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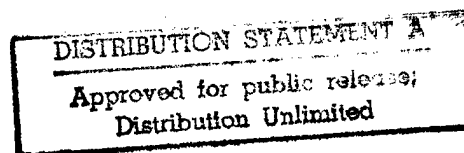
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3 August 1983

China Report

ECONOMIC AFFAIRS

No. 369



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3 August 1983

CHINA REPORT ECONOMIC AFFAIRS

No. 369

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NATIONAL POLICY AND ISSUES

RENMIN RIBAO DISCUSSES STATISTICAL WORK REFORM

HK181017 Beijing RENMIN RIBAO in Chinese 8 Jul 83 p 5

[Article by Huang Hai [7806 3189]: "Several Questions on the Reform of Statistical Work"]

[Text] Our country's statistical work has too poor a foundation, and it has traversed a tortuous path. Since the smashing of the "gang of four," and since the 3d Plenary Session of the 11th CPC Central Committee in particular, statistical work has been gradually restored and has been in the course of a new development. The successful completion of the third nationwide census and the publication of the "Yearbook of China's Statistics" have strongly proved this. But at present, the development of nationwide statistical work is out of balance, and the level of statistical work cannot keep abreast of the situation and the "four modernizations" drive. Now, people on the statistical front are striving to blaze a new trail in statistical work.

How should we blaze a new trail in statistical work? Reviewing the past, analyzing the present, and looking forward to the future, the crux is that we must carry out a systematic and resolute reform in an orderly and properly guided manner. Without reform, we cannot realize modernization in statistical work, nor can we bring into better play the role of statistical work in socialist modernization.

At present, what main problems should we solve in reforming statistical work?

1. The Organizational System of Statistical Work

As early as 1962, in the "Decision Concerning Statistical Work," the CPC Central Committee and the State Council pointed out: "China has a large territory and population, and its economic situation is complicated. In order to have accurate figures and a good grasp of the situation, and to enable the party and state to strengthen the work of centralizing and unifying leadership and planning and management, we must rapidly establish a strong, centralized, and unified statistical system, and earnestly improve statistical work." This "Decision" once played a great promotive role in developing statistical work. Subsequently, statistical work was seriously undermined by the 10 years of internal disorder. Up to the present, the nationwide statistical system is

decentralized and weak, and it cannot fulfill the ever-increasing statistical tasks in a more effective manner. In order to earnestly change this situation, we must reiterate the spirit of the decision made by the CPC Central Committee and the State Council and their recent instructions, establish a centralized and unified statistical system throughout the country, and exercise the organizational system of unifying leadership and distributing responsibilities to various levels. State statistical organs at various levels must be independently established. The State Statistical Bureau should organize, manage, and coordinate statistical work throughout the country under the direct leadership of the State Council. The number of persons required by state statistical organs at various levels for fulfilling state statistical tasks should be decided on by the state, and the statistical cost required should be controlled by the state in a unified manner. People's governments, departments in charge, and enterprises' organizations at all levels should strengthen leadership over statistical work, build statistical organs and decide on the number of persons doing statistical work according to the needs of statistical tasks, and provide funds and the necessary working conditions.

We should point out: The more we enliven the socialist economy, the firmer we should grasp the plans and guidance for the national economic and social development, the more sensitive we should be in obtaining statistical information, and the stricter we should be in exercising supervision over statistical work. Only by rapidly establishing a strong, centralized, and unified statistical system, and placing the vocational independence of this statistical system under legal protection, can we effectively realize the above aim.

2. The Statistical System

China's existing statistical system has the following two principal problems: First, the statistical indices system needed by the state which can reflect the national economic comprehensive balance, economic results, and the people's material and cultural life is not perfect and complete. Second, some unnecessary or even duplicated and contradictory statistics have added a heavy burden to basic-level units and statistical organs at various levels, and obstructed the state in completing the necessary statistical tasks. In order to change this situation, we must first carry out planned management over statistical surveys throughout the country. Statistical organs at all levels must work out survey plans for statistical work and approve statistical surveys according to stipulations. The approved statistical surveys are to be divided into state statistical surveys, departmental statistical surveys, and local statistical surveys. In carrying out these three kinds of surveys, we must have a clear division of labor. The surveys must be linked up with each other, and no duplicate surveys are allowed. Departmental and local statistical surveys must not contradict state statistical surveys. The existing agricultural statistical system must be thoroughly reformed according to the new development of the system of contracted responsibilities with payment linked to output, and of the rural cooperative economy. Through sample surveying of peasant households, we must study new methods which can reflect more effectively the rural economic and social development. Moreover, we must enable rural statistical surveys to comply with the needs of the state

management system of unified leadership with clarified management and to meet the urgent needs of people's governments at various levels for understanding local production, construction, and people's livelihood. The statistical system in various fields of enterprises should be reformed according to the new situation.

Second, we must carry out the standardization of statistical methods. The state should gradually formulate unified statistical standards (including the implications contained in indices or targets, calculation methods, catalogues of classification, survey forms, and statistical numbers) so as to enable various regions, departments, and units to adopt unified methods in collecting and arranging various firsthand data and statistical materials. In this way, we can guarantee the scientific purity and unification of statistical materials obtained, use these materials in coordination with each other, compare these materials, and overcome the confusion which often takes place in the course of carrying out statistical surveys. In addition, we must exercise a unified management system over statistical materials to prevent them from leaking out.

Third, we must realize coordination and unanimity in the national economic accounting system. At present, our country has not perfected its national economic accounting system, and there are many disconnected and uncoordinated links in its methods for statistical accounting, accountants' accounting, and vocational accounting. It is very difficult to use in coordination the three kinds of accounting materials. This is detrimental to the comprehensive balance of the national economy and to the evaluation of economic results. Generally speaking, statistical accounting should be based on accountants' and vocational accountings, and accountants' and vocational accountings should comply with the requirements of the state's unified statistical system. Therefore, the State Planning Commission, the State Economic Commission, the State Statistical Bureau, the Ministry of Finance, the People's Bank, and other departments in charge should appoint representatives and specialists to form a coordinating committee of the national economic accounting system to carry out coordination and unification of the three kinds of accountings. Important decisions made by the coordinating committee should be submitted to the State Council for approval and implemented throughout the country.

3. The Methods of Survey

For a long time, in carrying out statistical surveys, our country has been accustomed to, and confined to, the use of overall survey methods. It has seldom used sample survey methods. In the socialist planned economy, the state must regularly and strictly examine and evaluate indices under mandatory plans, and it is necessary for statistical organs to carry out regular and overall surveys. In principle, various statistical indices should be fixed according to different situations, and we should adopt various methods such as overall surveying, sample surveying, surveying in key units, and typical surveying to survey and analyze the complicated situation in the national economic and social development. In particular, if we adopt the method of overall surveying with regard to the rural economy and social activities which take the system of contracted responsibilities on a household basis

as the main component, not only we will waste manpower, financial resources, time, and efforts, but survey errors will be great. Therefore, it is imperative to energetically popularize sample surveying. When popularizing sample surveying in the rural areas, we must combine scientific and mass methods, and, under the prerequisite of adhering to flexible principles, gradually proceed from the simple to the complicated and from a low level to an advanced level so as to enable the masses to accept such popularization and to comply with the needs of people's governments at various levels for classified management. When popularizing sample surveying in cities, we should adopt the same method with regard to a large number of decentralized small enterprises and individual economic undertakings. We should be able to get the best survey results with the least labor force and financial and material resources.

4. Statistical Calculations and Transmitting Technology

At present, statistical calculations are largely done by manual and statistical figures reported level by level. This has resulted in the wasteful use of the efforts of a large number of statistical cadres, hindered them from carrying out deep and practical surveys, and from doing analytical work on statistics, and restricted the processing in depth of a large amount of statistical data. Since the third nationwide census, electronic calculating stations have been built in various provinces, cities, and autonomous regions throughout the country, with the exception of Xizang. More than 1,000 persons have been given training in electronic calculating technology and management. Therefore, proceeding from state statistical surveys and utilizing calculating stations at the provincial level, it is necessary and possible to directly use, in a gradual manner, electronic calculators to carry out data arranging, transmitting, storing, analyzing, and forecasting of statistical materials submitted by basic-level units. In the statistical system, we must establish in a planned way and step by step the state statistical data storage system. The State Statistical Bureau and provincial, city, and regional statistical departments should have electronic calculators, and management personnel to specially serve statistical work. In this way, we will be able to more effectively meet the needs in various fields for obtaining statistical information on a larger scale.

5. The Statistical Legislation

For a long time, our country's statistical work has not been able to embark on the legal road. In statistical work, there are no clear legal stipulations with regard to the rights and duties of the surveyor and the surveyed, and to the responsibility system of leading and statistical personnel. Violating the statistical system, giving false and late statistics, and refusing to give statistics are not dealt with according to law. Leading personnel can change statistical figures at will and retaliate upon those who adhere to the statistical system, without being punished according to law. In this way, it is very difficult to guarantee the correctness of statistics and to bring into play the supervisory role of statistics in the implementation of policies and plans. This situation must be changed. We should formulate the necessary law, under which the surveyed (an enterprise, undertaking, or civilian), in accordance with legal provisions and the statistical system, has the duty to provide accurately and in a timely manner statistical materials

for the surveyors (a state organ), and to abide by the security system with regard to statistical materials, and has the right to use statistical materials according to legal provisions and the statistical system. Leading personnel of various departments, localities, and units must be responsible for statistical work. Statistical organs and personnel have the duty to strictly observe statistical stipulations, conscientiously carry out the statistical system, and report the actual state of affairs. They also have the responsibility and right to institute, according to law, statistical surveys, statistical reports, and statistical supervision. No one is allowed to infringe upon their rights.

CSO: 4006/674

NATIONAL POLICY AND ISSUES

GUANGMING RIBAO ON DENG'S ECONOMIC IDEOLOGY

HK151010 Beijing GUANGMING RIBAO in Chinese 3 Jul 83 p 3

[Article by Hun Xiliang [1926 1585 5328]: "Guiding Thought for Modern Economic Construction--Studying 'Selected Works of Deng Xiaoping'"]

[Text] The "Selected Works of Deng Xiaoping" represents the Chinese people's summing up of the experience of socialist construction. It expounds the role, aim, and procedure of economic modernization, as well as the guiding principles and policies for the correct handling of a series of economic relations. These guiding principles and policies are governed by an overall guiding ideology; namely, to integrate universal Marxist truth with our country's actual situation, to take our own path, and to build a socialist system with Chinese characteristics. If economic construction is carried out according to this ideology, a new situation certainly can be developed.

A Great Historical Mission

In 1978, at the opening ceremony of the national scientific conference, Comrade Deng Xiaoping pointed out in a speech that it is the Chinese people's great historical mission to build our country into a modern and powerful socialist country.

Since the opium war, it has been the Chinese people's strong aspiration to build China into a prosperous and powerful country. After the people took control of political power over the whole country, it became possible to realize this aspiration. At the Eighth CPC National Congress in 1956, the task of launching socialist construction on a full scale was opportunely put forth. By the end of 1960, the CPC Central Committee solemnly appealed to the whole nation to gradually build China into a powerful socialist country with modern agriculture, industry, national defense and science and technology. However, in the 20 years following the Eighth CPC National Congress, because our party was not ideologically prepared for building socialism on a full scale and "leftist" mistakes were committed in our work, there were many setbacks and the focus of our nation's work was never shifted to economic construction. It was only after the smashing of the counterrevolutionary clique led by Jiang Qing that the goal of the four modernizations was put forth once again.

