grain**  
*40060108b Beijing JINGJI CANKAO in Chinese*  
5 Nov 88 p 1

[Article by reporter Wang Zuoli 3769 0155 4409: "Water Conservancy Needed To Increase Grain"]

[Text] Overall, agricultural has been good this year. Aside from lower production of grain and oils, cotton production has been fair and production of sugar, vegetables, fruits, and aquatic products has gone beyond that of last year to varying degrees. However, the poor grain harvest is a matter of great concern. It not only affects agriculture's achievement of its scheduled development goals, but holds back development of the entire national economy and forces us to expend huge amounts of funds to import grain at a time when our nation's financial strength is sapped and our foreign exchange is limited. So, the development of grain production has become a grim task set before government at all levels and our 800 million farmers.

Lowered grain production this year and the unprecedented continued fluctuation of grain production since 1985 can be ascribed to a variety of things. However, it is acknowledged that our not attaching enough importance to the fundamental effect that basic construction of water conservancy in the fields has on grain production is one primary reason. Development of grain production requires us to raise the quality of our cultivated land. Building water conservancy projects is a key to raising the quality of our cultivated land. Experiments show that no matter how much fertilizer you use, how good the seed is, or how advanced your technology is, if you plant grain in poor quality, non-irrigated land, you need water or you will not have a steady increase in production. But if you have water, the results of all the materials you put into grain production can be capitalized on. Based on statistical analysis, in fields with similar farming conditions the per-mu production of grain in irrigated areas is on the average about 100 percent higher than in non-irrigated areas. The total irrigated area in the nation is less than one-half of the total cultivated area, but it produces two-thirds of the nation's total grain. Most irrigated areas are production bases for commodity grain.

Since the founding of the country, we have greatly raised the quality of our cultivated land. Our irrigated land has increased from 240 million mu to 420 million mu. In addition to increasing our waterlogged area to 270 million mu, we have also made great achievements in improving saline-alkali land. The construction of water conservancy projects, because it has heightened the ability of crops to ward off natural calamities, has been greatly beneficial to increased grain production. In 1984 overall national grain production exceeded 400 billion kg. However, we must soberly take note of the fact that while our agriculture enjoyed good developmental momentum, throughout the nation we have let up on construction of water conservancy projects in the fields to varying degrees. Comparing the periods of the Fifth and Sixth 5-Year Plans, the proportion of investment for basic construction that went into completed water conservancy construction fell from 7 percent to 3 percent. Of this, such provinces and cities as Hebei, Inner Mongolia, Shanghai, Jiangsu, Shandong, and Henan saw their Sixth 5-Year Plan fall to less than 30 percent of the amounts they invested for the same during the Fifth 5-Year Plan. Public financial assistance for water conservancy fell from 2.12 billion yuan in 1980 to 1.34 billion yuan in 1985. Also, village collectives and individual farmers have placed particular stress on engaging in industry and commerce and have put less into water conservancy. After entering the period of the Seventh 5-Year Plan, the central government emphasized that investment in water conservancy should rise back up to 1980 levels as soon as possible; however, looking at the nation as a whole, only about 10 percent of our budget for capital construction is devoted to agriculture. This amounts to only something over 3 billion yuan. The majority of provinces and regions have not met the central government's requirements, and some are even reducing their investment in water conservancy. In addition, with capital construction taking over cultivated land, the actual irrigated area in the nation has fallen from 720 million mu to 660 million mu. At the same time, as our existing water conservancy projects have been neglected for years and management has slackened off, operational abilities and economic results have greatly lowered. Waterlogged areas are reduced, waterlogging standards are weakened, and the rate of drought-induced disaster is heightened. These factors are all important reasons for the inability of grain production to move forward.

Through an investigation of the relationship between water conservancy construction and grain production over the 30 years, we realize that in order to surmount two new plateaus, namely 450 billion kg of grain production in 1990 and 500 billion kg in 2000, we must go in for construction of water conservancy in a big way. Only by paving the way with water conservancy can grain production gather steam.

Based on investigation, the primary task currently confronting China's construction of water conservancy is to transform and update existing water conservancy projects as soon as possible. Most water conservancy

projects currently being used were built in the 1950's and 1960's. A considerable portion of these were deficient from the start and later neglected. Through a decade or more of use, some can't even perform their basic tasks. Some 40 percent of the nation's 80,000-plus water reservoirs are out of commission and can't be put to their normal use. Of the existing 80 million horsepower of irrigation machinery we have, two to three million horsepower must be replaced each year. Of the existing 2.4 million motor pumped wells, most have already reached the limits of their service life. About 50-60 million mu of our large and medium scale irrigated areas are not served with water conservancy projects and can't provide us with their normal results. Only by making certain increases in what we input can all of these be renewed as soon as possible. According to the analysis of departments concerned, if total grain production is to reach 450 billion kg, we will need a corresponding increase of irrigated area to 740 million mu and of waterlogged area to 290 million mu. If total grain production is to reach 500 billion kg, irrigated area must reach 800 million mu and waterlogged area must reach 320 million mu. Without an investment of funds and materials of a certain quantity in water conservancy construction, having grain reach the two new plateaus is only empty talk.

To alleviate the contradiction of continually increasing population and yearly decreases in cultivated area and to develop grain production from now on, we must invest in and transform 500 million mu of low yield land (currently with per-mu average production of only 120 kg) and bring 200 million mu of uncultivated land suitable for grain under cultivation. In transforming the low yield land, it is of extreme importance that we construct water conservancy facilities. We should look primarily to the flatlands of the three rivers in the northeast, the northwest region, the Huang-Huai-Hai region and the coastal beaches in bringing uncultivated land under cultivation. This will all require building water diversion works and doing a good job of drainage work. These two items of business are not only formidable tasks but also will require corresponding investments of funds before there is the possibility of making our plan a reality.

