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5 May 1983

CHINA REPORT

ECONOMIC AFFAIRS

No. 334

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NATIONAL POLICY AND ISSUES

SPIRIT OF EXPLORATION SAID NEEDED IN NATIONAL REFORM, MODERNIZATION

Shanghai SHIJIE JINGJI DAobao in Chinese 28 Feb 83 p 3

[Commentary: "Reform--A Great Exploration"]

[Text] What kind of spirit needs to be advocated in current reform? The spirit of exploration. In terms of general reform, reform itself is a great exploration. Through reform, we will create socialism with Chinese characteristics. This task has never been undertaken by our ancestors. Nor do foreign countries have any experiences we can use as a reference. Only through active exploration can we find a new road. In terms of a concrete reform, reform is also an exploration. Conducting experiments in selected units is exploring on a small scale in order to gain experience and explore on a larger scale. The basic point in proceeding from reality to conscientiously study new situations and solve new problems is also exploration. Without a little spirit of exploration, we will hesitate and fear to move forward in the face of complicated reality. We will be restrained in confronting consistently emerging new situations and new problems, and will end up simply looking around and doing nothing. We should advocate the spirit of exploration through the whole process of reform.

It has been proven that the reform of rural areas in the past 5 years and the introduction, promotion and improvement of the joint responsibility system of awarding contracts according to output should be attributed to the brave exploration by 800 million peasants. Five years ago, did major forms of responsibility systems such as fixing farm output quotas for each household and having households assume full responsibility for farm work until it is completed have a precedent or a document to go by? No. Instead, they had all sorts of obstacles. Due to the influence of "leftist" ideas, responsibility systems were taken to be a departure from the classics and a rebellion against orthodoxy. Since the 3d Plenary Session of the 11th Party Central Committee, the party Central Committee has respected, supported and actively led the great exploration which has not only brought about a new countryside where all businesses are prospering, but also opened up a path for Chinese-style socialist agricultural modernization through the responsibility system.

The nationwide, comprehensive and systematic reform will be like the reform of rural areas. Industry and communications, finance and trade, science and technology, education, culture and the arts, administrative system and party and government organs and organizations all confront an arduous task of reform.

The reforms of these fields do not have any example to follow either. They are so complicated that they differ greatly from the reform of rural areas. They are so closely interrelated with each other that any slight move in any one of them will affect the situation as a whole. Therefore, it is even more necessary for us to explore. We should oppose hesitation to move forward as well as blind and arbitrary uniformity. We should experiment and gain experience in selected units and apply it to other units and advance in our exploration in a planned and orderly manner. It seems that by doing so, our progress will slow down. In fact, it will be even faster.

Since we are exploring, we must be farsighted and consider problems on a larger scale. For example, when big enterprises carry out the responsibility system, how do we implement it in work groups and for individuals? Since in large scale modernized production, work groups and individuals are only a cell or a group of cells of the whole body, whether they can fulfill certain duties is not only determined by whether individuals' enthusiasm is brought into play but also relies on overall planning and management and the coordination of all links. Therefore, exploration in this regard has to be extended to the modernized management of all enterprises so as to gain experience for Chinese-style modern enterprise management. The reform of enterprises has involved many issues in macrocosm such as state planning and management systems, commodity prices, taxes, credits and so on. Reforms of microcosm and macrocosm should be carried out simultaneously. There are a great deal of practical and theoretical issues involved which must be explored thoroughly and comprehensively. Every exploration project in reform must be permeated with the grand goal of creating efficiency, speed, competent personnel and spiritual civilization. We hope that through an all-round, systematic reform this year, next year and the year after next, we will eliminate various serious malpractices in existing systems such as low efficiency and bureaucracy and achieve the lofty aim of the whole nation to vigorously develop China.

Our era is an era for reformation as well as exploration. Reformers must be explorers. Those who have an explorer's courage and resourcefulness will first of all set their sights on the year 2000. They know that it is impossible to achieve the lofty aim of socialist modernization without reform; therefore, with a clear sense of urgency for the reform, they will not stand along the sidelines making frivolous remarks, nor adopt a narrow view and suffer from imaginary fears. They will display a pioneer's spirit to boldly explore and open up a new socialist path beneficial to the country and the people. Explorer's courage and resourcefulness lets one operate from a strategically advantageous position and have a well-thought-out plan as well as careful thinking and cautious action. Reform is an arduous and complicated cause. With over 30 years of experience, we are now boldly but cautiously exploring the reform of China and are making steady, solid and smooth progress.

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NATIONAL POLICY AND ISSUES

SUPERIORITY OF TAX SYSTEM OVER PROFIT SHARING SYSTEM EXPOUNDED

Shanghai SHIJIE JINGJI DAobao in Chinese 31 Jan 83 p 3

[Article: "Replacing the Profits-Sharing System With Taxes Is Better Than Having the State Retain a Portion of the Profits"]

[Text] This paper's capital-based reporter Yang Xiaolin reports that over 160 state-run industrial enterprises in Beijing, Tianjin, Shanghai, Sichuan, and Liuzhou have over the past 3 years implemented trial programs of "substituting taxes for profits delivered to the state and taking responsibility for profits and losses." As a result, their income from sales has increased more than their total output value. Increases in profits realized and in taxes and fees paid to the state were far greater than the increase in income from sales, and economic results increased remarkably everywhere. The increase in total output value, and the increases in profits realized and taxes and fees paid to the state were far greater than the increases realized from substitute taxes for profits delivered to the state. Having the enterprises turn over the three taxes and two fees to the state (i.e., industrial and commercial tax, income tax, income adjustment tax, fixed fund-utilization fee, and circulating fund utilization fee), has further improved the relationship between the enterprises and the state with regard to the apportionment of profits. The taxes and fees paid to the state by the 160 pilot-project enterprises amounted to more than 70 percent of the enterprises' profits, i.e., 74 percent of the profits of 10 Beijing enterprises, 91.3 percent of the profits of 4 Tianjin enterprises, and 85 percent of the profits of the Shanghai Light Industrial Machinery Co. Regarding the allotment of the proportion by which the enterprises' profits had increased, the state received an average of more than 60 percent. Under the premise of guaranteeing a stable increase in the state's income, the enterprises also acquired real strength to develop and expand themselves, and the staff and worker's lives are being correspondingly improved.