At the 3d Plenary Session of the 11th CPC Central Committee convened at the end of 1978, it was resolutely decided that the focus of our party's work

would be shifted to socialist modernization construction. This important strategic policy correctly reflected the requirements of history, signalling a great change in the history of China's socialist development and the advance of China's economic construction into a new historical stage.

The shift of the focus of our party's work practically resolved the principal contradiction of the new period. In March 1979, in his speech at a theoretical work conference of our party on ideological guidelines, Comrade Deng Xiaoping said: "The level of development of our productive forces is very low and is far from being able to satisfy the people's needs and the state's needs. This is the principal contradiction of our current period. Our central task is to resolve this principal contradiction." Comrade Deng Xiaoping held that under the actual conditions of China, to uphold Marxism, we must do a good job of the four modernizations. If we do not grasp the four modernizations, and if we do not proceed from this reality, we will be divorced from Marxism and our adherence to Marxism will become empty talk.

Proceeding From China's Actual Situation

After the whole party resolved to shift the focus of its work, the next question was how to successfully effect this shift. Should we continue to implement the "leftist" guiding principle for construction, which is divorced from China's actual situation, or should we decide on a new concrete path of modernization construction in light of our country's current actual situation? This is the key question affecting the successful shift of the focus of our work.

We must proceed from China's actual situation in our economic modernization. This is the basic lesson from many years of experience in construction. In March 1979, in his speech entitled "Uphold the Four Basic Principles," Comrade Deng Xiaoping said that in the past, our democratic revolution had to be compatible with China's situation, and now, our construction must also be compatible with China's situation. To proceed from reality, we must, in the first place, end our ossified way of thinking. In light of the prevalence of dogmatism during the 10 years of turmoil, Comrade Deng Xiaoping said that we must completely and accurately master the scientific system of Mao Zedong Thought and must oppose the erroneous guiding principle of the "two whatevers." Moreover, in December 1978, at the CPC Central Committee work conference, he stressed that without breaking the ossified way of thinking and without vigorously freeing the cadres and the masses from old ideas, we would be unable to proceed from reality and the four modernizations would be hopeless.

In economic construction, to free ourselves from old ideas means that under the guidance of Marxism, we must break the old restrictions which fetter the development of the productive forces, restore those correct guiding principles which have been proved to be effective in practice but which were disrupted by "leftist" mistakes, and put forth new guiding principles and policies in the light of the ever-changing new situation.

Freeing ourselves from old ideas is not tantamount to striving for bourgeois freedom. Those tendencies marked by aspiring to bourgeois ideology and the

capitalist system actually depart from China's real situation. Our country has built a socialist system, which is the most advanced system in the world. Our country must, in a planned way and selectively, import advanced technology and other useful things from capitalist countries, but definitely does not need to import the decadent capitalist system. Freeing ourselves from old ideas also does not mean mechanically copying other countries' experience or models. Historical experience has demonstrated that the mechanical copying of other countries' experience will not lead to success.

To proceed from reality implies that we must clearly understand our national condition and the interrelationship between various factors in our economic activities. Since the 3d Plenary Session of the 11th CPC Central Committee, Comrade Deng Xiaoping has repeatedly explained our national condition. He said that China is a large but poor country. One of China's characteristics is that it has a weak foundation. Although China has achieved enormous success in construction, its foundation is too weak and it is still one of the poor countries in the world. Another characteristic is that the population is large but the cultivated land is inadequate. Some 80 percent of China's population are peasants. Under the condition that production is not well developed, food, education, and employment have been grave problems. A correct analysis of our national condition helps provide a reliable starting point for correctly understanding the laws governing China's economic development and prescribing the goal, steps, focus, and measures of modernization construction.

Owing to China's national condition, our economic modernization will be a long-term task. Our backward economy and culture will inevitably lead to many difficulties in economic construction. To catch up with developed capitalist countries economically, we must wage persistent and unremitting struggles. It is very important to understand this point. In the past, we met with many setbacks in economic construction. A very important reason is that we did not deeply understand our basic national condition. We did not know that we must make persistent and arduous efforts if the very backward level of development of productive forces in our country is to be raised to an advanced level.

Owing to our national condition, the process of China's modernization will inevitably be marked by any unique forms and methods. There are 800 million peasants in our country. Owing to this basic characteristic, we must, in the first place, make good plans for the peasants. If the peasants' production work and livelihood are well planned, the national economy will be enlivened and proportionate national economic development can be easily achieved. Our country has a weak foundation. Owing to this basic characteristic, due consideration must be given to both accumulation and consumption. We need large sums of funds for construction, but the people's livelihood urgently needs to be improved. Our limited funds must be subject to overall planning, with differentiation between important or urgent needs and less important or less urgent needs when we use them. They must be appropriately pooled to be used to satisfy key needs. Our country has a large population. Owing to this basic characteristic, in the course of our modernization, we must give due consideration to providing jobs for the population. Otherwise, we will have a chronic social problem of underemployment.

Taking a Chinese-Style Path

Whether we can create a Chinese-style path of modernization construction is the primary question affecting the success of our cause of the four modernizations. In the opening speech of the 12th CPC National Congress, Comrade Deng Xiaoping said: "We must integrate universal Marxist truth with our country's concrete real situation, take our own path, and build a socialist system with Chinese characteristics. This is the basic conclusion we have summed up from many years of historical experience."

Based on a specific analysis of China's national condition, Comrade Deng Xiaoping put forth the strategic goal of our economic modernization and the strategic steps to be taken to attain this goal. At the end of 1979, in his conversation with a foreign visitor, he said that our country's per capita GNP was only roughly midway between \$200 to \$300, and under the condition that our country has a weak foundation, a large population but inadequate farmland, production and national income will not be able to grow at a fast rate. We should strive to enable our national economy to develop to a state of moderate prosperity by the end of this century. Early in the 1980's, he said that the 1980's is a very important decade. If we lay a good foundation during this decade and continue to make an effort during the next, then we will be able to attain the above-mentioned goal.

Comrade Deng Xiaoping pays great attention to the important role of science and technology. He has repeatedly stressed that the modernization of science and technology is the key to the four modernizations. Without modern science and technology, we will be unable to build modern industry, agriculture, and national defense. Without a rapid development of science and technology, a rapid national economic development will be impossible. In order to achieve a level of labor productivity that is higher than in capitalism, to build our country into a modern, powerful socialist country, and to finally overcome bourgeois influence in the realm of the superstructure, we must train people to become workers with a high standard of science and technology and must build a large contingent of Red and expert intellectuals.

Having determined the goal, steps, and focus of economic modernization, we also need a corresponding set of policies and measures. To correct "leftist" mistakes in economic work and end the tendency of overconcentration, we must carry out economic reform and implement a policy of enlivening the economy. In October 1978, in addressing the Ninth National Congress of Trade Unions in China, Comrade Deng Xiaoping said: "At various economic fronts, not only are major technological reforms necessary, but major reforms of systems and organization are also necessary." In December the same year, at the closing session of the CPC Central Committee work conference, he said: "In the past, we did not opportunely propose reforms. However, if we do not carry out reforms now, our modernization cause and socialist cause will be ruined."

Comrade Deng Xiaoping put forth many specific opinions about the orientation of our economic reform. In October 1978, he said that our enterprises must practice the system whereby the factory director assumes responsibility under the leadership of the party committee, and a powerful system of direction

over production must be established. All enterprises, without exception, must be subjected to democratic management, and centralized leadership and democratic management must be integrated. The workshop heads and section chiefs of the enterprises can be elected by the workers, and important matters of an enterprise must be discussed at general meetings of the staff and workers' representatives or at staff and workers' general meetings. At the end of the same year, he again said that democracy in the economic arena must be developed, and because power over economic management has been overly centralized, we should boldly delegate such power to lower levels in a planned way, so that the localities, enterprises, and production teams can enjoy greater decisionmaking power over management and operations. The workers' and peasants' democratic rights must be conscientiously safeguarded. We must learn to manage the economy by economic means. In particular, we must pay attention to strengthening responsibility systems. We must permit some localities, enterprises, workers, and peasants to earn a higher income than others through hard work, with a consequent upgrading of livelihood for those concerned. Early in 1980, he said that China's own path of construction includes the following: Extending the enterprises' decisionmaking power and democratic management, developing specialization and cooperation, developing the market's regulatory and supplementary role under the guidance of economic planning, integration of advanced technology with intermediate-level technology, rationally utilizing foreign capital and technology, and so on. These opinions of Comrade Deng Xiaoping constitute a rough outline of the policy of opening our country to economic intercourse with foreign countries and enlivening our domestic economy.

Over the past several years, our country has implemented a series of new economic policies. Since the 4th Session of the 5th NPC, and since the 12th CPC National Congress, a complete set of guiding principles and policies, centered around the enhancement of economic benefits, have gradually been formed, and a path of modernization construction, suited to our national condition and possessing Chinese characteristics, has begun to emerge.

Relying on Our Own Strength

The accomplishment of the four modernizations relies on people. The handling of China's affairs relies on the Chinese people's own strength. Comrade Deng Xiaping said: "In the past, at present and in future, independence and self-reliance always was, is, and will always be our foothold."

Implementing the guiding principle of relying mainly on our own strength does not imply refusing to acquire foreign aid. However, ours is a large country with a population of 1 billion. The scale of construction is colossal. We cannot take "shortcuts." Whatever the amount of foreign capital we use, its relative significance in economic construction is very small. We must follow the guiding principle of relying mainly on our own strength, with the acquisition of foreign aid as a subsidiary measure.

If we mainly rely on our own strength, the whole nation can be aroused to develop the spirit of working hard for our country's prosperity, the people

can become united, and various difficulties can be more easily overcome. Comrade Deng Xiaoping said that one of China's strong points is its relatively strong ability to survive. If all links between China and other countries were cut off, we could still survive. Even if great chaos or other unpredictable changes occurred in the world right now, China could still survive.

To rely on the Chinese people's own strength means that we rely on the enthusiasm of hundreds of millions of people for work, which is our greatest strength. Without such enthusiasm, without the pioneering spirit of the tens of thousands of production units, and without the vigorous struggle of various localities and departments, our socialist cause would be unable to develop vigorously.

To rely on the Chinese people's own strength to achieve the four modernizations, we must select and train tens of thousands of specialized and qualified personnel. In 1979, Comrade Deng Xiaoping said: "The serious problem which our country presently faces is not an incorrect line and incorrect guiding principles governing the four modernizations, but the lack of a large number of qualified personnel for implementing this line and these guiding principles." Thus, Comrade Deng Xiaoping said that we must select a large number of cadres with professional knowledge and in the prime of their life to be pathbreakers in the four modernizations. People who possess professional knowledge, enthusiasm, and energy are indispensable. We must build a system whereby people who possess professional knowledge and who are in their prime can be selected and appointed to those posts at which their ability can be brought into play. In selecting qualified personnel, we must break rules if necessary and we must not base seniority on length of service. To base seniority on length of service is a backward force of habit.

To rely on the Chinese people's own strength to carry out construction, we must be prepared to experience an arduous process. We must have a pioneering spirit and determination to wage a prolonged struggle. In his report entitled "The Current Situation and Our Current Tasks," Comrade Deng Xiaoping said: "If China is to achieve the four modernizations, we must do pioneering work arduously and in a down-to-earth manner. Our country is poor and has a weak foundation. Our education, scientific standard, and culture are backward. Therefore, we must undergo a process of arduous struggle." He held that we must once again teach the masses and the cadres to do arduous pioneering work. We must develop the Yanan spirit, the spirit prevailing during the initial post-liberation period, and the spirit of daring to overcome difficulties prevailing in the early 1960's. In this way, the people can be united and various difficulties can be more easily overcome.