### **Provincial Leaders Discuss Agricultural Development**

*OW1511001788 Beijing XINHUA Domestic Service in Chinese 0817 GMT 7 Nov 88*

[Excerpts] Beijing, 7 Nov (XINHUA)—Title: Time for Our Agriculture To Move Forward

—Eight Provincial Leaders on Agriculture

By XINHUA Reporters Ma Chengguang and Yao Guang

After 10 years of reform in rural areas, China has made a breakthrough in developing its agricultural economy and has basically solved the problems of providing

enough food and clothes to the 1 billion population. However, our grain production has appeared stagnant for 4 consecutive years since 1984, when China harvested a record 800 billion jin of grain. Both the state and the people are worried about this situation. It has been a common aspiration of all people to increase grain production and further promote reforms in both urban and rural areas. The ongoing National Agricultural Work Conference, convened by the CPC Central Committee and the State Council, has assembled experts from every field to discuss how to ensure a bumper harvest next year, a matter of vital importance. During the meeting, reporters interviewed eight provincial leaders on some major issues concerning agricultural development. Here was what they said about it. [passage omitted]

Zhuo Kangning (vice governor of Hunan Province): The area of Dongting Lake is a major commodity grain base for our province. Of the 8 million mu of farmland in this area, 5 million mu suffered damage from a flood this fall. Directly influenced by the reduction of grain output, the production of pigs has been on the decline. So the neighboring provinces relying on us for grain and pork are faced with problems. Therefore, as the foundation of the national economy, agriculture must be strengthened, not weakened. [passage omitted]

Song Zhaoshu (vice governor of Henan Province): The subject of agricultural input is an old subject but also a difficult one. I believe if we want to increase agricultural input, we must settle the problems of both understanding and mechanism. Like industry, agriculture is a process of material production, a process of energy transformation. Only when we have input, can we expect output. If we have high input, we will have high output. The reason for stagnant grain production over the past 4 years in China is that agricultural input has been reduced and our capacity to resist natural disasters has declined. The problem can be well illustrated by the fluctuations of grain production in Henan in the past 3 years. Due to a drought in 1986, the provincial grain output dropped by several billion jin. In 1987, we had a little more rain than usual, and the provincial grain production increased by several billion jin. Again we suffered from drought this year, and the production dropped once again by several billion jin. We learned from this reality that water is a key factor that restrains the development of agriculture. If we want to develop agriculture, irrigation is a prerequisite. Based on this understanding, we increased investment in irrigation this year by 60 million yuan. We will increase it by another 40 million yuan next year. Since the amount of agricultural investment is so great, we can not rely solely on the government. We must also rely on the input by the peasants. Therefore, we must solve the problem of input mechanism if we want the peasants to make input. [passage omitted]

Guo Yuhuai (vice governor of Shanxi Province): Grain production in Shanxi Province, after declining for 3 consecutive years, has recovered rather markedly this year. The total output is expected to reach 16 billion jin,

an increase of 2 billion jin over last year. The major factor for the increase of grain production, besides heavenly help, is the increase of input. Despite its financial difficulties, this year the provincial finance department allocated an additional 34 million yuan for agricultural investment. The finance departments at both prefectural and county levels allocated an additional 10.8 million yuan, and township and village levels have also increased agricultural subsidies by 4.4 million yuan with proceeds from industry. Most of this capital was invested in building farmland irrigation systems, because water is the foremost restraining factor in the agricultural development of Shanxi Province. [passage omitted]

Meng Fulin (deputy secretary of the Anhui Provincial Party Committee): The contract system of responsibility linked to production conforms to the condition in most areas nationwide, and conforms to the reality in Anhui. Chuxian Prefecture is the best case in point. It is the birthplace of the all-round contract system. As of this year, this prefecture has enjoyed bumper harvests for 10 consecutive years. The total output of grain has increased to 6 billion jin this year from 2.3 billion jin in 1978. The per-capita grain output is one metric ton. Had it not been for the contract responsibility system linked to production, no one would even dare to imagine that we would come so far. In order to further develop the potential of the contract system linked to production, we have adopted measures for the following purposes: first, stability; second, improvement; and third, development. By stability I mean that we must resolutely change the old practice of always trying to change production relations in order to find a way out for agriculture. We should pay attention to mobilizing peasants instead and open up new areas of production. By improvement, I mean, according to the situation in Anhui, to improve the existing contract system so as to make it even more welcome to peasants. By development, I mean to establish a sound socialized service system in the fields of science and technology, information, irrigation, circulation, and processing. With the implementation of the system of contracted responsibilities on a household basis with remuneration linked to output, together with a sound socialized service system, the contract system will release even more energy. [passage omitted]

#### **Text of Land Rehabilitation Regulations**

*OW1411043288 Beijing XINHUA Domestic Service in Chinese 0229 GMT 13 Nov 88*

[Text] Li Peng, premier of the State Council, issued an order on 8 November promulgating the "Regulations on Land Rehabilitation." The full text of the regulations reads as follows:

Article 1. These regulations are formulated in order to strengthen land rehabilitation work, promote rational use of land, and improve the ecological environment.

Article 2. Land rehabilitation in these regulations refers to restoring utility of land damaged by digging, cave-in, and production and capital construction. Article 3. These regulations are applicable to enterprises or individuals (hereafter referred to as the enterprise or individual) who have damaged land through production and construction activities such as mineral mining, brick making, and generating power with coal.

Article 4. The principle of "those who damage the land should reimprove the land" shall be followed in land rehabilitation.

Article 5. No department, unit, or individual is allowed to obstruct land rehabilitation work.

Article 6. Land administration departments of people's governments at all levels are responsible for the administration, supervision, and inspection of land rehabilitation in their administrative areas.

Planning departments at all levels are responsible for overall coordination concerning land rehabilitation; administrative departments of relevant industries are responsible for the planning and implementation of land rehabilitation programs for their respective industries.

Article 7. Land rehabilitation plans shall be well coordinated with the overall land use plan.

In formulating land rehabilitation plans, administrative departments of relevant industries shall decide the use of reimproved land on the basis of economic rationality, natural conditions, and the state of the damaged land. In an area covered by a city development plan, reimproved land use shall conform to the city development plan.

Article 8. Land rehabilitation shall be integrated into the unified production or construction plan. An enterprise with land rehabilitation responsibilities shall incorporate land rehabilitation quotas into its production or construction plan and put it into effect after hearing the views of local land administrative departments and obtaining approval from the administrative department of the industry concerned.

Article 9. Feasibility study reports, designs for construction projects entailing land rehabilitation responsibilities, and design reports shall include sections on land rehabilitation; and technological designs shall take into consideration land rehabilitation requirements.

If the construction unit violates the provisions of the preceding paragraph, land administrative departments shall not approve its application construction on the land.

Article 10. Rejects of nearby enterprises shall be fully utilized to fill hollows both on or under the ground resulting from digging or cave-ins.

Neither the party who owns the rejects nor the party who owns the land under rehabilitation is allowed to demand fees from the other side if the rejects are used for land rehabilitation or dumped into designated land rehabilitation areas.

Attention shall be paid to preventing pollution in using rejects as land rehabilitation filler.

Article 11. Rehabilitated land may be made available to users if it reaches rehabilitation standards and passes the joint inspection of the land administrative department and the relevant industrial administrative department.