These 160-pilot project enterprises comprise 35.5 percent of the 456 enterprises throughout the country in which the system of state retention of a portion of the profits delivered by the enterprise is being replaced by taxes. The majority of these enterprises are medium-sized manufacturers of mechanical equipment and electronic products, which are quite representative of the experimental program to substitute taxes for profits delivered to the state. Within the readjustment of the national economy as a whole, the majority of these enterprises face the difficulties of not having enough production tasks, and a decline in the prices of products, and definitely not all of them belong to

"fat" industries where objective conditions are excellent. This reform enables the enterprises where the pilot projects are being carried out to become reliable, and adds to their capacity to be expanded further. Practice has proved that, among the forms of apportioning income, the method of substituting taxes for profits delivered to the state is quite superior to the various methods of state retention of a portion of the profits.

First, in implementing the substitution of taxes for profits delivered to the state, the state will be relying on the tax laws in levying taxes, providing a legal guarantee for timely, stable, and steady increases in the state's income.

In the past 3 years, the more than 160 pilot-project enterprises have never been in arrears with their tax payments. On the contrary, in enterprises in which the system of state retention of a portion of the profits is in effect, because whether the profit portion is turned over to the state early or late definitely has no effect on the enterprise's level of accumulated profit, there tend to be problems of being in arrears in profit payments. In implementing a system in which the entire amount of profit is retained by the state, when the enterprise's profits decrease, the extent to which the state's income decreases is great, while the extent to which the enterprise's income goes down is small. Pressure on the enterprise is slight, and if the enterprise loses money its "basic grain ration" will be guaranteed by the state just the same. In implementing the substitution of taxes for profits delivered to the state the situation is just the contrary. When the enterprise profits, it receives the benefits; when it loses profits, it is the one that suffers. This kind of pressure is a force that tends to mobilize the enthusiasm of the enterprise and of its staff and workers, and is a guarantee of the stable increase of the state's income.

Second, with the implementation of the substitution of taxes for profits delivered to the state the enterprises have a new vitality; there is a closer connection among responsibility, rights, and interests and, hence, staff and worker's enthusiasm has been aroused, furthering the enterprises' advance toward greater depth and breadth of production.

After the types of taxes and the tax rates have been formulated, the economic relationship between the state and the enterprises with respect to responsibilities, rights, and interests will be clearly delineated. Following the levying of the tax, the remaining profit will be apportioned by the enterprise itself. The enterprise's right to self-management will be expanded further, and an extremely close relationship will be established between the interests of the staff and workers and the quality of the enterprise's management. The Beijing Optical Instruments Plant combined the substitution of taxes for profits delivered to the state, with a system of tying 20 percent of basic salary to bonuses, putting a system of floating salaries into effect. In addition, they also tied 20 percent of their total wages to the amount of profit left over after taxes, so that with the increase of the enterprise's profit, the total wages of staff and workers would increase correspondingly. This portion of the fund would be used practically by the staff and workers to raise their own salaries. This method is very effective. Last year, they produced 12 new products in 1 year, with an increase in profits of 12.3 percent.

Third, in implementing the substitution of taxes for profits delivered to the state, economy in the management of funds is promoted in enterprises, and economic results are stressed.

In the past, state funds were allocated from "the big pot" on a competitive basis, and enterprises were practically forced to spend the funds allocated to them. Nowadays money is "one's own," and "the money that cannot be spent effectively should not be spent at all." In the past, the items for which funds were allocated by the state were those that were assigned by the upper echelons, and were not necessarily all those which the enterprises themselves urgently needed. Now, the enterprises take the initiative in deciding which technical transformation projects need to be undertaken based on the urgency of the enterprise's needs. In the past, the allocations by the higher echelons tended to be in the form of 1-year plans. The plans were constantly being started and stopped, and sometimes there was no plan at all. Nowadays, enterprises can "know 3 years in advance" what their profits will be after taxes and arrange their rate of progress according to a plan. At the same time, the enterprises raise their own funds, and utilize them according to their own unified plan. This is a change from the phenomenon of the state having too many dispersed avenues for allocating funds, and that of enterprises being unable to manage their own funds. For this reason, many of the technical transformation projects of these enterprises were ones of short duration that show quick results.

Fourth, implementing the substitution of taxes for delivery of profits to the state is helpful in avoiding the insufficiencies and deficiencies of the method of state retention of a portion of the profits delivered by the enterprise.

In implementing a system in which the state retains a portion of the profits delivered by the enterprise, the disparity of profits that objectively does exist among enterprises, and the problems of "bitterness and pleasure being unequally distributed," and "whipping a fast water buffalo," are difficult to resolve. At the same time, there is a conflict between the base figure and the proportion [used to calculate the amount of profit to be retained by the state]. The enterprises are concerned that the size of the base figure will affect the size of the proportion withheld, and so they hold back thereby putting a damper on the enterprise's initiative. After the substitution of taxes for profits delivered to the state, these two problems will be fundamentally solved. With the launching of an adjustment tax, the disparities among the profits of different enterprises that have been brought about by objective elements can be reduced, enabling enterprises' income to more truly reflect the results of the enterprises' own subjective management efforts.

Fifth, universal implementation of the substitution of taxes for profits delivered to the state will be beneficial to the comprehensive reform of the economic system.

In implementing the substitution of taxes for profits delivered to the state, the enterprises' right to self-management will have been enlarged, gradually eliminating the ownership mentality of the relevant departments formed as a result of dividing the spheres of interests of the various enterprises under

their jurisdiction; the unnecessary interence in the enterprises by local areas and departments, for the sake of furthering their own economic interests, will be eliminated gradually also. This will enable the enterprises to break away and extricate themselves from "ownership" by the departments, which will benefit for them an intense effort to develop horizontal economic integration, bring the excellence of the new system into full play, and promote competition. Changing the system of dividing enterprises into financial ranks based on the amount of profit obtained from them and according to the enterprises' subordinate relationship, to a financial system of dividing the enterprises into different ranks of income according to the type of tax imposed will benefit the enterprises' evolution, in fact as well as in name, into relatively independent economic entities.