Guarantees of Success of Economic Construction

To attain the magnificent goal of economic modernization, we must not only vigorously develop social productive forces, but we must also have compatible production relations and a compatible superstructure. Success in socialist economic construction must be guaranteed by politics and ideology. Historical experience tells us that whether socialist economic construction can succeed and develop vigorously depends on whether we can satisfactorily handle the

relationships between the superstructure, the economic base, and the social productive forces, and whether we pay attention to political and ideological guarantees.

Shortly after the 3d Plenary Session of the 11th CPC Central Committee, Comrade Deng Xiaoping opportunely said that to achieve the four modernizations in China, we must adhere to the four basic principles ideologically and politically; that is, we must adhere to the socialist road, dictatorship of the proletariat, leadership of the Communist Party, and Marxism-Leninism-Mao Zedong Thought. This is the prerequisite to the four modernizations. These four basic principles must not be shaken. If any one of them is shaken, the entire socialist cause will waver. We must thoroughly refute the view that socialism is inferior to capitalism. Only socialism can save China. The superiority of the socialist system has been demonstrated and will continue to be demonstrated in the future by numerous facts. Later, he also said that it is absolutely erroneous to lose confidence in socialism just because we committed mistakes in the past in socialist revolution and construction. It is also absolutely erroneous to think that we can propagate capitalist ideology just because we need to eliminate the remaining influence of feudalism.

Later, Comrade Deng Xiaoping repeatedly said that to achieve the four modernizations, we must have a firm and unshakable political line, we must have political situation of stability and unity, we must have a correct organizational line to ensure success, and we must wage a prolonged and effective struggle against those ideological habits which hamper the four modernizations.

In July 1982, Comrade Deng Xiaoping further put forth four ways of guaranteeing adherence to the socialist road and the satisfactory undertaking of modernization construction, namely: 1) reform our organizations and economic systems; 2) build a socialist spiritual civilization; 3) check criminal activities in the economic realm; and 4) rectify our party's work style and our party organization. He said that prior to accomplishing the four modernizations, these four things will always accompany us each step in our advance. It is only in this way that, while we implement the policy of opening our country to economic intercourse with foreign countries, we can effectively resist the decadent capitalist influences from foreign countries, and while we implement the policy of enlivening our domestic economy, we can guard against deviation from the socialist orientation. We must permanently adhere to these four things, which must not be abandoned for even one day, and we must make them a kind of regular work and struggle.

CSO: 4006/674

SPEED PLUS RESULTS URGED IN ECONOMIC REORGANIZATION

Hangzhou ZHEJIANG RIBAO in Chinese 20 May 83 p1

[Article: "Strive for Increased Speed and Increased Results in Economic Reorganization"]

[Text] During the first four months, papermaking in Zhejiang province had a production value and profits which exceeded the same period last year by 7.3 percent and 10.9 percent respectively. This fact again proves that it is entirely possible to achieve a unification of speed and results.

It is mandatory to have a correct understanding of speed and results. The 12th Party Congress has suggested that by the end of the century, "operating under the premise of continually improved economic results we can strive to achieve a quadrupling of the gross national product in industry and agriculture." The objective of this struggle is not merely the request for a "quadrupling" but more important there is the presupposition of a "quadrupling." We cannot merely consider the request for "quadrupling" and ignore the presupposition of "quadrupling" as that places undue emphasis on increased speed in production value and production quantity and ignores improved quality and reduced costs. It must be understood that the establishment of this "presupposition" is the summation of foreign and domestic experience, a profound lesson for which a great price was paid, is the hope and desire of the masses and also is a requirement of construction of the four modernizations. Consequently, we must profoundly understand, correctly approach and energetically implement this "presupposition." When there is a contradiction between speed and results then speed should give way to results. When there is a contradiction between quantity and quality then quantity should give way to quality. When there is a contradiction between enterprise results and social results then enterprise results should give way to social results. Of course, it is not that we do not want to develop speed, because in the implementation of socialist modernization it will not do to lack a certain degree of speed. However, we wish to develop speed under the "presupposition." Otherwise, we not only will lack results but also will come to harm. It is much more difficult to achieve the

unity of results and speed than simply to pursue speed. However, this is the only way to guarantee a lasting, healthy and stable increase in speed.

Some enterprises have poor economic results primarily because they still have not changed to making improvements in economic results, and especially because they have not entered the path of social economic results they cannot keep up with the changing situation. In brief, there primarily are "five unsuitables." The first is that the guiding ideology does not suit the demands of objective economic laws. Quite a number of enterprises still have not truly commenced operation according to objective economic laws and still follow the same old simplistic production models in their management practices of "emphasizing the middle and neglecting the ends," which means to emphasize production links and neglect research of social needs and neglecting the tasks of marketing and servicing. The second is that changes in the product mix do not suit changes in the consumption structure. People nowadays want products to be "new, attractive, superior and cheap," but many enterprises have products which are old, and outmoded, new products are tested and put into production too slowly and they have inferior standards and low quality so they do not suit consumer needs. Such things as directing or guiding consumption and promoting production developments are out of the question. The third is that production devices do not suit the needs of product changes. Most production uses old technology, old handicrafts, old materials and old equipment. This does not suit the present need for fixed production quotas, production in small quantities and rapid product changes. Although there has been some technological transformation these few years, the emphasis has been on new items with little regard for using new technology, new handicrafts, new materials and new equipment. Consequently, product upgrading and replacement has been slow, transformation of backwards industrial arts has been slow and the renewal of outdated equipment has been slow. The fourth is that management does not suit market changes. Some products have now already gone from a sellers market to a buyers market. In response to this situation some enterprises have already concentrated on management while other enterprises are merely pushing the sale of accumulated products rather than focusing their energy on market research, news and feedback and providing service after sales. The fifth is that the training of human talent does not suit the needs of scientific and technological development. All of the staff and worker brigades now have a relatively low level of technological qualifications and management standards, and the structure of human talent is especially unsuitable with a very low proportion of engineering technicians.

It is hoped that all enterprises will be able to use these "five unsuitables" to carry out comparisons, make investigations, continually investigate new situation sum up new experiences and solve new problems to act as quickly as possible in reducing the gap of these "unsuitables" to make simultaneous progress in both speed and results.

ARTICLE URGES SUBSTITUTION OF TAXES FOR PROFITS

Hangzhou ZHEJIANG RIBAO in Chinese 21 May 83 p 1

[Article: "Enthusiastically Promote the Substitution of Taxes for Profits"]

[Text] Carrying out the substitution of taxes for profits in the state-run enterprises is a major reform in the management system of the state-run enterprises. Since June 1, all state-run enterprises throughout the province have carried out this method.

For a long period of time the state has practiced the system of unified receipts and unified expenses with unified responsibility for profit and loss. No distinction was made between hard work and sloth, which placed restraints on the enterprises and obstructed the development of the production forces. Carrying out the substitution of taxes for profits will make progress in establishing and perfecting the economic responsibility system and enable the enterprises to truly become independent economic entities. They will enliven the economy by making even more autonomous arrangements of production management according to the needs of the state and the marketplace. Doing away with the flaw in the state-run enterprises of guarantees for profits but not for losses will stimulate the enterprises and also put pressure on them.

The basic principle of substitution of taxes for profits is that the state gets the greater portion, the enterprise gets the in-between portion and the individuals get a smaller portion. Some people believe that in carrying out the substitution of taxes for profits the enterprises do not obtain any advantages so they are not enthusiastic about it. This is a misunderstanding. According to the method of the substitution of taxes for profits which has been promulgated by the State Council, the after-tax profits of large and medium enterprises which use the tax adjustment method will show that the portion of new profits handed over to the state is reduced 60 percent. This is to say that these enterprises will obtain more advantages than under the old method. By carrying out the method of progressive increased responsibility, that portion in excess of the progressive increased

responsibility ratio is all kept by the enterprise. Of course, if enterprise profits decline they will then have to assume certain responsibilities. This will stimulate enterprise enthusiasm in truly developing production, improving management, tapping latent strengths and improving results. At present, the state's financial administration has not yet made a turn for the better and the key construction responsibilities are so burdensome that it is not possible to continually expand the enterprise profit retention ratio. The enterprises can only increase their own profits under the premise of a guarantee of the major portion of profits going to the state. At the same time, only when the entire portion of state profits is guaranteed will the proportional interests of the enterprise have any guarantees.

There also are some people who believe that with the greater portion of the newly added profits going to the state the enterprises will have problems in providing capital to tap latent strengths and carry out technological transformation. There is no need to worry about this. Between 1978 and 1982, the amount of capital the state applied to technological transformation in the state-run enterprises throughout the province already reached 1.43 billion yuan, which is not a small amount of capital. The problem is to utilize and manage this capital so that it is truly put to the most use in production development and technological progress. At the same time, the state is now carrying out the planned selection of such favorable actions as a gradually accelerated rate of depreciation in order to speed up enterprise technological transformation. The state has already determined that the portion of enterprise retained profits derived from the additional profits will for the most part be used in developing production and in technological transformation. In addition, with the adjustment factor of bank funds and centralization of responsible departments, if the capital from these several aspects is properly managed and properly applied obvious results will then be obtained.

The substitution of taxes for profits is only a mutual exchange between handing over profits and receipts and it does not touch upon such areas as the price of goods. Therefore, the enterprises must sincerely implement the state plan, strictly abide by the pricing system, prohibit great efforts only when profits are great or small efforts when profits are small and must avoid doing injury to the consumers' interests. In addition to increased supervision over the enterprises, enterprise rectification must continue and the economic responsibility system within the enterprises must be strictly built up to enable the substitution of taxes for profits to be built on the foundation of accurate accounting and strict management which will lead to healthy, upright progress.

11582
CSO: 4006/579

ECONOMIC PLANNING

QUIZHOU HOLDS PHONE CONFERENCE ON ECONOMIC WORK

HK130720 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 12 Jul 83

[Text] The provincial people's government held a phone conference yesterday on economic work. The conference summed up the work of the first half of the year and arranged the tasks for the latter half of the year. On the premise of achieving better economic results, the conference demanded the fulfillment and overfulfillment of the annual production plan and economic results plan. Governor Wang Chaowen and Vice Governors Zhang Yuhuan and Zhou Yansong attended and spoke at the conference.

The conference pointed out that the situation in industry, agriculture, and finance and trade throughout the province was good and that economic results had increased to some extent. However, the targets of the economic results were not perfectly accomplished. High production costs and consumption of raw materials, inferior quality, few varieties, and no remarkable progress in safety of operation were still the weak lines in production.

The conference demanded the continuance of regarding agricultural production as the central task in rural work. After the completion of transplanting work, more attention should be paid to field management. Various measures should be adopted to strive to raise the unit per area yield of grain. Efforts should be made to increase the grain output of the whole province by 800 million jin over last year and to ensure that the production plan of 17 billion jin of grain is attained. It is necessary to develop further the diversified economy and to lay emphasis to those items that are marketable, such as hemp, ore, and agricultural products. All kinds of household industrial and sideline occupations should be developed in line with local conditions so as to increase the income of the vast number of peasants.

The conference demanded the continuance of straightening out the guiding ideology in economic work, vigorously tapping the potentials within enterprises, paying attention to technical transformation, cutting down consumption of raw materials and production costs, improving quality, and making great efforts to ensure safety of operation. It is necessary to strengthen leadership and management in industrial and communications production. Management and administration should be improved and overstocking of goods reduced. It is essential to straighten out the guiding ideology in commercial operations

and actively to do a good job in business. Further attention should be paid to the overall reorganization of enterprises.