Land rehabilitation standards shall be determined jointly by the land administrative department and the relevant industrial administrative department.

Article 12. Land damaged by an enterprise (not including rural collective enterprises or privately owned enterprises) shall be handled as follows:

- 1). The state shall requisition the land if it cannot be restored to its original use or if the land is to be used for state construction after rehabilitation;

- 2). If the collective economic organization and the land's original owner still want land that cannot be restored to its original use, the land can be exempted from state requisition;

- 3). Land that can be restored to its original use but is not needed by state construction may be exempted from state requisition. Article 13. Land destroyed in the course of production and construction may be rehabilitated by enterprises and individuals themselves. Other units and individuals with the necessary means may also contract to rehabilitate this land.

In contracting for land rehabilitation, the contract should define the rights and obligations of the two parties to the contract. The charges for land rehabilitation should be reasonably set according to the severity of land destruction, the requirements for rehabilitation, and the amount of rehabilitation work involved.

Article 14. Enterprises and individuals that destroy state-owned land used by other units or collective-owned land not requisitioned by the state should be responsible for rehabilitating the land. They should also pay compensation for land damage to the units that sustain losses.

Land damage compensation includes compensation for damage to cultivated, forest, and other lands. Compensation for damages to cultivated land is calculated according to the average annual output of the 3 years prior to the time when actual reduction of crop output took place. The enterprises and individuals shall annually pay compensation according to the actual damages done each year. In the case of collective-owned economic

organizations that contract for the rehabilitation of their original land, the time limit for paying compensation should be determined according to the reasonable work period stipulated in the contract. Compensation for other types of land shall be determined according to the principle mentioned above.

Compensation for damage to surface structures shall be stipulated by the province, autonomous region, and municipality.

Article 15. The specific amount of compensation for land damage shall be negotiated by the enterprises and individuals that cause the destruction and the units that sustain the losses, and based on the principles in Article 14. If agreement can not be reached, the local land administration departments shall coordinate with administrative departments of the related industry in deciding how to handle the matter.

A concerned party that does not agree with the decision the amount of compensation for land damage may appeal to the people's court within 15 days after receipt of the decision.

Article 16. In the case of land destroyed in the course of capital construction, the land rehabilitation fee and compensation for land damage shall be paid from the capital construction investment.

In the case of land destroyed in the course of production, the land rehabilitation fee shall be paid from funds for equipment upgrading and technical transformation as well as enterprises' production development funds. In the case of land which is used directly for capital construction after rehabilitation, the land rehabilitation fee shall be paid from the investment in that particular capital construction. In the case of land requisitioned by the state in which it is possible to pay for the compensation from postrehabilitation benefits, the land rehabilitation fee may also be raised by pooling funds or applying for bank loans.

In the case of state-requisitioned land destroyed in the course of production, compensation for land damage may be listed as a production cost in whole or separate amounts.

Article 17. In the case of state-requisitioned land which is destroyed in the course of production and is rehabilitated by the enterprises using self-raised funds or loans, the enterprises are entitled to use the land after rehabilitation. If, according to design and planning, the enterprises do not need to use the land, or if the land has fallen into disuse for 2 consecutive years after rehabilitation without the consent of the local land administration departments, the people's governments at and above the county level shall make overall arrangements for the land's use.

In the case of land rehabilitated by the enterprise by contracting or pooling funds, postrehabilitation land use rights and benefits distribution shall be determined according to the time limit and conditions stipulated in the contracts or fund-pooling agreements. If the land is recalled by the state ahead of time to meet the need of production and construction, the enterprise shall make appropriate compensation to the other contracted party or fund-pooling agreement.

The original collective-owned economic organizations are still entitled to postrehabilitation use of land not requisitioned by the state and destroyed in the course of production.

Article 18. If state-requisitioned land was damaged in the course of production and construction and land use rights have changed according to law after land rehabilitation, land-use rights transfer formalities shall be carried out according to pertinent state regulations.

Article 19. The state shall encourage production and construction units to give priority to using rehabilitated land.

If rehabilitated land is used for farming, forestry, animal husbandry, or fishery production the agricultural tax shall be reduced or exempted according to pertinent state regulations. If the rehabilitated land is used for capital construction, preferential treatment shall be given according to pertinent state regulations.

Article 20. Enterprises and individuals failing to fulfill land rehabilitation obligations or failing to meet established requirements in fulfilling land rehabilitation obligations shall be ordered by the land administration department to take corrective action within a prescribed time limit. If no corrective action is taken within the prescribed time limit, the land administration department shall impose a penalty of 200 to 1,000 yuan per mu per annum according to the seriousness of the case. When enterprises or individuals that have failed to take corrective action within the prescribed time limit apply for new land to be used for production or construction purposes, the land administrative department may reject their applications.

The payment of penalty shall be defrayed from the enterprise's retained profit after tax and shall be turned over to the state treasury according to state regulations.

Article 21. If the party concerned does not accept the penalty decision made by the land administration department, it may submit an application for reexamination of the case to the next higher unit above the land administration department making the penalty decision within 15 days after receipt of penalty notification. If it does not accept the decision on reexamination, it may file a suit to the people's court within 15 days after being notified of the decision on reexamination. The party concerned may directly file a suit to the people's court

within 15 days after receipt of the penalty notification. If the party concerned has neither applied for reexamination nor filed a suit with the people's court within the prescribed time limit and has failed to comply with the penalty decision, the land management department making the penalty decision shall ask the people's court to enforce the penalty decision's implementation.

Article 22. Those who have disrupted or obstructed land rehabilitation work or damaged equipment for land rehabilitation projects in violation of the "Regulations Governing Punishment of Offenses Against Public Order of the People's Republic of China" shall be given public security punishment by the local public security organ. If their acts constitute a crime, they shall be investigated by the judicial department to determine their criminal liability according to law.

Article 23. State functionaries who are responsible for land rehabilitation work but have neglected their duties and practiced favoritism and fraudulence shall be disciplinarily sanctioned by their units or the next higher unit. If their acts constitute a crime, they shall be investigated by the judicial department to determine their criminal liability according to law.

Article 24. Basis on these regulations, provincial, regional, and municipal people's governments may work out implementation measures in light of the actual conditions of their respective localities.

Article 25. The State Land Administration Bureau shall be responsible for interpreting these regulations.

Article 26. These regulations shall take effect on 1 January 1989.