Sixth, after universally implementing the substitution of taxes for profits delivered to the state, it will be possible to do an even better job of bringing into full play the role of tax revenues as an economic lever.

The state, in order to encourage the enterprises to increase production of goods that are desperately needed and in short supply, develop new products, and accomplish a more rapid development of new product types, could give special consideration with regard to tax revenues, enabling the enterprises to obtain the preferential treatment of reduced taxes or exemption from taxes for a certain period of time.

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NATIONAL POLICY AND ISSUES

SUBSTITUTING TAXES FOR PROFITS CALLED BREAKTHROUGH IN INDUSTRIAL REFORM

Hangzhou ZHEJIANG RIBAO in Chinese 25 Feb 83 p 2

[Article by Tao Renkun [7118 0088 0981] and Zhang Ling Kai [1728 0109 0418]: "Substituting Taxes for Profits is a Great Breakthrough in Industrial Reform: Minutes of the Pilot-project Plant Forum in Shaoxing on Testing Substituting Taxes for Profits"]

[Text] The implementation in state-operated enterprises of substituting taxes for profits and the assumption by enterprises of sole responsibility for their profits and losses are major breakthroughs in industrial reform. Recently this paper's resident reporter in Shaoxing invited comrades from four plants, including the Shaoxing Winery and the Long March Plastics Plant, where the substitution of taxes for profits has been implemented, to a forum to discuss their experiences. Their experiences have made it clear that industrial reform has established its momentum, yet only if there is resolute and systematic reform will we be able to charge onto the new road and create a new situation. Herein lies the hope for industry. Below is a summary of this forum:

Greater Contributions to the State

The Director of the Shaoxing Winery Li Jiashou [2621 1367 1108]: In the beginning, our understanding of the reform to substitute taxes for profits in our state-operated enterprises was insufficient. Now practice has let us see clearly that in state-operated enterprises substituting an income tax for the sending of profits on to higher authority is not only a reform in the pattern of the nation's accumulation of capital but, more importantly, is a mobilization of the enterprise's own initiative that will encourage the development of production and that will make the enterprise capable of providing more construction capital to the state.

The Shaoxing Winery makes its wine from polished glutinous rice and clear spring water. Now the market for our product is so very good that at New Year's and on other festivals the supply in the market place does not meet the demand. On top of that a portion of our production is exported. On all of this there is a stable profit. But in the past under "state production for state support," whatever amount of profit was made, it was all turned over to higher levels, so that all we wanted to do was to get by. The result was

that we did not advance a large contribution to the state. After testing the substitution of taxes for profits, we are enthusiastic because after taxes the profits are ours; the more we contribute to the state, the more profit for the enterprise, isn't it simply a case of when the water rises the boat goes up? Therefore we increased production by all possible means, increasing the state's tax revenue and also increasing the enterprise's accumulation of profits. Last year our supplies of polished glutinous rice and polished round-grain nonglutinous rice were 12,400,000 jin less than planned. We had only just changed from using the old negative idea of "profits sent to higher authority are looked for inside the wine vats" and so we rushed out in all directions to compete for raw materials. We went through the provinces of Anhui, Jiangsu, and Henan as well as to the Jinhua area, altogether securing 12,500,000 jin of polished glutinous rice that made good our raw-material deficit. At the same time in order to increase the enterprise's profitability, we also adopted the method of "when the yellow wine is insufficient, use white wine to make up for it." We went to different areas and purchased 4,000,000 jin of dried sweet potatoes from which we manufactured over 900 tons of white wine. We expanded our sales of a variety of bottled wines, which earned profits of 27,000 yuan. We also experimented making 200,000 jin of "Summer yuanhong" and 300,000 jin of "Winter Syrup and Spring Water" for an annual profit of 1,170,000 yuan. With national taxes of 770,000 paid and 132,000 yuan for the extra grain, we still kept 240,000 yuan for ourselves. When compared with the year 1980, before substituting taxes for profits, profits had doubled; the tax revenue paid to the national government also increased from 400,000 to 770,000 yuan, so that the enterprise's total earnings increased four-fold.

Increases Economic Benefits

Jin Zhiqiang [6855 1807 1730], Head of the Financial Section at the Long March Plastics Plant: Our experiment with substituting taxes for profit has greatly increased economic results.

In the past we thought less about economic results; we saw only our own area's market, and if goods did not move we did not research new products. The result was that old goods just hung around. Implementing the substitution of taxation for profits forced us to enter our goods into urban market. In order to break into those markets and gain a foothold and to expand production, for to increase production is to increase revenue, we established a specialized new business section and put six people there to sell on commission. They went to many major cities to study market conditions and to take part in various types of sales exhibitions. When they discovered a new style of plastic shoe they bought samples or "took pictures as samples," bringing them back for study so that we could update our products. We furthermore increased the work force of our technological facility from one to four. Last year our plant planned to produce a new product--Shuichang sandals. After we took some to Shanghai, the Shoes and Hats Wholesale Department was very appreciative and immediately sent representatives to our plant to make a 1,200,000-pair purchase. The total sales of this new product reached 2,400,000 yuan. In this way during the last year, our plant made profits of 750,000 yuan which doubled those of 1980. Thus the substitution of taxes

for profits has been good. This is because it encouraged us to master doing business and to increase the economic results for everyone's efforts.