The enterprises directly under the provincial authorities must be provided with leading cadres at and above intermediate levels before this September and the leading bodies of the enterprises under the prefectual and county authorities must be strengthened before the end of this year.

The conference also emphasized that all localities and departments should earnestly implement the spirit of the urgent circular issued by the State Council and the CPC Central Discipline Inspection Commission on curbing indiscriminate price hikes of means of production and exaction of charges from construction units. The problems, when discovered, should be immediately handled. Those who refuse to correct their mistakes after the time limit should be severely punished.

CSO: 4006/674

ECONOMIC PLANNING

YUNNAN LEADER ON IMPROVING ECONOMIC RESULTS

HK120111 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 11 Jul 83

[Excerpts] Speaking yesterday afternoon at a forum on economic work attended by responsible comrades of all prefectures and cities, Vice Governor Zhu Kui put forward five views on the question of how to improve economic results in the second half of the year:

1. Get a good grasp of producing goods that sell well and meet market needs. Poor quality, high prices, and lack of variety constitute mortal weaknesses in Yunnan's industrial production. In order to raise economic results, it is necessary to give priority to increasing product variety. We must make a new breakthrough in quality and variety in the second half of the year.
2. Do a good job in energy conservation and vigorously reduce consumption. It is first necessary to establish a sense of urgency and responsibility on energy conservation, set up energy conservation organs and put them on a sound basis, and strengthen conservation management. Second, hurry to get key energy conservation projects into production. Third, we must organize well the third energy conservation month.
3. Speed up technical transformation and rely on technical progress.
4. Speed up the work of straightening out the enterprises. This work must certainly not be relaxed on account of structural reform. The work must be centered on raising economic results.
5. Strengthen leadership and ensure that income is increased and economy practiced. We must continue to correct the guiding ideology and truly shift economic work onto the track of focusing on improving economic results.

CSO: 4006/674

ECONOMIC PLANNING

PEARL RIVER DELTA ECONOMIC ZONE TO BE ESTABLISHED

HK151215 Hong Kong TA KUNG PAO in Chinese 15 Jul 83 p 2

[Editorial: "The Pearl River Delta Economic Zone and Hong Kong"]

[Text] The news that the Guangdong Provincial People's Government is making preparations to establish the Pearl River Delta Economic Zone is a new trend which merits people's attention.

It is an important part of the reform of China's economic system to organize production and circulation through central cities, to break rigid rules separating departments and regions at different levels, and to establish economic zones and an economic network involving different areas and trades. Although the plan is still being studied and tested, it has produced a great impact. Many people believe that this is a major break with the original system as well as an important exploration for the creation of a Chinese-style socialist economic system.

Up to now, the State Council has approved plans and carried out pilot projects in the following: [words indistinct] Economic Zone, involving different provinces and municipalities, the joint exploitation of coal resources in the Shanxi energy and heavy chemical industry base, and the general construction of the central city Chongqing.

In addition, discussions are being held and plans are under way concerning the establishment of the Pearl River Delta Economic Zone, the Minjiang River Delta Economic Zone, the central city of Wuhan, the Beijing-Tianjin Economic Zone, and the Northeast Economic Zone.

Yesterday, Mao Yang, director of the Guangzhou City Planning Commission, delivered a speech at the First Session of the Eighth Guangdong Provincial People's Congress, declaring that the province had conducted investigation and drawn up a plan for the establishment of the Pearl River Delta Economic Zone and making an initial disclosure of some of the plans. This indicates that great changes will take place in the economic zone will go ahead first to promote economic development of the whole province.

The Pearl River Delta is one of the four priority construction areas in Guangdong Province. The other three are: 1) The Shenzhen, Zhuhai, and Shantou Special Economic Zones; 2) Hainan Island, China's second largest island; 3) Mountain areas which cover the larger part of the total area of the province. The following figures along indicates the important position of the delta area in the province's economy.

With Guangzhou as its center, and including 17 counties and cities, the area has a population of 11 million, accounting for 18 percent of the province's total population of nearly 60 million, and a land area amounting to 7 percent of the province's total area. But its industrial output value accounts for 60 percent of the total industrial output value of the whole province, agricultural output value for one-third of total agricultural output value, financial income for two-thirds of total financial income, and export volume in foreign trade for one-half of total export volume in foreign trade. With these achievements to promote economic development of the province, the area really excels others.

Furthermore, according to Mai Yang, the economic zone with Guangzhou as its center which is under consideration is a multitier one. The above-mentioned counties and cities in the delta constitute the first tier. The vast areas in the Pearl Valley, including some areas in Guangxi, Hunan, Hubei, Yunnan, Guizhou, Jiangxi and Fujian provinces constitute the second tier. As for the third tier, in the long run, it should include Hong Kong and Macao and form an economic zone of a special type which will carry out the function of a domestic and international economic zone of a special type which will carry out the function of a domestic and international economic center. It is impossible for other economic zones to have this characteristic.

The Shanghai Economic Zone is centered on Shanghai, China's largest city, and includes relevant counties and cities in the Changjiang River Delta, Jiangsu Province and Zhejiang Province. It will bring into full play Shanghai's role as a central city. Likewise, the Zhujiang River Delta Economic Zone will also be centered on Guangzhou, the big south gate of China, bring into play Guangzhou's role, and, through economic combination, give full play to the collective superiority of the Pearl River Delta.

Mai Yang pointed out that in the future we will bring Guangzhou's role into play in four aspects. He particularly pointed out that a more relaxed policy will be adopted in the economic zone to develop foreign trade and economic relations.

Well within Guangzhou's reach, Hong Kong has all along maintained the closest ties with Guangzhou and its nearby areas. The future establishment of the Pearl River Delta Economic Zone and the exploitation of the South China Sea oilfield will strengthen the area's economic relations and cooperation with Hong Kong and provide a future of more far-reaching and extensive development. Hong Kong's prosperity and stability is beneficial to Guangdong, and to the Pearl River Delta Economic Zone in particular. In turn, the prosperity in the Pearl River Delta Economic Zone will also be beneficial to Hong Kong.

CSO: 4006/676

ECONOMIC MANAGEMENT

ECONOMIC RESULTS OF EQUIPMENT RENEWAL DISCUSSED

Shanghai CAIJING YANJIU [THE STUDY OF FINANCE AND ECONOMICS] in Chinese No 2, 25 Apr 83 pp 21-25

[Article by Yan Guanghua [7634 0342 5478]: "A Discussion of the Economic Results of Equipment Renewal in Industrial Enterprises"]

[Text] Comrade Deng Xiaoping once pointed out: "Emphasis on economic results is an extremely important principle for all tasks." If modernization in China is to achieve the glorious goal of quadrupling the gross national product in agriculture and industry by the end of the century, all economic tasks must implement this principle. One important task in the technological transformation of the national economy is equipment renewal in the enterprises. Consequently, in carrying out equipment renewal in our current enterprises it is extremely important to emphasize the central issue of improving economic results and striving to follow a new path in improving economic results. This article will discuss the issue of economic results in regard to equipment renewal in industrial enterprises.

Equipment Renewal Brings Economic Results to the Enterprises

We know that production modernization makes use of machines and mechanical systems. In order to carry out production activities all industrial enterprises must employ large amounts of machines and equipment. China now has over 380,000 industrial enterprises (exclusive of communication and transportation industries) with fixed assets having an original value in excess of 410 billion yuan. This includes equipment and assets valued in excess of 300 billion yuan, including about 2.7 million machine tools alone. When equipment is used, on the one hand there is tangible wear and tear and on the other hand there also is both domestic and foreign technical progress and the appearance and spread of highly efficient new equipment leads to depreciation and early abandonment of the original equipment, so there also is intangible wear and tear.

Marx said: "For the most part, the means of labor are continually renewed because of advances in production. Consequently,

replacements are made with new models rather than with older ones." ("Makesi-Engesi Quanji--Complete Works of Marx and Engels" Vol 24, p 190-191) Obviously, equipment renewal in the industrial enterprises should not be copies of the original technology or capabilities or the duplication of "antiques," but ought to follow scientific and technological developments in reaching for new levels. Because of this, equipment renewal should use new equipment which is of good quality, highly efficient and of low energy consumption to replace old, outmoded equipment. This will improve product quality, reduce energy expenditure and reduce product costs, which will provide more products needed by society and give more economic benefits to the enterprises and society. These are necessary for development of the social production forces and also are objective requirements for scientific and technological progress.

In constructing China's socialist modernization, equipment renewal in our present enterprises is a strategic task of great importance. Although we have already constructed an independent, relatively comprehensive industrial complex which has established a concrete technological base for our strategic goal of quadrupling our gross national product in industry and agriculture. However, it must be noted that a considerable portion of our industrial enterprise equipment is outdated and outmoded, test conditions are inferior and products are backward. With these serious problems, we are far from being able to meet the demand for rapid development of production technology and there is even some equipment which is at the point where it must be replaced. For example: throughout the nation's engineering industry system, the original system of the First Ministry of Machine Building now has products which are about 60-some percent at the 1940's and 1950's level, 30-some percent at the 1960's level and less than 5 percent at a 1970's level. The nation's light industry system employs over 2,000 installations, and very few of them belong to the 1960's and 1970's, with most of the products originating in the 1940's and 1950's and some even going back to the 1920's and 1930's. About 500 or 600 of these should be eliminated. The Shanghai Municipal Light Industry Bureau has over 87,000 installations, with 40 percent belonging to the 1930's and 1940's, 50 percent from the 1950's and with only 10 percent from the 1960's onward. The Shanghai Municipal Handicrafts Industry has 74,500 machine tools and approximately 58 percent are antiquated equipment predating the 1930's and 1940's. Such backward conditions are common in industrial production in all departments and in all prefectures. If we do not exert ourselves in renewal this not only will affect the four modernizations it could even cause difficulties in the national economy. In order to enliven the national economy and follow a new path of economizing on investments, quickly achieving results and reaching a high level of economic results in economic construction, from now on we must carry out planned, large-scale technological reforms, energetically promote various

scientific and technological achievements, actively select new technology and new equipment, use a focused, gradual approach to solving the problem of outdated enterprise equipment and quickly transform the technological appearance of our present enterprises.

Equipment renewal in industrial enterprises is a strategic action to make full use of our current enterprises and improve economic results. Practice in a number of enterprises shows that the timely application of equipment renewal in current enterprises can result in reduced expenses and enable enterprises to continually add new production forces, or they can fill in the gaps in their equipment, form complete sets of equipment and raise the level of production technology in the industrial enterprises. At the same time, they also can help during the period of economic readjustment by making up for any temporary inadequacies in heavy industry and enable our ongoing economic development to maintain a relatively realistic and stable rate of progress and give full vent to the active function of our present industrial enterprises in economic construction in order to lay a solid foundation for entering a new period of vigorous economic development in the 1990's. Compared to the construction of new enterprises on a similar production scale, carrying out equipment renewal to bring about an intensive expansion of reproduction can save about 70 percent of capital expenditure and the amount of time needed to form up production forces can be more than cut in half. If some of our oil refineries had reformed and renewed their outdated technology and equipment from 1974 to 1977, and greatly increased their crude oil processing capabilities they could have saved three-fourths of the capital expended on new enterprise construction and construction time could have been shortened by 5 or 6 years. Timely equipment renewal can save maintenance costs, reduce consumption of materials, improve labor conditions and environmental protection conditions, promote production efficiency and consequently improve enterprise economic results and improve results in the social economy. For example, the textile industry in Shanghai had over 28,000 looms of various makes with hand changed spindles. During the last 5 years, all of these have been replaced by the domestic model No 1151 loom with automatically changed spindles, and this has improved the technological level and production efficiency. According to statistics, the state invested 800 million yuan over the last 30 years and more than 50 billion yuan in profits was turned over to the state. The Shanghai Toothpaste Plant undertook 5 years of technological renovations and equipment renewal in which the entire plant developed 22 automated production assembly lines, and annual production jumped from 8.2 million tubes in 1975 to 1.9 hundred million tubes in 1981, and the annual profits turned over to the state can finance the construction of 4 similar plants.