### **Council Deals With Silkworm Cocoon Panic Buying**

OW0611225688 Beijing XINHUA Domestic Service in Chinese 1132 GMT 4 Nov 88

[By reporter Cui Ying]

[Text] Beijing, 4 Nov (XINHUA)—The State Council recently decided to severely deal with incidents of panic buying of silkworm cocoons along the borders of Hubei, Anhui, and Jiangsu. It instructed the Hubei provincial government to carry out in-depth self-criticism (Hubei provincial government has submitted its self-criticism report to the State Council), and ordered Hubei Province to return all silkworm cocoons it bought in Anhui; it also ordered Anhui Province to return all silkworm cocoons it bought in Jiangsu. All those directly involved with the panic buying incidents are to be administratively disciplined and have a notice of criticism circulated.

After issuance of the State Council's "Emergency Circular Regarding the Unified Management of Procurement of Silkworm Cocoons for Export," two "great wars" of panic silkworm cocoon buying broke out along the

borders of Hubei, Anhui, and Jiangsu. Acting on State Council instructions, the Ministries of Supervision and Foreign Economic Relations and Trade formed an investigation team in mid-October and conducted on-the-spot investigations into the two incidents of jacking up prices to buy up silkworm cocoons along the borders of Hubei, Anhui, and Jiangsu, in coordination with Hubei and Anhui provincial governments. The cause of the two incidents have now been ascertained.

The State Council concluded that the Hubei provincial government has been slack in implementing the State Council's "Emergency Circular" and the maximum price limit set by the State Commodity Prices General Administration and the Ministry of Foreign Economic Relations and Trade, and held it responsible for the disorderly management and loss of control over prices in Luotian County during procurement of silkworm cocoons. It has instructed Hubei provincial government to carry out an in-depth self-criticism and to administratively discipline those directly involved. At the same time it urged the Hubei provincial government to instruct pertinent departments to thoroughly shake up the operation and administrative structure for procurement of silk cocoons in Huanggang Prefecture, especially in Luotian County, in accordance with the guidelines of the "Emergency Circular." With regards to Hubei's Luotian County jacking up prices to buy up silk cocoons in Anhui's Jinzhai County, the State Council ordered it to return in full to Jinzhai County at the maximum price per dan [2137] set by the State. Since Jinzhai County has not abided by the maximum price set by the State, the 10,000 yuan it has overcharged is to be handed over to the state treasury.

With regards to Anhui's Langxi County jacking up prices and buying up 2,907.25 kilograms of silkworm cocoons in Jiangsu's Liyang County, State Council ordered it to return the cocoons to Liyang County at the maximum price per dan set by the state. The State Council has also agreed to Anhui provincial government's suggested disciplinary actions against those in Langxi County directly involved in jacking up prices to buy up silkworm cocoons, and those with leadership responsibilities during the incident.

According to reports, the Anhui provincial government circulated a notice provincewide criticizing the Langxi County government. The principal responsible persons in charge of leading Langxi County government have written their self-criticisms, and Hubei provincial government has administratively disciplined those directly involved. Hubei provincial government has also dealt with Huanggang Prefecture and Luotian County. The silkworm cocoons Luotian County bought have been returned to Jinzhai County in full. Hubei provincial government has also instructed Huanggang prefectural and Luotian governments to shake up the silk market in their localities. All units that should not deal in silkworms will not be allowed to do so from now on. Illegal

profits derived from previous transactions will be confiscated, pending further actions. Huanggang prefectural and Luotian County governments have sent their self-criticisms to the provincial government, which will deal with the situation in accordance with its investigation.

### **Jiangsu's Gu Xiulian at Vegetable Production Meeting**

OW0411074488 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 28 Nov 88

[Text] The provincial government held a provincial work conference on vegetable production in Nanjing 26-28 October. The meeting analyzed the current vegetable production situation in the province and made arrangements for the production and supply of vegetables during the coming winter-spring period. Governor Gu Xiulian attended the meeting and addressed the participants.

The provincial government urged all localities to ensure an adequate supply of vegetables for the coming winter-spring period. It decided to appropriate another 17 million yuan as [words indistinct]. The government also urged the departments concerned to set aside a certain amount of the means of production, including chemical fertilizer and plastic sheets, to support vegetable production. State-run vegetable companies should increase supply appropriately to ensure that the per capita daily supply for urban residents will reach 250 grams. Participants in the meeting urged various cities to see to it that 106,000 mu of overwintering vegetables are planted and that 32,000 mu are covered with straw or plastic sheets to prevent damage from freezing.

Governor Gu Xiulian urged all sectors of society to understand and to care for the people engaged in the production and marketing of vegetables, as well as to help them to find new ways to better coordinate production and marketing.

### **Shanxi Reports Increased Grain Output**

HK0411011788 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 3 Nov 88

[Excerpts] A sample survey organized by the provincial statistics bureau shows that Shanxi's grain output this year is 8,183 million kg, an increase of 14.8 percent over last year. The province has thus overfulfilled the year's grain output plan by 8 billion kg [as heard]. This was the province's fourth best harvest since the founding of the state. The main reasons for the province's relatively good grain harvest this year are as follows:

1. The province has further perfected the land contract system. Some 30 percent of villages in Shanxi have effected separation of two powers, and 370,000 households have contracted out their responsibility land by public tendering, leasing, and so on. In addition 46.8 percent of the villages have set up a land quality control system.

2. The government at all levels and the peasant households have increased investment in agriculture. A further 34 million yuan were allocated from provincial funds, on the basis of last year's allocation, to support agriculture. In the first half of the year, each peasant increased investment by an average of 51.27 yuan. After deducting for the increased prices factor, this represented a 12.4 percent increase over the corresponding period last year.

3. There was plenty of rain in the summer and favorable weather in autumn.

4. The province improved the work of supplying agricultural production materials.

5. The agriculture and animal husbandry departments and the research departments focused on popularizing advanced agricultural technology. [passage omitted]

6. Field management was improved this year. [passage omitted]

### **Breeding in New Variety of Early Rice**

40110014C Tianjin ZHIWU BAOHU XUEBAO [ACTA PHYTOPHYLACIA SINICA] in Chinese  
No 3 Sep 88 p 194

[Article by Wei Zisheng 7614 1311 3932 et al of the Rice Research Institute, Hunan Academy of Agricultural Sciences]

[Abstract] Two early indica rice varieties of medium-growth duration HA79317-4, HA79317-7 (Xiang Zaoxian 3) were bred and evaluated during the period of 1981-1985. They were proved to be resistant to bacterial leaf blight, rice blast, brown planthoppers, white black planthoppers, green leafhoppers and the resistance was stable. In Hunan Province and south rice region their grain yields on average were 6 t/ha and even over 6.7 t/ha, 5.81-11.01 percent higher than local medium-growth duration varieties. Xiang Zaoxian 3 was evaluated as a cultivar of high quality.