Strengthens Management and Administration

He Fu [2702 4395], an accountant at the New China Printing Plant in Shaoxing:

Implementing the method of substitution of taxes for profits promoted improvements in our enterprise's management, strengthened our business accounting, and encouraged us to economize in costs and expenditures. Originally our plant's accounting for labor, consumption, costs, profits, and capital was all done by the plant management's unified accounting system, with the shops and offices all eating out of "one big pot," so that there was serious waste. In experimenting with substituting taxes for profits, we separated shop and administration accounting. With the five shops combining their accounting personnel, this caused a progressive improvement in accounting work. For example, last year, based on the accounting established by the shops, we further established cost centers that encouraged every worker to concentrate on costs. Originally everyone enjoyed using high-grade printing ink, concerning themselves with printing quickly and not with costs. Now on products where we can use low-grade ink we do. After implementing the substitution of taxes for profits, the amount of capital used became directly coupled with the enterprise's profits, encouraging us to reduce the bad practice of blindly buying equipment. Originally we had planned to use bank money to buy a machine to fold folios for the plant. It would have cost 20,000 yuan. After going to the substitution of taxes for profits, we decided our immediate production responsibilities were not so heavy as to give a high usage rate for the following machine. After the purchase, the fixed-capital fund would constitute a cost that would not be compensated for by the return on the machine. Therefore for the time being, we are not buying that machine. The economic results of our being concerned with economic profits and paying attention to making precise and detailed calculations has been obvious. Before the substitution of taxes for profits every yuan of revenue produced .32 yuan in profits, while after every yuan of revenue now produces .41 yuan in profits, an increase of 28.1%.

Improves the Collective Welfare

Gu Donghai [7357 2639 3189], the Plant Manager of the Shaoxing Calcium Moulding Plant:

Our plant is located 20 li from the city proper, and over 200 of our 300-some office and factory workers live in the city because previously the plant did not have cash to provide for their well being. There were real hardships in the lives of many workers that were beyond resolution and therefore influenced their ideology and morale. Conditions in the plant have now changed. Welfare activities are being set up, firming up the workers' ideology and morale. There are many reasons for this improvement, but important among them was the implementation of the substitution of taxes for profits. Before, all profits earned by the enterprise was turned over to high authorities; now, under the substitution of taxes for profits, the enterprise manages the

after-tax profits itself. This is better. We have used the system of taxes for profits for two years, and have worked intelligently to develop production. Our welfare and award funds alone have each retained 34,000 yuan, more than doubling previous annual amounts. When you have cash on hand you can get things done. We have built a 695 sq. meter workers' dormitory to improve the workers' living conditions at the plant. We set up a child-care center that is very convenient for the women workers. We also plan to build in an area near the city proper a dormitory for dependents of the workers.

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CSO: 4006/366

NATIONAL POLICY AND ISSUES

SHANGHAI'S SLOW DEVELOPMENT OF NEW PRODUCTS ANALYZED

Shanghai SHIJIE JINGJI DAobao in Chinese 28 Feb 83 p 10

[Commentary: "Why Is Shanghai's Development of New Products so Sluggish?-- Problems in Economic Management System and Economic Policies, Accompanied by Bureaucracy and Endless Disputes Over Trivial Matters, Obstruct and Hamper the Development of New Products"]

[Text] Persons from Shanghai's economic and theoretical circles recently conducted an investigation on the causes of the slow development of new products in Shanghai. They pointed out: Emphasizing and adopting policy measures to guarantee the development of new products becomes particularly urgent under the current situations in which international markets are hit by a recession and a buyer's market is forming in our country. But Shanghai's progress in developing new products has always been slow. With some neighboring provinces and municipalities trying hard to catch up, quite a few of Shanghai's products have become less popular because they remain at the "grandmother's age" stage of development. Some traditional, popular brands have gradually lost people's trust because they have not had any distinct improvements for many years. Since last year, Shanghai's electronic products, chemical fabrics and plastic products, which were peerless for a long time, have been caught up to and surpassed by those of neighboring provinces and municipalities. This is undoubtedly quite a shock to Shanghai's enterprises.

No Clear Orientation, No Clear Ideas

Persons from Shanghai's economic and theoretical circles stated a number of factors obstructing the development of new products which need to be given careful consideration. It is held that in developing Shanghai's new products, there is a problem of orientation. What exactly are the different focal points for new products developed during different periods of time? Enterprises are uncertain about this, nor could pertinent leading organs come up with any scientific predictions. Developing new products by no means concerns only the individual enterprises. The introduction of certain new products often brings along a new industry. Developing new products is therefore related to the orientation of the development of Shanghai's industry. However, the general development plan for Shanghai's industry has not yet been hammered out.

No Motivation, No Pressure

Another crucial cause is that problems in economic management system and economic policies, accompanied by bureaucracy and endless disputes over trifles, have obstructed and hampered the development of new products. For a long period of time, enterprises have not been able to extricate themselves from the great amount of pressure caused by the fact that output value and profit targets have been set higher and higher each year. Therefore, they have been too busy to consider the development of new products. Irrational price policies have also encouraged enterprises to think that old products are high-priced with high profitability and new products are risky with low profitability; so they hesitated to develop new products. In recent years, although Shanghai's enterprises felt the pressure of market competition, the state unified procurement and marketing and revenue and expenditure systems made them indulge in the idea that they could leave things to the chance that "domestic markets will take what foreign markets do not want, and rural areas will take what urban areas do not want." In sum, in terms of arousing enthusiasm for developing new products, enterprises lack both internal motivation and external pressure.

Weak Basic Industries

The reason the development of new products is so sluggish is closely related to the weakness of basic industries. The quality of steel products, variety of dyestuff, quality of bearings and moulding capacity have seriously affected the trial-production and development of new products in departments of machinery and electronics, meters and instrument, light and textile industries. However, there are some concrete problems that should and can be solved. One problem is that there is a shortage of funds and the procedure of using such funds is complicated. Another problem is that all circles and departments related to the development of new products are not well coordinated and managed and there is no one special leading organ to take charge of such work. For example, the designing and trial-production of Shanghai brand women's watches took only a year. But the appraisal and pricing of these watches has taken half a year already and the results have not yet been seen.