Equipment Renewal Must Stress Economic Results

Equipment renewal in the industrial enterprises definitely will produce economic results, but this certainly does not mean that it is unnecessary to focus on improving economic results while carrying out equipment renewal. Quite the contrary, to carry out the task of equipment renewal in the enterprises it is necessary to establish a guiding ideology focusing on improving economic results, work closely on the key issue of improving economic results and, regarding this issue, place the greatest emphasis on renewing our present equipment. To achieve this, I believe that in the task of renewing enterprise equipment it is necessary to thoroughly understand and handle these several following relationships:

(1) It is necessary to correctly understand the relationship between equipment transformation and equipment renewal. In order to achieve a transformation in this situation of outdated technology which faces our nation and improve economic results, some comrades have advocated that in terms of our present technology we should shift from an emphasis on reform to an emphasis on renewal; other comrades believe that we ought to emphasize transformation in renewing our present enterprise equipment. These two different viewpoints actually are the related issues of how one understands equipment transformation and equipment renewal. What is equipment transformation? This means that the foundation of the original equipment is used in choosing advanced technology to transform the organization of the equipment or improve its capabilities, and sometimes various key parts are modified to increase precision and improve production efficiency. This is a form of partial renewal which is described as quantitative accumulation of modernized technology and equipment, while equipment renewal means to use highly efficient new equipment to replace old equipment. From this we see that although there are differences between the two there also are some connections so that they are not opposite methods. If we take the perspective of compensating for wear and tear on the equipment they both do so with renovations and it is merely a difference of degree, so that equipment transformation can be viewed as a supplementary form of equipment renewal. Since equipment transformation and equipment renewal actually are both methods for carrying out renewal there really is no need to place a general emphasis on one of them, but depending on various individual conditions one method or the other should be given emphasis. On the basis of our national situation and the current financial and economic conditions in this period of economic readjustment, I believe that some major enterprises that are related to the overall national economy should be emphasized in a strong effort over a brief period of time in making a broad selection of generally available advanced technology from developed nations to carry out modernization of production technology in order to gradually achieve a world standard of progress.

This equipment renewal should focus on the method of replacing old equipment with new equipment so that these enterprises can be in the front ranks of technological standards and guarantee that the enterprises and society will have relatively high, long-term economic results. The remainder of the majority of industrial enterprises should emphasize the method of equipment transformation (partial renewal) to ensure attainment of economic efficiency within a short period of time. As far as any enterprise is concerned, equipment renewal will achieve better economic results, yet different equipment should be treated with different renewal methods. Where there is power equipment consuming large quantities of energy (such as boilers, blowers, heating furnaces, transformers and waterpumps); where the technology is severely outdated and the economic results of transformation would be inferior to equipment renewal; and where the equipment is thoroughly worn out and equipment transformation will not produce the capabilities and precision demanded by industry there ought to be as much equipment renewal as possible. For the other equipment, the emphasis should be on transformation. In short, only by deciding upon different methods of renewal according to the various equipment in the various industries can we achieve even better economic results in the enterprises through our task of equipment renewal.

(2) There must be a precise understanding of the relationship between the initial date of service for equipment and its economic results. In regard to this issue, some comrades advocate the foreign method of rapid depreciation, greatly reducing the years of service for equipment and accelerating equipment renewal to improve economic results. Some comrades feel that the rate of depreciation ought to be raised but not to the same extent as in foreign countries. Equipment renewal should be based on economic results rather than planned according to a limited number of years of service. These two different viewpoints actually are related to the connected issues of rate of renewal and the results of renewal. We know that there is a close relationship between the length of service and economic results, and that, generally speaking, the more years of service the more outdated the equipment, the lower the rate of production and the lower the economic efficiency. The shorter the length of service and the faster the rate of renewal the greater the production capability, the higher the production rate and the better the economic results. However, this is not absolute. Whether or not economic results can be improved still depends on whether or not it is possible to continually raise the technological capabilities of the equipment. For example, in the Soviet engineering industry 57 percent of the equipment has a length of service under 10 years while in the United States the figure is 34 percent, yet the Soviet engineering industry productivity rate is only 54 percent of that in the United States. Furthermore, foreign countries use rapid depreciation methods but do not necessarily undertake a similar pace in equipment renewal as it primarily is used to shorten the

period of time for recovery of equipment investments to meet the demand for ever greater profits in the fierce competition of capitalism. I believe that in consideration of our socialist system and our actual situation it is entirely necessary to reform the depreciation rates to guarantee a constant source of capital for renewal and transformation and to accelerate equipment transformation and renewal. However, we should not use artificially created early return on capital investment in equipment and create "empty" costs or expenditures to reduce the state financial revenues or shift the people's burden. Otherwise, this would transgress against the production goals of socialism. Because the primary marketplace for China's industrial products is the domestic one it is not possible to simply draw a line to determine the length of service for equipment. Whenever it is relatively worthwhile in terms of technological and economic results to make repairs there then is no need to rush in carrying out equipment renewal. Whenever there is only a need to change some key component or part there then is no need to renew the entire piece or an entire assembly line. However, it must also be noted that it is not possible to carry out unlimited "repair and utilization" of old equipment as an overemphasis on "repairs" can even exceed the replacement value. This also is a mistaken way of doing things because repeated repairs and maintenance expenses continue to add up while the precision, capabilities and efficiency of the equipment continually declines and this also does not suit the need to improve economic results. According to most predictions, the first major overhaul of a machine tool will restore 96 percent of the precision, the second will restore 90 percent, the third 75 percent and the fourth only about 60 percent. Moreover, the expenditures will exceed the original net worth or replacement value. If a standard C620 lathe which sells for 6,000 yuan undergoes two major overhauls then the accumulated total repair expenses will about equal the selling price. At the same time, endless repairs are accompanied by declining precision, capabilities and efficiency which can only result in inferior products, excessive energy consumption and high product costs. Excessively prolonged use of outdated equipment will also hinder technological progress, affect enterprise economic results and affect the improvement of social economic results.

(3) It is necessary to correctly understand the relationship between equipment renewal and equipment resources. In order to transform the present situation of low productivity in China some comrades believe that it is necessary to carry out complete technological transformation and equipment renewal of the key equipment in our production capabilities. Some comrades believe that it is impossible to carry out a complete technological transformation in the enterprises and that it is only possible to supplement whatever is lacking in order to meet the actual need for achieving production of higher standard products. These two different viewpoints not only touch upon the issue of pace in equipment renewal but

also touch upon the related issue of how one understands equipment renewal and equipment resources. Comrades who are only concerned with the viewpoint of complete technological transformation do not at all advocate immediately renewing all equipment but only approve of the idea of promptly starting the replacement of key equipment. Is it now possible to carry out complete renewal of key equipment? According to our strategy for carrying out a "quadrupling" of economic production, the first ten years emphasize laying a good foundation, gathering strength and creating conditions. This is the preparatory stage for awakening our economy. The early part of this preparatory stage is limited by our current financial and economic conditions and by our present engineering industry foundation, so we cannot carry out a complete technological transformation of our production capabilities and also cannot carry out overall renewal of our present key equipment. This is because each industrial enterprise has its key equipment and where there are a great variety of products in great quantity, carrying out overall renewal requires capital and adequate equipment resources. At present, the engineering industry is not the strategic focus of economic development. During the Sixth Five Year Plan very few new plants were built, so we must primarily rely on the present engineering enterprises to provide new equipment resources. However, our present engineering industry needs to carry out its own process of transformation and cannot yet fabricate a variety of large quantities of advanced level key equipment and other high efficiency newly engineered products to satisfy the needs of present industrial enterprises for overall technological reform and renewal of key equipment. Even if we rely on imports, this also has limits. Consequently, I believe that in the 1980's, we ought to follow conditions in our national financial strengths and engineering developments to assess our strengths and proceed accordingly, gradually accelerating the pace of equipment renewal. The pace cannot be too slow nor should it be spread out and much less can there be overall transformation and renewal. We can only act in accordance with the production and engineering needs in each trade and industrial enterprise to choose directed, step-by-step methods of gradual renewal to achieve even more effective economic results in equipment renewal.

(4) It is necessary to correctly understand the relationship between domestic equipment and imported equipment. In enterprise equipment renewal the three primary sources for new replacement equipment will be to purchase domestic equipment, manufacture special equipment and import foreign equipment. In order to improve economic results, when the enterprises are carrying out equipment renewal they must firmly uphold the principle of "both promoting faster technological progress and preserving economic worthiness" in following a path which suits our national conditions. We must first of all remain self-reliant and be firmly based on using domestic manufactures to resolve problems. In this way, on the one hand, we can change our current situation of

insufficient tasks for heavy industry and enable production in heavy industry to maintain a suitable rate of progress and also promote transformation of our engineering technology while promoting the development of technological progress. On the other hand, we can save on foreign exchange payments, reduce the capitalization expenses, develop technological strengths and promote the spread and application of scientific and technological results. These will be extremely beneficial in improving enterprise and social economic results. Consequently, whenever domestic science and technology and domestic production capabilities are able to produce machines and equipment this should all be done with our own efforts, and there should be opposition to methods which do not fully utilize our own work force or rely on domestic strengths and which ignore what is at hand to seek what is remote, or to disregard the actual needs of enterprise production and follow the mistaken tendency of pursuing "foreign goods." Next, it is necessary to actively import foreign advanced technology and critically needed key equipment. This promotes China's technological progress and accelerates the pace along the important path of equipment renewal. Appropriate importation of equipment can promote rapid production developments and improve economic results. For example, between 1978 and 1981, the Shanghai Municipal Handicrafts Bureau imported a total of 5,600 sets of 121 various items of small-scale, highly efficient specialized equipment at a cost of over 17 million US dollars in foreign exchange. It is estimated that when it is all in production the results will be increased production valued at 200 million yuan, with increased profits of 50 million yuan, which will provide a return of 40 million US dollars in foreign exchange, or a doubling or tripling of the foreign exchange value of the imported equipment. Consequently, whenever there is an urgent need for key equipment to develop production or where important equipment can bring great efficiency to the enterprise or the national economy and when we cannot handle the matter domestically we should then actively import what is needed. The attitude of totally rejecting imports is out of touch with reality and quite mistaken. In order to make imported equipment suit our needs we must absorb and gain mastery over it, and some imported equipment should be copied or improved.

Several Issues Regarding Economic Results in Equipment Renewal

Improving economic results in enterprise equipment renewal is very broad-ranging and to be successful requires a coordinated effort of all departments within an enterprise and the adopting of a comprehensive plan. At present, in the process of carrying out enterprise equipment renewal we should pay special attention to solving the four following problems.