### **Ecological Factors Affecting Incidence of Rice Leafroller**

40110014B Tianjin ZHIWU BAOHU XUEBAO [ACTA PHYTOPHYLACIA SINICA] in Chinese  
No 3 Sep 88 p 165

[Article by Shen Xiaocheng 3947 2400 6134 et al of the Institute of Plant Protection, Henan Academy of Agricultural Science]

[Abstract] Studies on the relationship between ecological factors and the incidence of rice leafroller, *Cnaphalocrocis medinalis*, were carried out in Henan Province from 1983 to 1986. The results indicated that the adult population in fields was affected primarily by immigration intensity of adults and plant density; number of eggs affected by adult population and leaf color; and larva

number by amount of eggs and natural enemy. A series of equations were established, and they might be used as submodel in a systematic model to forecast the incidence of this pest.

**Identification of Dominant Corn Borer Species**

40110014A Tianjin ZHIWU BAOHU XUEBAO [ACTA PHYTOPHYLACIA SINICA] in Chinese  
No 3 Sep 88 p 152

[Article by the All China Corn Borer Research Group]

[Abstract] From 1977 to 1984, detailed studies on morphological identification, hybridization experiments, field experiments on the response of males to pheromones of different origins, chemical analysis and structural identification of female pheromones were carried out in order to clarify the dominant species of corn borer in China. Conclusions definitely indicated that the dominant species in China is the Asian corn borer *Ostrinia furnacalis* (Guenée)(ACB), rather than the European corn borer *Ostrinia nubilalis* (Hubner)(ECB), for which it has been mistaken for several decades.

The ACB is distributed throughout the eastern half of China, from Heilongjiang Province to Guangdong Province, and mainly infests corn, millet, and sorghum as a key pest. The ECB also occurs in China, but is known to be distributed only in Yining of the Xinjiang Uygur Autonomous Region as a dominant species so far, and chiefly infests corn. In addition, the ECB was also found together with the ACB in Inner Mongolia and Zhangjiakou of Hebei Province, but minor in both size of population and economic importance, since it chiefly infests Siberian cocklebur *Xanthium sibiricum* Patr. and hemsps.

**Evolutionary Changes in Yield and Yield Components of Wheat Cultivars**

40110016 Beijing ZHONGGUO NONGYE KEXUE [SCIENTIA AGRICULTURA SINICA] in Chinese  
No 4 1988 p 21

[Article by Yu Shirong 0205 0013 5554 et al of the Wheat Breeding Institute, Nanjing Agricultural University, Nanjing, Jiangsu Province]

[Abstract] Ten cultivars of wheat grown in the Huainan region, Jiangsu Province during 1970-1986 were planted in a 3-replicated, randomized block layout at seven sites in 1984-1986 two crop seasons, and were evaluated for grain yield, yield components. This study reviewed the changes in yield, ears per unit area, grains per spike and 1000 grain weight of these cultivars to know how the wheat cultivars had been improved in Huainan region during about 15 year in various yield components.

Yield of wheat cultivars in the Huainan region had risen about 10-15 percent over the last fifteen years. The mean yield and grain weight of current cultivars were greater than those preceding, and they reduced grain per spike.

The genetic correlation coefficients showed that grain weight was positively and highly correlated with grain yield, ears per unit area was slightly positively correlated with it. Results from this study suggested that further yield advances could be attained by combining number of ears per unit area and higher grain weight or by combining number of ears per unit area and greater number of grains per spike.

Significant differences among these wheat cultivars in both adaptability and stability were found. Some cultivars were found to be high-yielding, stable, and widely adapted. Newly developed cultivar, Yangmai 5 (Yangzhou wheat No. 3) adapted wider region than the older cultivars. Stability in grain yield appeared to be imparted by the buffering for yield components. Buffering for yield components and their various interactions appeared to have direct influence on yield stability.

**Worse Cotton Shortage Feared**

HK1811144588 Beijing CEI Database in English  
18 Nov 88

[Text] Beijing (CEI)—China will raise the purchasing price for cotton and control the cotton consumption of small textile mills as a measure to ease the cotton shortage for state's key enterprises.

According to officials from the Ministry of Agriculture and the Ministry of Commerce, China may face a third year of cotton shortage though over 8 million mu (about 533,333 hectares) have been added to the cotton planting area and the volume of cotton export has been cut by half.

China has a total cotton planting area of 72 million mu (about 4.8 million hectares) and the total output was 4.25 million tons. 3.75 million tons have been purchased by the state which is 75 tons more over the previous year though it still failed to meet the market demand.

More serious cotton shortage is expected this year as the total market demand is estimated to be 5.5 million tons while a reduction in cotton output is foreseen.

Experts here attributed the cotton shortage in recent years to the sharp price hike of the means of agricultural production, the low purchasing price maintained by the state and the acute shortage of pesticide which leads to reduced output.

Meanwhile, the increasing demand of cotton for textile industry which registered an annual increase of 2 million spindles is also believed to be one of the major reasons for the market shortage.

## CENTRAL-SOUTH REGION

### **Guangdong Propaganda Conference Stresses Education on 3d Plenum Spirit**

*HK0711034788 Guangzhou Guangdong Provincial Service in mandarin 1000 GMT 6 Nov 88*

[Text] The 4-day provincial conference on propaganda work concluded this afternoon. The meeting, held by the Propaganda Department of the provincial party committee, conveyed the spirit of the national conference of propaganda department chiefs at the provincial and city levels.

More than 200 propaganda chiefs from cities and counties of the province and the departments concerned discussed, in line with the actual situation in improving the economic environment, how to promote education in current affairs in Guangdong and how to implement the spirit of the 3d Plenum of the 13th CPC Central Committee in an all-round way.

This afternoon, Deputy Secretary Xie Fei of the provincial party committee delivered a speech at the meeting, noting that promoting education in current affairs at present is not only a task of propaganda departments but also a major task for the whole party, that leaders at all levels should do the work well. He also emphasized that doing a good job in educating people is the only way we will be able to carry out the central decision on improving the economic environment, rectifying the economic order, and deepening the reforms in an all-round way. In carrying out education, we must pay attention to methods. The spirit of the third plenum must be spread widely among the people. To this end, the backbone of the leadership at all levels must take the lead in studying the spirit and the focus of the education must be placed on functionaries in party and government organs, education and cultural fronts, and workers and staff members of enterprises. Education in rural areas must be linked to the implementation of the spirit of the central conference on rural work.