Scientific and Technical Forces Have Not Been Utilized

To develop new products, it is also necessary to properly organize scientific and technical forces. Shanghai has very good conditions in this regard but has failed to fully utilize them. Most of Shanghai's large and medium-sized enterprises did not have laboratories and other scientific organs in the past. Over a third of them still have not established such organs. Therefore, a large number of grassroots scientific and technical personnel have no way of contributing to tackling key problems of new products. Enterprises and higher authorities of scientific and technical organs are not well coordinated either. This is another important reason why the development of new products has not been improved over a long period of time.

To develop Shanghai's economy, it is necessary to unremittingly follow the road of being well-coordinated internally and externally competitive. To do so, it is impossible to depart from the requirement of upgrading products to expand

markets at home and abroad and the requirement of reforming the product mix and industrial structure. We should throw all our energy into improving conditions for development of new products. At present, Shanghai's economy is experiencing a powerful surge of reform. Taking the yoke off the work of developing new products and opening up all accesses for it should, as a matter of course, become the main feature of the reform of the economic structure and economic management system.

12302

CSO: 4006/351

NATIONAL POLICY AND ISSUES

COLLECTIVE INDUSTRIAL ECONOMY SAID SUITED TO GUIDANCE PLANNING

Shanghai SHIJIE JINGJI DAobao in Chinese 10 Jan 83 p 7

[Article by Sun Dejun [1327 1795 0689] and Gong Faxin [6300 4099 0207]:
"The Collective Industrial Economy Is More Suitable to the Guidance-style
Planning"]

[Text] Plans made by cities and towns for the collective industrial economy should be somewhat different from those made for the state-owned economy. These differences should be based on the peculiar characteristics of each type of enterprise. First, in enterprises of collective ownership, means of production belong to the collectives, independent business accounting is practiced, sole responsibility is assumed for their profits or losses, and their right to self-management is greater than that of state-owned enterprises. Second, products produced by the collective enterprises are basically consumer items, they have to enter circulation in the form of commodities; therefore, much greater play should be given to the role of economic levers in guiding production. Third, quite a few products produced by collective enterprises are small commodities. These commodities are of many varieties and their styles change frequently, based on seasonal changes and on the area in which the commodities are being sold. To counter these characteristics, the plans made for collective industries must not cover too wide a range. Plans should be mainly guidance-style plans; command-style planning should be used only in exceptional cases. Most small commodities should be regulated by the market.

Types of Plans

According to characteristics mentioned above, the major planning forms of the collective industrial economy are as follows:

1. Direct plan: products brought into line with this kind of plan are mainly those having close bearing and great effect on the people's livelihood, those allocated nationwide or exported in large quantity, etc. They should be brought separately into line with the state or local plan according to the principle of separate control at different levels. Other products which are rather important to the national economy and the people's living standards would be brought into line with the plan controlled by ministry or with the state plan, and some mandatory targets may even be

established for some products if necessary. Nevertheless, these products are in the minority. The majority will be brought and arranged rationally into line with local plans.

2. Indirect plan: Products brought into line with this kind of plan are mainly those processed by the departments of commerce and foreign trade. Their production is jointly arranged on an annual basis by the departments of industry, commerce and foreign trade, and linked to the production and marketing plans at regular intervals. The raw materials are supplied by the departments of commerce and foreign trade. Since this kind of plan is actually implemented by the departments of commerce and foreign trade, it is therefore called an "indirect plan."

3. Estimation plan: Products in this category are mainly those needed by society in small quantities; they are produced and sold locally and their styles and varieties are changed frequently. They are not brought into line with plans as different varieties. The method primarily used is that of estimation. For the purposes of inspection and examination, a yearly plan of output value is given to the enterprises by their responsible departments. As to the details of variety, they are flexibly arranged by the enterprises themselves in accordance with market demand. The raw materials needed by enterprises for production are distributed by the departments in charge. Most products require application to the state, while redistribution of the remainder is coordinated by the departments themselves.

Ways to Give Better Play to the Role of Market Regulation

When the planned economy is implemented in collective-owned industry, the role of market regulation must come into full play under the guidance of the plan. Small commodities should be regulated mainly by the market in the following ways:

1. Bring the regulated role of the law of value into full play. In the past, because the price of small commodities was strictly controlled, many enterprises in which small commodities were produced made only small profits. In order to promote the productive development of small commodities, to improve the market supply and to satisfy the people's needs, it is necessary according to the demand of the law of value to liberalize the price of commodities, making it possible for prices to fluctuate in line with changes in the market. Under the guidance of state policy, the price of commodities should be regulated by the market; the role of value law should be given freer rein and the principle of "enterprises decide prices themselves" should be carried out. The principle of "better quality, higher price" should be implemented with respect to top quality and traditional products; the prices of new products, new varieties and new styles which are well received by the masses and are the best selling in the market may be raised appropriately.

2. Flexibly arrange production according to market demand. Products produced by the collective industry are mostly manufactured goods for daily use, and they have a close bearing on the people's livelihood. Therefore, it is necessary to flexibly arrange their production according to changes in the

market, to flexibly arrange their production according to changes in the market, to adjust their structure on a timely basis, and to make a greater effort to develop new products and to create new styles and new varieties. Ways of managing collective industrial production must also be expedient and flexible, and include unified production as well as decentralized production, and the manufacture of final products as well as repair services. Likewise, it is necessary to carry out planned mass production as well as develop extensively the processing of materials supplied by the departments of commerce and foreign trade and the production of goods ordered by the departments (with samples provided), based on the traditional customs and special needs of the masses. Finally, it is necessary to establish having permanent production locations as well as mobile service units moving from one residential area to another.