(1) It is necessary to emphasize short-term economic results and also pay attention to long-term economic results. At present, in carrying out the task of equipment renewal the industrial

enterprises have a tendency to emphasize short-term economic results and neglect long-term economic results. This is primarily expressed in that some enterprises which urgently need to selectively replace old equipment have already completely depreciated their old equipment in the belief that they can carry on "uncapitalized business" and so are unwilling to immediately carry out renewal. Some enterprises which plan to use very little capital selectively purchase newly made "antiques" and carry out renewal along the lines of the original model or the original standards. Some enterprises even adopt the techniques of "piecing equipment together," "tearing down one thing to build another" and prolonged "repair and utilization of old and discarded things" in order to derive some immediate benefits. Enterprise equipment renewal certainly must consider short-term, higher economic results, but it also is necessary to see from a developmental point of view, be concerned with long-term economic results and firmly unite both short-term and long-term economic results. This is the only way to make enterprise technological transformation and equipment renewal into a reliable method of awakening our national economy.

(2) It is necessary to consider both enterprise economic results and social economic results. In the task of equipment renewal some enterprises have somewhat more concern for their own economic results and somewhat less concern for social economic results, and this ought to be corrected. In order to improve the economic results of equipment renewal it is necessary to firmly unite enterprise and social economic results and establish the idea of "coordinating all national activities." When these two types of economic results clash it is necessary to subordinate those of the enterprises to those of society. For example, as for the problem of handling the old equipment retired during equipment renewal, it is not permissible to consider only the interests of the enterprise and not individually carry out downward movement in gradual stages (also called downward transfer). This way the old equipment owned by the whole people and replaced by the enterprise would be sold to collectively owned middle and small enterprises, or the old equipment replaced by the industrial enterprises of large cities would be sold to the local industrial enterprises. In this way, the enterprises carrying out equipment renewal tasks will derive more benefit than by merely scrapping and melting down the old equipment. However, if this downward transferred equipment has rather outdated production technology, consumes large amounts of energy and is bad for environmental protection, then other enterprises which use this equipment also must affect the level of production technology and improve economic results. Consequently, when the enterprise handles these problems it must be done under macro-economic, unified leadership so that what ought to be sold will be transferred "downward" and what ought to be scrapped will be without fail, and whatever is done will then both improve enterprise economic results and improve social economic results.

(3) Fabricate an Overall Plan for Enterprise Equipment Renewal. At present, the equipment renewal carried out by some enterprises lacks overall planning and temporary, emergency measures are used, and the planned equipment renewal carried out by enterprises is not coordinated with the technological transformation of other prefectures or enterprises. Such actions are not beneficial for improving economic results. In order to improve the economic efficiency of equipment renewal the industrial enterprises must use the basis of research and study of the industrial enterprise to unite enterprise rectification, strictly adhere to the needs of the prefectural and industry plan to formulate an overall plan for equipment renewal. When carrying out research and study, there ought to be a clarification of equipment conditions within the present enterprises and clarification of foreign and domestic developments and trends regarding the concerned equipment, identification of important points, grasp of key issues, precise determination of the optimum period for equipment renewal and a planned, focused renewal of present equipment. When determining the year's items for equipment renewal, the concrete plan for renewal should be studied for feasibility, evaluated for economic criteria and selectively applied. Each year, the items scheduled for renewal should be handled according to what is possible with the enterprises' financial and material forces. Only by strengthening the planning of the equipment renewal tasks is it possible to stand firm in the present with an eye to the future, avoid creating waste through incomplete planning and continually improve equipment renewal economic results.

(4) Correctly Utilize Renewal and Transformation Capital. In order to reasonably shorten the period of enterprise equipment renewal and clearly improve the benefits for the entire national economy it is very important that from now on we gradually increase the depreciation rates according to the potential of our national financial strength. In view of present conditions it is important to properly utilize the capital for renewal and transformation. Some enterprises use renewal and transformation capital for new construction and expansion so that control over non-budget basic construction and investment is lost. This affects the balance between financial forces and material forces and creates even greater outstanding accounts in enterprise equipment renewal and technological transformation. If we do not quickly rectify this issue of unsuitable use of capital there can be no guarantees for enterprise equipment renewal. With the gradual acceleration of depreciation rates in the future, the enterprises will have even more capital for equipment renewal so it will be even more important to manage and apply renewal and transformation capital. Regarding the use of this capital, whether in the present or the future, there always must be strict government, bank and financial administration supervision to guarantee a smooth process in the tasks of equipment renewal.

In addition, to improve equipment renewal economic results, we now ought to pay attention to closely uniting the tasks of equipment renewal with the economic responsibility systems within the enterprises to clarify the economic responsibilities and economic benefits of each department and each shop in equipment renewal and moreover establish an assessment index, such as a rate for renewal results, quotas for renewal expenses, quality standards for renewal and time schedules for carrying out renewal. This assessment index when complete can determine rewards and punishments and be fair in assigning them, which will prompt the departments and shops to correctly carry out renewal tasks, carefully utilize and control renewal and transformation capital and improve economic results.

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ECONOMIC MANAGEMENT

EXCESSIVE INVESTMENTS, PROJECTS MUST BE CURTAILED

OW151447 Beijing XINHUA Domestic Service in Chinese 0752 GMT 15 Jul 83

[By reporter Xu Yaozhong]

[Text] Beijing, 15 Jul (XINHUA)--The results of the implementation of the capital construction plans for the first half of this year have shown that the trends of excessively sharp increases in investments and the number of projects are still developing. Failure to adopt resolute measures to stop these trends will seriously harm not only the concentration of financial and material resources on key construction projects but also the steady development of the entire national economy.

According to materials provided by the State Statistical Bureau, nearly 20 billion yuan in accumulated capital construction investments were fulfilled from January to June throughout the country. This is 39 percent of the yearly plan and 17 percent more than in the same period of 1982. However, investments that were fulfilled within the state budget accounted for only 34 percent of the yearly plan, whereas investments fulfilled with bank loans accounted for 64 percent or more of the yearly plan; self-raised investments that were fulfilled accounted for 46 percent of the yearly plan. If this trend continues to develop at this pace, the scale of capital construction investments for this year probably will exceed the original state plans by a very large margin.

From January to June, the number of new capital construction projects throughout the country was 10,716, of which only 59 were large and medium-sized projects; the rest were all small-sized. Compared with 1982, the number increased by 2,332. In the first half of this year, there were 57,769 projects under construction, or 18,078 more than in the same period of 1982. As a result of the large increase in capital construction projects, especially small-sized projects, the dispersion of funds and materials has intensified.

The State Planning Commission maintained that the excessively sharp increases in capital construction investments and the number of projects should no longer be allowed to continue. At present, the commission, in conjunction with the departments concerned, is adopting practical measures for bank-financed and self-raised investments, in particular, and is carrying out an overall examination of the projects under construction in accordance with the state

plans. The State Planning Commission hopes that all localities and departments will strengthen their concept of the whole situation, and, with both higher and lower levels working with one heart, resolutely implement the resolutions of the First Session of the Sixth NPC; strictly control the scale of the capital construction investments in accordance with the demands of the party Central Committee and the State Council; and stop the trends of excessively sharp increases in investments and the number of new projects in order to ensure the triumphant progress of key construction projects.

CSO: 4006/674

ECONOMIC MANAGEMENT

FACTORY DIRECTORS CONFERENCE HELD IN XIAN

HK141518 Xian Shaanxi Provincial Service in Mandarin 0500 GMT 14 Jul 83

[Text] The second conference on factory directors work of the five north-western provinces and regions closed on 12 July in Xian. Of more than 70 participants in this conference, 61 were directors or managers of industrial and mining enterprises, and responsible people of economic commissions and business management associations of different provinces and regions.

The conference held that one of the essential tasks facing a good factory director in operating an enterprise is to constantly keep in line with the new situation in terms of guiding ideology, work style, management form, leadership method, and so on, following in depth the development of the four modernizations and the reform of the economic administrative system.

The directors of 21 enterprises, including the Lanzhou oil refinery, the Xian instrument and meter plant, the Xining steel works, the Yinchuan rubber factory in Ningxia Region, and the July 1st bleaching and dyeing mill in Xinjiang Region, delivered speeches at the conference. Many comrades expressed their views in group discussions. In general, they agreed that in order to be a good factory director and effectively operate an enterprise, it is necessary to make constant efforts to solve the following problems: First, one must be quick in learning and expanding one's knowledge, and strive to improve one's qualification so as to become qualified and a competent cadre. Second, adopting an overall point of view and cherishing a lofty ideal, one must fulfill his duty and make every effort to complete all tasks assigned by the state. Third, one must uphold revolutionary spirit and courage in doing pioneering work and blazing new trails. Fourth, one must be resolute in making decisions, concentrate efforts on the key links, and attach great importance to economic effects. Fifth, one must correctly implement the three regulations; and, being strict with oneself, subject to the leadership of the party committee and the supervision by the masses.

Provincial CPC committee secretary, Comrade Zeng Shenda, and vice governor, Comrade Sun Kehua, attended and addressed the conference.

CSO: 4006/674

ECONOMIC MANAGEMENT

STATE PLANNING OFFICIAL ON CONSTRUCTION PROJECTS

OWL40941 Beijing XINHUA Domestic Service in Chinese 1219 GMT 13 Jul 83

[By reporter Xu Chengzhong]

[Text] Beijing, 13 Jul (XINHUA)--During an interview with a XINHUA reporter, a responsible person of the State Planning Commission discussed ways to put capital construction projects in order.

Question by the reporter: What is the significance of reorganizing projects under construction so as to control the scale of capital construction?

Answer: It is impossible to control the scale of capital construction and raise investment returns without reorganizing projects under construction, because, if the investment fund outside the state plan is cut without actually reducing the number of projects, it is equivalent to using reduced funds to maintain the same number of projects. This will only result in scattering investment funds, prolonging the cycle of construction and limiting investment returns. Therefore, it is necessary to reorganize projects under construction and even suspend or postpone some which lack the necessary conditions for construction. This constitutes an important measure in pooling financial and material resources to meet the needs of key construction projects. It is also a way to strictly limit the scale of capital construction.

Question: What projects under construction are to be reorganized?

Answer: In the present situation, particular emphasis should be placed on first putting projects outside the state plan in order. All large and medium-sized projects outside the state plan, and all small projects without the approval of the concerned ministries, provinces, cities and autonomous regions must be suspended, and then measures should be worked out to determine what projects should be suspended or postponed. The measures should include methods of maintaining projects and their equipment. If construction of a small number of projects has to be continued, it is necessary to go through the procedures for examination and approval stipulated by the state.

Next are the projects under the state plan. These are mainly those projects which have been included in the state plan, but information about their

mineral resources, construction engineering, hydrology and geology is not clear. These projects, as well as those without design and construction blueprints must be suspended immediately. Technologically backward projects, failing to meet the standard for plant construction and having to be remodeled after construction is complete, must be suspended. All cooperative and comprehensive projects, in which synchronized construction cannot be carried out, which need raw materials, fuel and energy resources not readily available and a role which cannot be put into play after completion, must be temporarily slowed down or postponed. Projects, where capacity to produce certain products is surplus, and which will aggravate the situation of supply exceeding demand, such as small tobacco plants, distilleries, bicycle and wristwatch factories, must be resolutely suspended.

After these projects, those scheduled for construction this year, but where construction has not yet begun, and single projects must be reexamined. All projects failing to comply with capital construction procedures and lacking the necessary conditions for construction must not be started. Those meeting the right conditions, can be started after being approved according to regulations.

Question: What are the methods for reorganizing projects under construction?