## SOUTHWEST REGION

### **Sichuan Officials To Resign From Concurrent Business Posts**

*40050061a Beijing RENMIN RIBAO in Chinese 11 Oct 88 p 1*

[Article by Luo Maocheng 5012 5399 1004: "Heeding Party Call, Sichuan Officials Give Up Concurrent Business Posts"]

[Text] After Secretary Yang Rudai [2799 3067 1486] of the Sichuan Provincial Party Committee conveyed the spirit of the working conference of the CPC Central Committee and the 3d Plenum of the 13th CPC Central

Committee at an enlarged meeting of the standing committee of the provincial party committee recently, leading party and government cadres who hold concurrent posts in economic organizations have joined one another in indicating a firm determination to resign from such posts.

Reportedly a vice chairman of the Sichuan Chinese People's Political Consultative Conference [CPPCC] immediately wrote a letter of resignation and voluntarily resigned from the chairmanship of the Chuanhua Industrial Development Company, Ltd, the honorary chairmanship of Shuhai Company, and the honorary chairmanship of Sichuan Industrial and Commercial Bank Trust and Investment Company, among others. Two vice governors and another vice chairman of the Sichuan CPPCC also said there and then that they would resign from their concurrent business posts and wrote a letter of resignation after the meeting. A former secretary of the provincial party committee took the initiative to tell the committee that he was firmly resigning as honorary chairman of Tianfu Development Company, Sichuan Industrial Development Corporation, and other economic entities.

According to a report by the Sichuan Discipline Inspection Commission on 120 leading cadres (170 on the job, 50 retired) at the provincial level, 12 hold concurrent posts in assorted economic entities. All of them have indicated that they would resign from such posts.

### **Party-Government Functional Separation Pays Off in Sichuan County**

*40050061b Chengdu SICHUAN RIBAO in Chinese 14 Sep 88 p 1*

[Text] Zeroing in on party-government functional separation, the Santai County party committee has succeeded in putting in order the relations between party committees and governments at the township level. As a result, the leadership of township party committees was strengthened and the functions of township governments were amplified. All township work throughout the county has taken on a new look.

Santai County began sorting out party-government relations at the township level in spring last year.

As it went to work correcting party-government relations, the county took pains to demarcate responsibilities clearly and devise coordinated measures, eliminating the old weakness of "drawing up plans, paying lip service, and doing nothing." Most critical was overhauling party committee functions. It was made clear that the township party committee must improve and strengthen leadership over the township government and other areas of work: the implementation of the party line, principles, and policies; the examination, the selection, and the supervision of cadres; ideological and political work; the coordination of the activities of all organizations in the township; and, in particular, the mastering of

party-building. Also, administration was simplified and authority delegated. Township governments were given new functions. The prime concern here was to straighten out relations vertically between different levels of authorities as well as horizontally between party and government. To adjust to the new situation of party-government separation, the county focused on the delegation of personnel power as a way of revitalizing the grassroots. In accordance with the management principle—"combine the particular with the general, with emphasis on the latter," the county transferred the management and utilization of all 1,406 "major officials" in relevant departments at the county level to townships, provided that the nature of the ownership system, wages, welfare, and professional guidance relations were unaffected. In the process, the shortage of township cadres was solved and party-government functional separation was effected where it had a practical effect. Within party and government organs at the township level, actions were taken to improve the situation of "having two groups but one set of personnel." The machinery was improved and the division of labor rationalized. Management by objectives was instituted and the cadre personnel responsibility system was introduced or improved.

In its work, the county party committee realized that party-government functions should be separated at the township level and that since townships directly deal with the masses, a lot of work cannot be done by any one single organization. Accordingly, it called for "three unities and three separations" in township work, namely, "unity of struggle objectives, but separation of functions; unity of major assignments, but separation of day-to-day work; and unity of special projects, but separation of regular functions."

More than 1 year after Santai County launched party-government separation, there are now a clear division of labor and coordinated orderliness between township party committees, on the one hand, and government organs and economic organizations, on the other. Relieved of assorted administrative details, the party committee is now able to look at a broad picture. In most cases, the party secretary and deputy secretary have increased the time devoted to party building, ideological and political work, and research and investigations from about 20 percent in the past to 80 percent or so, largely ending the party's past failure to manage itself. After township governments took up the function of economic management independently and responsibly, not a single township among the county's 115 townships was affected by the party-government separation, unable to achieve its economic targets. Meanwhile, enthusiasm was mobilized in all quarters, and cadres became more dedicated and responsible, leading to a change in workstyle and efficiency. Most party committee and government leaders at the township level feel that it is now easier to get things done. As relations were sorted out and all kinds of work were strengthened, production has also gone up. Last year, despite severe damage

caused by drought and hail throughout the county, total grain output still increased 5.2 percent, net incomes among peasants rose 17.2 percent, and the gross output value of township and town enterprises shot up 40 percent. The harvest of crops sown in late autumn, the gross output value of township and town enterprises, and peasants' net earnings all increased in the first half of this year compared to the same period last year.

## NORTHEAST REGION

### Jilin Branch of Sino-Soviet Friendship Association Visits USSR

SK1611012788 Changchun Jilin Provincial Service in Mandarin 1030 GMT 14 Nov 88

[Summary] The five-member delegation of Jilin Province's branch of the Sino-USSR Friendship Association, headed by Liu Xilin, vice governor of Jilin Province, paid a friendly visit to Maritime Kray in the Soviet Union at the invitation of the Maritime Kray branch of the USSR-Chinese Friendship Association and returned to Changchun 13 November.

When the delegation arrived in Changchun, Hui Liangyu, vice governor of Jilin Province, and Wang Yunkun, secretary general of the provincial government, greeted the delegation.

During its stay in Maritime Kray, the delegation visited Vladivostok, Nakhodka, and Ussurijsk cities, as well as Slavyanka and (Vosaiv) part; and participated in the celebrations for the 71th anniversary of the October Socialist Revolution of the Soviet Union, held in Vladivostok. The delegation met with (Luchenko), chairman of the Maritime Kray Soviet Executive Committee, and some other comrades; and held friendly talks with (Kran), first deputy chairman of the committee, on developing border and barter trade and economic and technological cooperations between Jilin Province and Maritime Kray.