3. Arranging well the supply of raw materials through various channels. This is the key to ensuring better market regulation of the production of small commodities. The production of commodities can be flexibly arranged by enterprises themselves according to changes in the market supply and demand. However, as to the raw materials needed, according to the present system of control the distribution of materials should be arranged in a number of different ways: (1) Planned distribution. The materials needed for small commodity production should be brought in line with the plan of distributing materials at different levels according to the principle of "divided control at different levels" for the purpose of guaranteeing supply; (2) Special arrangement. This should be implemented for some popular traditional products and to those sold nationwide and exported in great quantity; (3) Processing of materials for other departments. For instance, there are 800,000 to 900,000 tons of steel in the hands of commercial departments, they need to be processed by enterprises of light industry. Since this is a rather considerable sum of raw materials, the arrangement of production should be efficient and should be handled in conjunction with the commercial departments; (4) Redistribution coordinated by the departments. The variety of materials in the third category needed in small commodity production are numerous and their quantity is large as well. Therefore, in addition to those materials supplied by the commercial departments, the enterprises and their responsible departments should broaden their sources in a number of different ways: They should be allowed to purchase materials of the third category directly from the sites of raw material production, and to purchase materials of the second category through country fair trade. They should also be able to exchange their own retail goods for raw materials. Furthermore, redistribution of materials can be coordinated among areas and departments themselves.

4. Opening more channels of commodities, adopting diverse forms of sale to meet the ever-changing needs of the market. Some products are purchased totally or selectively by the commercial departments while some of them are sold by the industrial departments and enterprises themselves. Products allowed to be sold by departments and enterprises themselves could be sold both wholesale or retail. The factories should be allowed to either set up stores in the front part of their buildings or link up with retail stores. Finally, products can be either sold locally or be marketed in other parts of the country.

12272

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NATIONAL POLICY AND ISSUES

ECONOMIST URGES REFORM OF STATE REVENUE, EXPENDITURE SYSTEM

Shanghai SHIJIE JINGJI DAobao in Chinese 28 Feb 83 p 1

[Special report by Shanghai SHIJIE JINGJI DAobao reporters Gao Wenzhuo [7559 2429 3820] and Zhu Hongping [2612 1347 1627] from Xiamen on 25 February: "State Unified Revenue and Expenditure System and Sluggish People, Plants and Stores--Xu Dixin [6079 3321 2450] Says: To Wipe Out the 'Big Pot,' We Must Reform the Unified State Revenue and Expenditure System. Lazy People Living Off Industrious People Are, in a Sense, Exploiting the Latter. Sluggish Plants and Stores Relying on the State, Eating Out of the 'Big Pot' and Making No Contributions but Gaining the Same Profits Are Also Robbing the Surplus Labor Products of Others"]

[Text] To wipe out the "big pot" and "iron rice bowl," it is necessary to reform the unified state revenue and expenditure system. These remarks were made by noted economist Xu Dixin on 24 February at a national seminar on "Doo Kapital" held at Xiamen to mark the centennial of Marx's death.

Xu Dixin said in his opening speech: "The keys to the reform of the economic system lie in changing the form of management and the distribution of the means of subsistence." "The socialist principle of distribution is that of each according to his ability and to each according to his work. Under the guidance of 'leftist,' the principle of to each according to his work was replaced by that of egalitarianism. Egalitarianism plus the iron rice bowl system have brought about a phenomenon in which all staff and workers get the same wage no matter whether they work hard or whether they work at all. Even bonuses are distributed according to the number of people. How can this arouse the staff and workers' enthusiasm for production? Sluggards are fed from the 'big pot' and live off industrious people. A portion of the surplus labor products provided by industrious people for the state and society are consumed by sluggards. In a sense, sluggards are exploiting those industrious staff and workers."

Xu Dixin said: "The 'big pot' system is based on the state unified revenue and expenditure system for enterprises. Given the unified revenue and expenditure system, enterprises are bound to have 'sluggish plants' and 'sluggish plants' characterized by chaotic management and serious waste, and ones which have been unprofitable for a long time. Such plants and stores live off of fraternal units which make profits and rely on the state to eat from the 'big pot.' They make no contributions, yet they gain the same share of profits. They take advantage of fraternal enterprises which are doing well and exploit part of the taxes and profits handed over to the state by those enterprises. We should eliminate such irrational systems which protect sluggish people and plants and let them rely on the state to rob the surplus labor products of other plants."

NATIONAL POLICY AND ISSUES

IMPORTANCE OF TECHNICAL TRANSFORMATION STRESSED

Hangzhou ZHEJIANG RIBAO in Chinese 31 Jan 83 p 1

[Article by Staff Commentator: "Firmly Grasp and Improve the Technical Transformation of Enterprises"]

[Text] In order to raise technical transformation to new standards in the new year, we must shift it effectively to the right course of relying on technical progress. This is the strategical measure to lay the basis and to raise the standard of the production of industry and communications.

To grasp technical transformation in accordance with the requirements of technical progress depends on understanding of the importance and urgency of technical progress. In our province the overwhelming majority of the enterprises have been started simply and thriftily since 1958, and are "congenitally deficient." Furthermore, because of the long neglect of replacement and transformation, they also "lacked of proper care." Overall, our industrial technology, equipment, materials, technical processes and products lag very much behind. Take only the equipment as an example. Twenty percent of the equipment dates back to the years prior to the 50's; 75 percent from the 50's and 60's; and only 5 percent is of the 70's and 80's. On the basis of old technology, old equipment, old materials, old technical processes and old products, as well as the already reached technical and economic norms, it is impossible to achieve the target of quadrupling the gross output by the end of this century. It deserves attention that currently some leading comrades do not see the significant role of advanced technical equipment in the development of production. They still look at technical transformation from old viewpoints. Every time when planning of technical transformation in the future is discussed, most of them still make no headway beyond expanding extension capabilities inside and outside the factories, only few concentrate efforts on changing products' structure, improving quality and increasing varieties. Most of them take the old road of great demolishing, great transformation and great rebuilding. Few really assimilate from new equipment, new technical processes and new technology. Most of them only pay attention to the increase of output value, few really pay attention to increasing economic results. In order for technical transformation to go a step further with the readjustment, to truly achieve the goal of technical progress, we must shift from simply expanding productive capabilities to raising standards, from doing bits and pieces to organizing

production lines and product serialization, and from "fine rainfall everywhere" to planning by each industry and carrying out technical transformation in a planned way and with a sense of priority.