Answer: Various ministries, provinces, cities and autonomous regions should carry out this work themselves, in order of seniority. In addition to reorganizing projects under their direct management, the various ministries should assist the localities in reorganizing local projects of the same trade in accordance with the planning for trades and their rational distribution. The various ministries can do this by sending personnel to give direct assistance to the localities, or invite comrades of concerned departments from the provinces, cities and autonomous regions for consultation on how to carry out the work. In cooperation with departments concerned, the State Planning Commission will dispatch personnel to carry out inspection elsewhere. All departments and areas must organize the masses to check the projects under construction, to put them in order, to find out if the projects meet the necessary conditions for construction and if the construction of the projects is rational, and to discover problems in the course of construction. In reorganizing projects under construction, it is necessary to select typical examples. Good examples should be commended, and bad ones criticized. Those persons causing grave losses by arbitrarily expanding the scale of capital construction, adding projects at will, will be made accountable and severely punished.

Question: Is there a timetable for reorganizing projects under construction?

Answer: We must have a sense of urgency. Various departments and areas should step up their efforts and complete this work before the end of August and submit a report on the results to the State Council. Before the end of September, various departments must submit a report to the State Council on the results of reorganizing projects under construction within the entire trade under their administration.

In short, this work must be properly completed within 2 months. Otherwise, this year's work of controlling the scale of capital construction and strengthening key construction projects will suffer.

Question: Do renovation projects currently under construction have to be reorganized?

Answer: The scale of investment in renovation projects must be strictly controlled, and the same is true for renovation projects currently under construction. All projects which are technically and technologically backward and have a high energy consumption rate, projects having some difficulty obtaining energy, transport services and raw and processed materials, and projects which cannot be sold easily must be reorganized, that is, their construction must be suspended or slowed down according to circumstances. Capital construction projects undertaken under the name of renovation, especially processing projects having difficulty in obtaining energy supplies and raw and processed materials, should certainly be put in order. Henceforth, any person who undertakes capital construction projects under the name of renovation, and arbitrarily alters the state investment plan without the approval of the State Council, must be made accountable for his action.

CSO: 4006/674

INDUSTRY

SHANXI DISCUSSES LIGHT INDUSTRIAL ISSUES

SK080335 Taiyuan SHANXI RIBAO in Chinese 13 Jun 83 p 3

[Article by Wang Fenglan (3976 7685 5695), Zhao Fengchun (6392 6646 2504), and Liu Xiangyun (0491 7639 7189) from "New Issue Study" column: "Several Issues Stemming From Light and Textile Industries Across the Province Should Be Urgently Dealt With"]

[Excerpts] Light and textile industries have played the most important role in ensuring the harmonious development of social reproduction and the improvement of the people's lives. In the course of Shanxi's being built into a base of heavy, energy, and chemical industries, light and textile industries should also keep pace with the construction program. Our province experienced a serious imbalance in the proportional relationship of various sectors in the national economy because of the weak foundation of the light and textile industries, the long-standing "leftist" ideological influence, and the one-sided development of heavy industry. Over the past few years, the province has marked fairly rapid development in light and textile industries by readjusting the national economy. However, the backward situation--such as poor product quality, little product variety, high production costs, and low economic results--has not been totally improved. At present, there is still the problem of overstocked light and textile industrial products.

According to statistics compiled at the end of April this year, industrial enterprises across the province had a 24 percent increase of overstocked commodities over the figure earlier this year. To put an end to this situation as soon as possible and to saturate the demands of the people's lives, we should do a good job in grasping the following tasks:

1. It is necessary to readjust the organizational forms of production and to do a good job in conducting technical coordination and economic integration among enterprises on the same front. Only by following the principle of rationally developing the economy and carrying out coordination of specialized technology and by breaking down barriers among departments and areas to carry out reorganization and integration among existing enterprises can our province effectively upgrade the technical level of light and textile industrial production.

2. In coping with the common problem prevailing in light and textile industrial enterprises across the province in regard to the low rate of utilizing equipment, the task of top priority is now to do a good job in renewing equipment and forming a complete set of equipment in order to expand production capabilities.

3. A good job should be done in conducting market supply calculations, readjusting product structure, and in turning out products that enjoy brisk sales. An important reason why our province has lagged behind in light and textile industrial production over the past many years as compared with the advanced provinces and municipalities is a failure to study market changes and to conduct market supply calculations.

CSO: 4006/674

INDUSTRY

BRIEFS

HEILONGJIANG TAILING DISPOSAL PROJECT--A project for disposing of graphite tailings, in Heilongjiang Province's Jixi City, was recently given a technical appraisal. The project cannot only prevent nearby sources of water and farmlands from being polluted, but also earn 1 million yuan of profits annually for mines. The project may help conserve 600,000 tons of water and produce 4,500 tons, or 1 million yuan worth of graphite dust every year. [SK141138 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 12 Jul 83 SK]

SCIENTIFIC ACHIEVEMENTS IN PRODUCTION--Beijing, 21 Jul (XINHUA)--China plans to set up 1,112 pilot projects this year to apply 40 major new scientific and technical achievements, according to the State Economic Commission. The achievements, listed in the Sixth Five-Year Plan, are to be introduced in farming, light industry, textiles, energy conservation and exploitation, machine building, electronics, the chemical and pharmaceutical industries and transport and telecommunications. The pilot programs are aimed at speeding production, improving the quality and variety of products and reducing consumption of raw materials, the commission said. Initial results indicate that an investment of 10,000 yuan (about 5,000 U.S. dollars) in new production technology could return 25,000 yuan in increased output and 5,300 yuan in profits within one year. [Text] [OW211432 Beijing XINHUA in English 1318 GMT 21 Jul 83]

CSO: 4013/276

TRANSPORTATION

GREAT INCREASE IN TRANSPORTATION CAPACITY URGED

Shanghai SHIJIE JINGJI DAOBAO in Chinese 9 May 83 p 1

[Article: "Disseminate Widely Used New Foreign Technology to Greatly Increase Our Transportation Capacity"]

[Text] Lei Ting [7191 3060] believes that there should be massive development of electric and diesel locomotives; development of heavy railway transport; accelerated construction of wharfs and berths in large ports; highway improvements and implementation of door-to-door coordinated transport.

Compared with the developed industrial nations, the technology and equipment of our transportation industry is backwards in several aspects, because of this we ought to adopt the new technology from developed western nations for widespread utilization in our various modes of transportation as this can possibly achieve great increases in our transportation capacity.

Lei Ting, Director of the Comprehensive Transportation Institute, made the following observation:

He believes that in railway transportation the most fundamental and most important equipment factor is the pulling power. At present, China has 72 percent steam locomotives, 24 percent diesel locomotives and only 3-plus percent electric locomotives. Of all these, one-third of the steam locomotives have "exceeded their term of service." Steam locomotives have a heat efficiency rating of only 7 percent, while electric and diesel locomotives range from 20 to 30 percent. Consequently, within a given future period there ought to be massive development of electric and diesel locomotives and a gradual reduction of the ratio of steam locomotives.

Next is the development of heavy capacity transportation. At present, our trains can carry gross weights of 3,000-3,500 tons, while in foreign countries this generally is 5,000-8,000 tons, with some even exceeding 10,000 tons. If we can attain the current foreign level then one train can take the place of two or three of our present trains. However, heavy capacity trains still

present a series of technological problems and the concerned departments are now organizing their forces to launch a technological offensive.

Regarding nautical transport, he believes that there should be an all-out acceleration of new construction and expansion of the wharfs and berths of all seaports and special wharfs and berths should also be built. At the same time, a policy should be formulated to standardize and finalize the technology of the inland waterways shipping and there should be promotion of the use of pushed barges and self-navigating boats.

He pointed out that in motor transportation there first ought to be improvement of road conditions and some of the more troublesome transportation lines should be built into first class highways. The next step is to develop and utilize large diesel and special trucks over eight tons and then eliminate the more common four and five ton gasoline trucks.

The third item is to speed up the use of containerized shipping and gradually ship all articles of daily use, glass and ceramics and mechanical and electrical products by railroad containers to bring about door-to-door coordinated shipping.

Lei Ting says that in recent years there has been progress in pipeline transportation and that 70 percent of the crude oil is already shipped this way. In addition to further future development in crude oil pipeline transportation there will be research into and the construction of coal pipelines. In air transport there will be larger planes to increase the utilization ratio of flying time and passenger seats and lighten the burden placed on the railroads.

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TRANSPORTATION

BRIEFS

SHANDONG CONTAINERIZED TRAFFIC--Shandong Province has vigorously developed highway containerized traffic. At present, this province has 9 units undertaking highway containerized traffic, an increase of 1.25 times over 1980. There are 57 special trucks transporting containers with a tonnage of 315. During the January-May period, some 90,000 containers were transported.
[Summary] [Jinan DAZHONG RIBAO in Chinese 20 Jun 83 p 1 SK]

CSO: 4006/674

GENERAL

FUNCTION OF '10-YEAR PATENT' DURING QING PERIOD

HK181248 Beijing GUANGMING RIBAO in Chinese 6 Jul 83 p 3

[Article by Lin Qingyan [2651 1987 0337]: "A General Appraisal of the Historical Function of the '10-Year Patent'"]

[Text] When the Shanghai cotton cloth mill was established, the Qing government granted it a "10-year" patent right. The comrades who are engaged in the study of the Westernization movement have generally held that the Westernization group had hindered the development of national capitalism on the grounds of the above fact. However, such a view is both one-sided and not in keeping with the actual situation.

Who Proposed the "10-Year Patent"

Whenever the term "10-year patent" is mentioned, some comrades immediately think that it was proposed by Li Hongzhang. This is an oversight. In fact, it was proposed by Zheng Guangying on behalf of all the shareholders of the cotton cloth mill. The "joint petition submitted by the shareholders of the Shanghai cotton cloth mill to Li, minister in charge of commercial affairs of the northern ocean, grand secretary, and grandtutor of the heir to the throne" reads as follows: "As far as we know, whenever a foreigner has invented something...he is granted a monopoly to produce the thing for several years. Consequently, all the people are willing to work hard. With their arduous effort and studies, the quality and quantity of their products improves unceasingly. Now, we have employed Westerners, used Western tools and machinery, and studied Western knowledge. It is also necessary to adopt Western ways in order to maintain uniformity." "From now on, in Shanghai, whoever wants to establish a cotton cloth mill should only be allowed to join our cotton cloth mill but not be allowed to establish another separate new cotton cloth mill." ("The Westernization Movement," vol 7) They did secure the approval of Li Hongzhang, but their patent right could only be exercised in Shanghai. Moreover, "it seems that no one will raise objections if the foreigners want to imitate." Thus, they mentioned the patent right to Li Hongzhang a second time. "We beg your excellency to grant us a favor by setting at your discretion a limit of 10 or 15 years and by issuing an order to the treaty ports, forbidding all the foreigners and Chinese people from establishing another textile industry enterprise within the time limit." (Ibid.) The two petitions differ in two aspects: First, the places where they wanted to exercise their patent right extended from Shanghai to all the treaty ports; second, not only Chinese, but also foreigners were included. Both petitions succeeded in securing the

approval of the Qing government. The "regulations governing the raising of capital for the Shanghai cotton cloth mill by floating shares" signed by the colleagues of the China Merchants Steam Ship Navigation Company also included the patent right. This tells us that the "10-year patent" reflected the demands of all the businessmen of the cotton cloth mill and was in keeping with the interests of the upper circles of the bourgeoisie.