### Shenyang Reduces Size of Government Staff

OW1711080088 Beijing XINHUA in English 0236 GMT 17 Nov 88

[Text] Shenyang, November 17 (XINHUA)—Shenyang, capital of Liaoning Province, has taken measures to cut the size of government staff, PEOPLE'S DAILY reported.

The cutbacks are being made as a contribution to the elimination of overstaffing and job duplication—long-standing problems throughout the country.

According to new regulations set by the city, units that eliminate surplus staffers will be awarded.

Part of the money saved from the staff cutting will be added to the unit's welfare and bonus funds.

However, leading officials will be fined if their units are overstaffed.

At present 56 units, employing more than half of the total city government staff, have adopted the procedure, and these units have discharged 293 workers, or 7.6 percent of their staff.

City officials estimate that the cuts in staff will save the city 200,000 yuan and the remaining staff will be eligible for bonuses of from 6 to 10 yuan a month.

### Causes of Mainland Fever in Taiwan

40050113 Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 225, 1 Oct 88 pp 44-47

[Article by Yu Ning-jen 0060 1337 0086: "How Do the Government and People of Taiwan Look at the United Front of Communist China"]

[Excerpts] [Passage omitted] Judged from Taiwan's current situation, it is actually very difficult to orient the mainland policy. The main reason is that the "mainland fever" has been spreading unchecked, causing a blind spot in Taiwan's understanding of the political power in communist China. To Hong Kong people, Taiwan's "mainland fever" seems to be an infantile disorder of feelings. But in Taiwan, this infantile disorder is packed inside romantic and colorful silk boxes such as "nation," "history," "rivers and mountains," "simplicity," "root finding," and "nostalgia," which have made numerous people obsessed and pallid. I think not only Hong Kong people are worried about those who are delirious because of the fever, but the people of vision on the mainland probably are also worried.

It is actually not very hard to make a Freudian analysis of these romantic feelings. Though not immune to the errors of generalization, such an analysis is, as a whole, very close to reality.

1. The majority of the first generation of settlers from the mainland are over 60 years old. They have a deep-rooted idea of the "united whole" and a strong sense of national identity. In Taiwan, they always feel like travellers in a hotel. Besides, they are not getting along very well with Taiwan natives. Due to these reasons and the fact that there are not too many days left in their life, they wish that the reunification can be achieved as soon as possible so that "fallen leaves" can be returned to their roots and their old bones buried in their hometown.

2. After 40 years in power, the ruling echelon of the KMT, including incumbent "senior representatives of public opinion," are now faced with aggressive challengers of power and positions, namely descendants of Taiwan natives. In their heart of hearts, they would rather hand over their power to the mainland than to those who are ignorant of the history, shouting for Taiwan's independence, and refuse to identify with China. Take Chen Li-fu [7115 4539 1133], member of the KMT Central Examination Committee, for example. He has fought the communists for 50 years and his hands are stained with the blood of "bandits." And yet today he, too, highly advocates "reunification" and is ready and willing to offer \$5 billion to communist China to be used for civilian construction as long as communist China does not use forces against us. If you ask him why he has become so straightforward, he would rely: "Reunification" is the sacred mission of the Chinese people. One

thing he probably won't feel comfortable saying is: "Since the KMT is unable to unify China, then let the CPC do it as long as communist China recognizes Confucianism."

3. Taiwan has about 300,000 military personnel. Of which, about 200,000 are Taiwan natives, but they are mostly reservists. Career military personnel, especially high-ranking officers, are mostly of mainland origin. This group of military personnel and their families are relatively conservative on political issues and more biased in provincial origin. To begin with, military personnel, by nature, lean toward socialism and fascism. Especially in the society of Taiwan, where the gap between the rich and the poor is widening and morale is reduced, military personnel are discontent and many of them show admiration for the "egalitarianism" of mainland China and gradually lose hatred for their enemy.

4. Intellectuals of Taiwan origin have a very different attitude toward the mainland than do intellectuals of mainland origin. Some senior scholars, writers, and reporters of mainland origin are still full of romantic expectations about China. Under their pens, the Huang He, the Chang Jiang, and the Great Wall are all hopes in their dreams. Take Chiung Yao [8825 3852], a very popular woman writer, for instance. After returning from her visit to the mainland, she published in "HUANG GUAN" monthly magazine a series of travel notes, which are almost flooded with sentimentality. Observing the mainland's rivers, mountains, and people through a veil of tearful emotion, it is only natural for her to paint with a plethora of beautiful colors. These writers or reporters often give vent to their "Huang He complex" through their pens and delude their readers.

5. The mainland is not totally unappealing to Taiwan natives. The greatest appeal is either investment in the mainland or bilateral trade. The survival of Taiwan's sunset industries, such as textiles, shoes, and primitive electronics products, became indeed very difficult after Taiwan's currency appreciated sharply, and mainland China is the best hotbed for these industries. Bilateral trade, such as importing coal, oil, farm products, and medicinal herbs, is quite appealing because of its large profits. Businessmen are only interested in doing business. They do not have many political considerations, nor do they think much about political consequences. As long as there are money to earn and profits to gain, they would give it a try and respond to the call of communist China even though their political thinking is completely different from what communist China practices. Communist China does give more preferential treatment to Taiwan compatriots than to foreign businessmen.

6. Among Taiwan natives, a considerable number of people are involved in dissident activities. Although the uneven distribution of political involvement constitutes an important reason why they oppose the KMT's rule, emotionally equating the KMT with people of mainland

origin still is the leading factor. Overwhelmed emotionally, their ability to conduct logical analysis has declined. The Taiwanese do not know much about communist China, but since communist China is also the KMT's enemy, they are less hostile toward the CPC than the KMT. Based on the principle that an enemy's enemy is a friend, some dissidents do not reject contacts with communist China, although they are leaning toward Taiwan independence. In early August, Wu Che-lang [0702 0772 6745], a National Assembly delegate who is also a member of the Democratic Progressive Party, twice entered the mainland and had a private talk with the director of the United Front Department. In a speech in Hong Kong, he said: "Who says there is no freedom on the mainland? You see me going in and out of there twice without any problems, but the KMT prohibits me from leaving the country for 2 years! Which side do you really think has more freedom?" This is a typical incident and mentality. Some dissidents consciously and subconsciously praise the CPC and belittle the KMT in an attempt to shrink the image of the KMT. If they could prove that the CPC was indeed lower than the KMT, they would have let the KMT gain the upper hand in propaganda. This thinking is quite popular in the dissident camp. They do not understand at all what communist China's real intention is, nor do they understand what consequences their thinking of indiscriminately praising the CPC would cause in Taiwan.