In order to carry out transformation in a planned way with a sense of priority, we must take each industry as the basis, the city as the support and key products as footholds, working out a comprehensive overall plan. The realization of advanced industrial technology means wide use of modern techniques and fundamental transformation of the material and technical bases of our province's industry. But, it is impossible to change all the backward technology into advanced technology in one night. We can only carry out transformation by priorities, by stages and in turn. First of all, we must find out, through investigation and study, about the current conditions, clarify which enterprises need to reform technical processes, which need to employ new materials, which need to alter their key equipment, which need to organize production lines, and which need to serialize products. We will thus know what we are doing, and then to organize our forces and tackle the problems. On this basis, we must adopt as quickly as possible the "four news" with regard to famous brand products, fast-selling products, and traditional products, serialize producers and transform, industry by industry, the technically backward features of our province. The standards of quality of key products must gradually emulate international standards. Key technology, key equipment and key technology must gradually reach the levels of advanced production technology that are already widely adopted in economically developed countries in the 70's and early 80's and is suitable to our country's needs. Only this way can our province's industrial products meet the demands of the market at home and abroad, satisfy the needs of the market and increase social and economic results.

Our industrial and communications production must open up new prospects. One of the most important ones is to seriously enhance the technical transformation. All the units concerned must put the task of technical transformation in an important place, concentrate on changing the guiding ideology, on planning, on the implementation of projects already decided, on the rate of their progress, attempting, by every means, to put them into early operation and achieve early results.

12200
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NATIONAL POLICY AND ISSUES

SUBSTITUTION OF TAXES FOR PROFITS DELIVERED TO STATE SAID NECESSARY

Shanghai SHIJIE JINGJI DAobao in Chinese 31 Jan 83 p 3

[Article by Li Jinglin [2621 7231 2651] and Lu Wei [7120 3555]: "Speed Up the Pace of Substituting Taxes for Delivery of Profits to the State, and Smash the System of Eating Out of One Big Pot"]

[Text] Premier Zhao Ziyang, in his "Report on the 6th Five-Year Plan" given at the fifth session of the Fifth People's Congress, clearly affirmed that the direction of reform, in state-run enterprises is toward the substitution of taxes for profits delivered to the state. He also proposed that we speed up the pace of reform, distinguish between varying circumstances, and proceed in an orderly manner. With respect to large- and medium-sized state-run enterprises, there must be two separate procedures: 1) We must put into effect a phase in which both a tax and state retention of a portion of the profits delivered by the enterprise exist at the same time, namely one in which first we levy a fixed proportion of income tax and of local tax on the profits realized by the enterprises. The profit retained by the enterprise after taxes can then be distributed appropriately between the state and the enterprise in a number of ways. 2) Based on the fundamental trend toward a rational price system, we should levy another graduated income tax based on the amounts of profits and losses. For small state-run enterprises, we should gradually implement a system in which the collectives, or the workers and staff as individuals, take on the responsibility for leases, and other diversified forms of management, and put into effect a system in which the state levies taxes, and the enterprise pays fees for the use of fixed assets and bears the responsibility for its own profits and losses. These reforms represent not only a change in the form of state accumulation, but also an important step in the process of reforming our entire economic system. The substitution of taxes for profits delivered to the state is a reform in which is the state levies, income taxes, fund utilization fees and adjustment taxes on the state-owned enterprises in order to replace the current system in which the enterprises turn over their profits to the state. It is also dependent upon implementation by the enterprises of a system of "independent accounting, and taking responsibility for their own profits and losses."

With the profits left over after they have paid the required taxes and fund-utilization fees, the state-run enterprises can, according to state regulations establish a production-development fund, a staff and workers welfare fund, a

staff and workers bonus fund, and a reserve fund, all of which would be allocated and used by the enterprises themselves.

We must smash the enterprises' dependency on administration by the state.

In the past, the state managed its state-run enterprises according to a method of unified revenues and expenditures, or eating "out of the big pot." The profits realized by the state-run enterprises were turned over to the state financial organs in their entirety, and losses were also borne completely by the state. The enterprises managed things according to the directives of high-ranking administrative bureaus, had no economic rights and produced no economic results themselves, nor did they bear any economic responsibility. Furthermore, since there was no "pressure," neither was there "vitality," and enterprises became units completely dependent upon the various levels of the administrative structure. Since 1979, the establishment of enterprise funds, the retention of a portion of the profits by the state, and the system of taking responsibility for profits and losses were put into effect one after the other. Hence, the enterprises' rights to self-management and self-administration were enlarged, and the enterprises' enthusiasm was mobilized. However, these reforms have still not completely smashed the dependency of the enterprises on administration by the state and have not enabled the enterprises to completely become relatively independent economic entities. In order to solve problems in this area, along with implementing the old system of state retention of a portion of the profits delivered by the enterprises, pilot projects of replacing that system with one of taxation were implemented and are still in effect at over 400 industrial enterprises in 18 provinces, municipalities, and autonomous areas throughout the country. Even though there were differences in the circumstances of the pilot projects, and the methods used were not completely identical and, moreover, were not completely perfected, the results of the pilot projects put into effect clearly indicate that this reform has enabled the enterprises' economic results to increase considerably, is of benefit both to the state and to the enterprises, and is definitely feasible.

The reform must proceed from a basis of reality.

With regard to the state and the state-run enterprises apportioning profit among themselves, the direction of reform is that of substituting taxes for profits delivered to the state. However, due to the fact that at present we are still in a period of readjustment and reform, the many problems cannot be solved all at once. Especially under the present situation in which the price system is not national, extreme disparities exist among enterprises and industries with respect to profit between levels. Thus there is still considerable difficulty in completely eliminating the system of turning over a portion of profits to the state and replacing the system throughout the country with one of taxation. Proceeding from a basis of current real circumstances, we can begin with two procedures with regard to large and medium-sized state-run enterprises and have a transitional period wherein the tax and the "portion-of-profits" systems exist simultaneously. For example, after the income tax and fund utilization fee are levied on an enterprise, the proportion of the profit originally meant to be deducted by the state will then be deducted; the remaining profits will then be apportioned appropriately between the state and the

enterprise according to one of a number of arrangements, including contracting for assigned quotas, contracting for progressive increases above assigned quotas, and contracting for proportionate distribution. This will benefit our effort to increase the proportion of tax revenues, correspondingly reduce the proportion of profits, and gradually realize the substitution of taxes for profits delivered to the state. In order to enliven the economy, and make things more convenient for the masses, we could, based on contracts, leases and the many other forms of management responsibility systems, implement a system of independent accounting in some small-sized state-run enterprises, with the state levying an income tax, with the enterprise paying for the use of fixed assets and bearing responsibility for its own profits and losses, and with the enterprises allocating their own profits that remain after the taxes have been levied.