The Characteristics of the "10-Year Patent"

Since the "10-year patent" was first proposed by Zheng Guangying on behalf of the businessmen of the cotton cloth mill, then its characteristics could only represent an ordinary means by which the bourgeois businessmen protected their own interests in free competition among themselves. It was not the Westernization group's feudal monopoly of national capitalism. Zheng Guangying explained that the reason for applying for the 10-year patent was that "our cotton cloth mill was painstakingly built up several years ago and a very large amount of money was invested. Fortunately, we do not take part in fruitless competition. Although we do not expect profits, future trouble can more or less be avoided." (Ibid.) Thus, they did so in order to use it as a weapon in the free competition and to ensure that they would not "take part in fruitless competition," "a competition which harms the interest of shareholders." Thus, "he secretly consulted with lawyers who were familiar with treaties and tax regulations in making arrangements in advance for protecting the cotton cloth mill and himself." (Ibid.) He made it very clear that the purpose of the application for the 10-year patent was to protect the interests of the cotton cloth mill in free competition. Thus, what he had in mind was the interests of the national capitalists, not the interests of the bureaucrats who took part in the Westernization drive. It was very common to compete in this way in Western countries. The introduction of this practice into China was advantageous to the revitalization of society and the economy at that time.

The Shanghai cotton cloth mill did not invent the machines it used. However, since the machines were fed with locally grown cotton, they had to be transformed. "I have traveled extensively in Britain and the United States and discussed in detail with their mills the strong and weak points of the cotton grown in China and the softness and elasticity of its fibers. The machines have been repeatedly transformed until they are perfect." ("Shen Bao," the 3d day of 6th month of the 9th year of the reign of Emperor Guangxu) Doubtless, this was technical transformation for which a patent right should be obtained. In addition, they "study the way cotton is grown in foreign countries and how to adapt cotton to weather, rainfall, and soil, buy seeds, and try to grow cotton in the areas surrounding Shanghai." ("Warnings Served in Times of Peace of Prosperity," vol 7) The "imitation and application of the Western secrets in China" after learning them could be "considered as an invention in itself." Thus, a patent right should be granted. Therefore, Zheng Guangying said: "As far as I know, the usual practice in the Western countries is that, whenever something which a country does not previously have is invented, as a rule, a patent right, which expires a few years later, is granted. If one has learned the secrets of other countries and applies them in his own country, what he does is also considered an invention. Although our machines are bought from others, however, since the quality of the

cotton grown in China is poor and its fibers short, they cannot stand the force of the shuttles and both the Chinese and foreigners always find it difficult to feed the machines with such cotton. We have made arduous efforts to try to improve its quality. Nobody before us has succeeded in improving it, thus, what our cotton cloth mill has achieved is doubtless an instance of invention." ("The Westernization Movement," vol 7) Thus, we can see that the people who were benefited most by the "10-year patent" were the people of the upper circles of the national bourgeoisie.

The "10-Year Patent" Did Not Benefit Foreign Countries at China's Expense

In appraising the "10-year patent," one important thing is to examine the role it played in actual life. Has such a right "benefited foreign countries at the expense of China?" Some people suggest that the patent right on a government-supervised, merchant-operated basis could only weaken China's efforts to resist foreign merchants. This view is also one-sided.

In fact, such a patent right precisely played a practical role in restricting foreign merchants from establishing textile mills in China before the Sino-Japanese war of 1894-95 and the conclusion of the Treaty of Shimonoseki. It had become a legal weapon with which the Westernization group and the upper circles of the national bourgeoisie resisted the aggressive powers which attempted to establish factories in our country.

As early as in the 1870's, Britain attempted to establish spinning mills in Shanghai but the Westernization group raised objections. After the "10-year patent" right was granted, the Westernization group succeeded again in stopping the U.S. merchants from attempting to establish textile mills in China. In 1881, exactly the same year in which the "10-year patent" was granted, (Whitemore) and (Grant), two U.S. merchants, started making plans for establishing spinning mills in Shanghai. Having granted the "10-year patent" right, the Qing court really meant to uphold it. The intendant of the Shanghai circuit "banned the establishment of new textile mills" according to the regulations concerning this right. In addition, the merchants of the cotton cloth mill, with such a right in their hands, also opened negotiations with the foreigners according to legal procedures. According to a letter written by Zheng Guangying to Sheng Xuanhuai: "some foreigners want to establish new spinning mills; I have asked a lawyer to stop them according to the regulations:" In 1882, the NORTH CHINA HERALD carried the following news: "Objections were raised by a spinning mill against the establishment of another by Mr (Whitemore); the former claimed to have secured from the Chinese Government a monopoly to weave cotton cloth in China." (NORTH CHINA HERALD," vol 29)

Obviously, such an act shocked (Whitemore). Thus, he wrote a letter to (Zhe Sha Er) [0772 3097 3643], the U.S. vice consul in Shanghai, asking that he make presentations for him. The circuit intendant of Shanghai assured the vice consul that: "The minister in charge of the trade affairs of the Northern Ocean has really granted the Shanghai cotton cloth mill, which will soon be established, a 10-year patent right" and that official documents had been issued. The circuit intendant told the vice consul that he was "merely

enforcing the instructions of the minister in charge of the trade affairs of the Northern Ocean." ("U.S. Foreign Relations Papers," 1883)

Since the negotiations between the vice consul and the circuit intendant could not achieve any result, (Yong), a U.S. envoy, personally negotiated with the Zongli Yamen (Ministry of Foreign Affairs). The U.S. envoy reasoned fallaciously and said that the interference in the establishment of foreign factories "has violated the treaties signed between the Chinese Government and the foreign powers." The Zongli Yamen stood fast and pointed out that: "All treaties signed with foreign powers do not include words which give foreigners the right to transform native products at the treaty ports." (Ibid.) In addition, it reiterated that the regulations governing the 10-year patent right did not only restrict Chinese but also foreign merchants: "The year before last, the minister in charge of the commercial affairs of the northern ocean approved the establishment of a new cotton cloth mill in Shanghai by Chinese merchants. Chinese merchants are permitted to join the cotton cloth mill, but nobody is permitted to establish a new mill. The emperor has been informed of this and we have put this on record. To use machines to weave cotton cloth is a Chinese invention; we must do something to protect it in the hope of achieving some profits in several years. If we let other people establish new mills and scramble for profits, the one who first established a mill first will be elbowed out and unable to establish himself. Therefore, if we do not permit Chinese merchants to establish another mill, how can we permit foreign merchants to establish mills?" ("U.S. Foreign Relations Papers," 1883)

Zuo Zongtang of the Westernization group was even firmer in his attitude. At that time, he was the governor general of Jiangsu, Anhui, and Jiangxi. "He detested foreign enterprises and resolutely wanted to use his power to hinder them." When the British minister was pestering the Zongli Yamen, Zuo Zongtang ordered the arrest of Wang Keming, a comprador of (Whitemore's) firm, "in order to make them show restraint, stop the business of the spinning mill, and return money to the shareholders." ("Collected Works of Zuo Zongtang," "Letters," vol 26) Finally, Wang Keming had to sign a declaration, declaring that he had nothing to do with the spinning mill and that he was willing to abandon the piece of land, near Xinzha, which had been reserved for building the new spinning mill. The Westernization group "had won a complete victory" and "all the foreign merchants were cowed into submission." "The U.S. merchants became so submissive that they no longer raised any objections." (Ibid.) This shows that the 10-year patent did have a legal effect and that it played an active role in preventing foreign merchants from establishing cotton cloth mills in China. The British consul admitted that: "Foreigners could only secure the right to establish weaving mills on Chinese soil after the Sino-Japanese war of 1894-95 and the conclusion of the Treaty of Shimonoseki." (NORTH CHINA HERALD, 23 July 1897) It was not until 1897, or the third year after the conclusion of the Treaty of Shimonoseki, that four foreign textile mills, Jardine, Laogongmao [5971 0361 5399], Ruiji [3843 6068], and Hongyuan [7703 3293], emerged in Shanghai. Thus, we can say that within the 10 years for which the "10-year patent" was valid, the patent right of the Shanghai cotton cloth mill had to a certain extent restricted the expansion of foreign capital.

The "10-Year Patent" Had Not Restricted Chinese Merchants in Establishing Textile Mills

Some comrades think that the patent right only weakened China's efforts to resist foreign merchants. Such a view is based on the assumption that patent rights hinder the independent development of national capitalism. They think that many investors desired to invest their money but were prevented from doing so by the patent right. What in fact was the situation? According to existing materials, although the purpose of the patent right enjoyed by the Shanghai cotton cloth mill was to prevent the national capitalists from establishing independent textile mills, in those 10 years, the national capitalists were free to establish textile mills independently. As the British consul in Shanghai said: "Before the conclusion of the Treaty of Shimonoseki, five or six cotton mills had been in operation, most belonging to officials, with 15,000 spindles in operation." ("Materials for Modern Chinese Industrial History," No 2, vol 1) Meanwhile, in Shanghai, Ningbo, Fuzhou, Guangzhou, and so on, there were merchants who invested money in the establishment of new textile mills. Quite a number of these mills were built within the time limit of the "10-year patent." Why? In the past, there were all kinds of explanations. For example, some said that "they were allowed because of their small size" while others said that there were people who wanted to be freed from the restriction. The former view is groundless because there were people who invested by themselves as much as 500,000 taels of silver in their textile mills. Thus, they cannot be called small. Although the latter view is not entirely groundless and it is true that there were people who wanted to develop the industry independently, the "10-year patent" was something approved by the law. How could the merchants free themselves from the restriction without the consent of the Westernization group? One fact deserves careful consideration. In 1887, the Tongjiu cotton ginning mill was established in Ningbo with the approval of the local authorities." (Ibid., No 1, vol 2) The cotton ginning mill was "allowed to build its own factory building and to use steam engines." (Ibid.) In addition, the raw materials and the products of the cotton ginning mill were exempted from all kinds of taxes and charges except the customs duties and the likin [a tax of one-thousandth, which was imposed on merchants and traders in the late-Qing period]. (Ibid.) Thus, "the profits of the cotton ginning mill were quite great." The merchants of the cotton ginning mill planned to "establish another cotton ginning mill in Shanghai if they were successful." (Ibid.) These records do not give us the slightest impression of the restriction imposed by the patent right. This is in sharp contrast to the fact that when Japan attempted to establish a cotton ginning mill in Shanghai in 1888, Li Hongzhang repeatedly ordered the intendant of the Shanghai circuit to stop it according to the treaties. In addition, the ministries concerned presented notes to the British envoy, asking him "to relay the prohibition." The Shanghai cotton cloth mill was also informed of the issue. All these tell us that the Westernization group paid close attention to the foreigners who violated the treaties by establishing textile mills and the group strictly forbid them to do so. However, the group adopted a different attitude toward Chinese merchants. Chinese merchants were allowed to establish textile mills. We can see from the above that although the "10-year patent" as approved by the bureaucrats of the Westernization group contained features which were directed against Chinese merchants, in enforcing

it, in particular in Shanghai, some allowances were made. This is perhaps the reason for the existence of independent textile mills financed by the people during the "10-year patent" period. At that time a "customs" report pointed out the following fact: "Recently, new textile mills have been established everywhere. Nothing is more strange than the fact that the officials pay no attention to them. They simply let the people and the merchants do their business as they wish. It is very likely that more and more people will start their business without delay." (Ibid.) This report was made in 1894, but the recorded facts took place before that year. Thus, we can see that the bureaucrats of the Westernization group never restricted the ordinary people in establishing and running textile mills. Actually, contrary to the view commonly held by people, the influence of the "10-year patent" was not so serious as to affect the development of national capitalism.

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