7. As far as the biggest opposition party of Taiwan—the Democratic Progressive Party—is concerned, no special organ has been established for the research of communist China and few members are experts or scholars who have real knowledge and deep insight of the mainland policy. Most of them believe that Taiwan should be independent, but they are completely ignorant of communist China's reaction, possible measures, future countermeasures, and the possibility of peace talk between the KMT and the CPC. Since the KMT cannot come up with a set of complete and feasible mainland policies, neither can the DPP come up with a decent blue print, they have been bogged down in endless and futile debates on "reunification" and "independence." Although they are afraid that the KMT may one day collaborate with the CPC and betray the Taiwan people, they cannot come up with a concrete measure and countermeasure. Moreover, many DPP members are after power, hoping that they could talk with communist China on behalf of the Taiwan people. If one day, communist China really wants to be a friend and to talk with DPP leaders, it probably would stimulate the expansion of the DPP's political line and power struggles.

The purpose of the above-mentioned analysis is to prove that people of different strata in Taiwan respond to the temptation of a united front called for by the communist China. Therefore, Hsiung Chieh's [3574 3775] message is not as simple as the Hong Kong people thought. It has a certain market in Taiwan and has stirred up quite a storm, or even a sizable earthquake.

Taipei's UNITED DAILY NEWS reported this message on its front page on 12 August. The newspaper particularly emphasized: "Communist China shows great concerns for people of mainland origin under the current regime of Taiwan, believing that they are the hope of reunification; therefore, it wishes to help them, such as giving them first consideration in trade and investment. Preferential treatments will also be given to those who consider themselves Chinese and oppose Taiwan's independence." This obviously is a "hear-what-one-wants" style of reporting, which also shows where the UNITED DAILY NEWS stands and certain sentiment it has toward the mainland.

On the next day, CHINA TIMES devoted a large page to the same report, inserting here and there with the opinions of several experts and scholars and questioning the source and reliability of Hsiung Chieh's message. CHINA TIMES, however, came under attacks from all sides by those who strongly supported "reunification." The most typical one is CHUNGHUA magazine which is run by Hu Chiu-yuan [5170 4428 0626], a member of the Legislative Yuan. This magazine carried an editorial in its September issue under the title "On the Impact of Hsiung Chieh's Message and the Anti-reunification Opinions of Compradors." The article condemned CHINA TIMES as "the official newspaper of American imperialist spies..." "In sum, the official newspaper of American imperialists in Taiwan tries to use the word "false" to negate the authenticity of Hsiung Chieh's message, reduce its influence, and maintain the interest of the US-Taiwan Relations Act in Taiwan..." "After lifting the ban on visits to relatives, 40 years of separation between the people on both sides of the straits disappeared completely in one fell swoop, overthrowing all fallacies that time is not ripe for reunification." "Therefore, today's Chinese still need to resolutely oppose imperialists and compradors; the Taiwan people must oppose US imperialists' lackeys running amuck in Taiwan, which is a top priority." These words seem to be closer to the style of RENMIN RIBAO than RENMIN RIBAO itself because RENMIN RIBAO at least no longer uses such words as "US imperialist." When I draft this article, Hu Chiu-yuan is visiting Beijing, and his words and deeds have caused "Hu Chiu-yuan shock waves."

The people of Hong Kong probably would burst out laughing when they read Hu Chiu-yuan's editorial because they do not have such experience, but in Taiwan, his view is not funny at all.

By the same token, it is impossible for Hong Kong people to apprehend the "Taiwan experience." The majority of Hong Kong's 5 million people are "refugees" who fled one after another from the mainland. With a similar destiny and viewpoints, there is not much conflict among themselves and the orientation of their common efforts has been basically set. Taiwan's situation is quite different. Taiwan has conflicts between people of different origins, the KMT and opposition

parties, "reunification" and "independence," "the privileged" and "the non-privileged," and "the older generation" and "the younger generation." The "advantage" of these conflicts is that it is easier to cultivate and form a pluralized society, and the disadvantage is that it is impossible to reach a mature and unified understanding of the situation making it vulnerable to be taken by the enemy. From the incident of "Hsiung Chieh's message," we can trace the tendency of people looking at issues from their own standpoints.

The KMT's reaction to "Hsiung Chieh's message" is groundless. At first, the information bureau, using its usual language, dismissed it as a trick of the united front of communist China and reiterated the KMT government's "three no's" policy; then Li Huan [2621 3562], secretary general of the KMT, commented that "we should strengthen mainland work and eliminate communism and the communist party." Not only didn't he have the courage to investigate and verify whether or not Hsiung Chieh's message was true, he also could not come up with a measure to deal with the "tricks of the united front" of communist China. Looking like a poor ostrich, he cannot but become the subject of laughs, and no wonder the public opinions of Taiwan have launched a series of attacks at the KMT's "mainland policy." The KMT has repeatedly announced recently that it would formulate a complete mainland policy. But since neither the government nor the people can reach a unified understanding, the "mainland policy," if formulated, would probably be "fragmented."

Judging the "Taiwan experience" from the "Hong Kong experience," the first priority should be to release all information on the mainland and open up all avenues of

communication with the mainland, including business, culture, sports, interviews, and science and technology. Only when Taiwan recognizes the true face of communist China can it talk about a mature and complete mainland policy. Right now we are all like the blind men trying to size up the elephant by taking a part for the whole and cannot come up with any reasonable answer.

On 12, 13 and 14 September, Taiwan's MINCHUNG DAILY NEWS (distributed in Kao Hsiung) carried a special contribution on Professor Chiu Chui-liang's [6726 0987 0081] meeting with Professor Fang Lizhi [2455 0536 0037] in Sydney. A passage of Professor Fang's speech quoted in this article is worth pondering by those in Taiwan who are concerned about the mainland issue. Mr. Fang said: "The Chinese are now pessimistic. The less one knows about China, the more optimistic he is about China. Foreigners have the highest hope on Deng Xiaoping's reform because they do not understand China. Overseas Chinese run second, followed by Chinese students studying abroad and the people of the mainland. The most pessimistic are cadres who are close to the leading stratum, and they all say there is no hope now." Mr. Fang seemed to have forgotten to mention Taiwan. As I understand, Taiwan is the most optimistic and therefore should be placed above "foreigners." The order of "least understand" to "most understand" should be rearranged as: the Taiwanese, the foreigners, the overseas Chinese, the Chinese students studying abroad, the Hong Kong people, the Chinese themselves, and the Chinese cadres. This order indicates that Taiwan least understands communist China and has the most illusions about communist China. [passage omitted]

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