Principles that should be followed:

Principles that should be followed in implementing the substitution of taxes for profits delivered to the state are: 1) Correctly manage relations between the state and the enterprises, and enliven the economy. Only under the premise of the state receiving more will the enterprises be able to retain more of their profits, and will the individual be able to receive more. 2) We must create a system of rewarding diligence and punishing laziness, or protecting the advanced and weeding out the backward. We should encourage the enterprises to make their own reforms, and follow paths that will let them fulfill their potential. 3) We must deal with different situations separately, and guide different types of enterprise separately. Small enterprises should be enlivened, and large ones should be managed well. 4) We must integrate our efforts closely with the reorganization of the enterprises, and we must, based on our implementation of the economic responsibility system, carry out reforms and adopt positive, stable guiding principles.

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NATIONAL POLICY AND ISSUES

MANAGEMENT RESPONSIBILITY SYSTEM SET IN COMMERCIAL ENTERPRISES

Hangzhou ZHEJIANG RIBAO in Chinese 25 Feb 83 p 1

[Article by Shen Zhenzhong [3088 2182 0022]: 'Management Responsibility System to be Fully Implemented by Collective Commercial Enterprises During the First Half of This Year: Provincial Government Decision on the Reform of the Organizational System for Commercial Enterprises']

[Text] While discussing and transmitting a report of the provincial financial and foreign trade bureaus, the provincial government recently decided: During the first half of this year all provincial collective commercial enterprises shall implement a comprehensive reform, accelerating the pace of implementation of each form of responsibility system of management based on contracts.

Because of the demands of the retail system, the collective commercial enterprises, in carrying out the responsibility system of management based on contracts, have selected different forms of management involving gaining profits directly, flexibility, and simplicity. While the majority of enterprises are organizing the assumption of responsibility by the staff and workers collectively or in separate groups, some are having responsibility assumed by individual workers or staff or their apprentices. Others are separating responsibility from the store by having it assumed by small family shops, several family shops, or by cooperative purchasing groups. Other systems of contracting responsibility may also be used on a trial basis. No matter what system of responsibility based on contracts is carried out, all must support the integration of responsibility, authority, and profit and to treat correctly their three relationships with the nation, with other enterprises, and with individuals, guaranteeing that the orderly payment of taxes will be looked after and that the consumer's interests will not be harmed. After assuming this responsibility, the collective commercial enterprises all will have independent accounting and the economic character of assuming sole responsibility for profits or losses, and they will implement independent management. Under the guidance of the national plan, they may replenish their stocks of merchandise through many channels and flexibly buy and sell. Wage compensation must uphold the principle of distribution according to labor--the more labor the more wages. However, they may implement fixed wages plus a floating wage, a piece work wage, a system of

commissions or sending a "fixed amount up to higher authorities with the remainder retained by the enterprise," and compensation for labor above a quota will not be restricted by national regulations managing enterprises because "if they are higher they do not set a limit and if lower they cannot be maintained." The management of prices should be under the guidance of national commodity price policies, yet fully bring into play the role of adjustment by the market. In general, state-managed commercial enterprises and the goods purchased for a cooperative's stock should adhere to the national price list. Industrial products of the 3rd category and other freely traded commercial goods may refrain from the method of a national price fixed by regulation in favor of a freely set fixed price. Damaged goods may use a freely set selling price. Goods managed by negotiated prices may follow the dictates of the market. Special service items and named vegetables may have their prices negotiated based on their quality; the higher the quality the higher the price. To summarize, we are working towards equitable prices on which the masses can rely.

9504

CSO: 4006/366

NATIONAL POLICY AND ISSUES

ACCELERATING TECHNOLOGICAL REFORM OF ENTERPRISES UNDER WAY

Hangzhou ZHEJIANG RIBAO in Chinese 17 Feb 83 p 1

[Article: "Speed Up the Advance of Technological Progress"]

[Text] Ningbo industry's emphasis on the expansion and use of new technology which is speeding an end to these enterprises' technological backwardness is a model for other places.

Technological progress is the foundation for an enterprise's development. Among the over 30,000 industrial and transportation firms in our province, the majority of them are middle and small-sized enterprises that are backward in their facilities, technology, and production techniques. If facilities, technology, and production techniques are old then the products are unlikely to be advanced. Now changes in domestic and international markets are accelerating and competition among goods is daily becoming more fierce. If close attention is not paid to expanding the use of new technology and to promoting new generations of products, then our not inconsiderable production of goods will not only not be able to stand up in markets outside of the province but there is even the danger that they will lose in the province's own markets. This conclusion argues the extreme urgency of the ongoing technological advances and technological reforms in these enterprises.

Now while there are numerous problems to be solved in order to speed the needed advance of technology in these enterprises, the linchpin is the need for a correct guiding ideology in economic work. For many years our comrades have been accustomed to following a broader road; even though in recent years we have tapped our hidden potential, brought innovation and made reforms, they have also stressed "intra-factory enlargement" and the expansion of productive capacity at the expense of quality, variety, and technological progress. Thus with respect to the overall situation, there has been no clear change in the technological backwardness of these enterprises. If these conditions are not changed and we attempt to develop in accordance with current technological and economic objectives on this foundation of old technology, old production techniques, old equipment, and old materials then economic revitalization will be in danger of being useless. Because of this we must use the technological progress of these enterprises to bring about a high degree of strategic understanding and to resolutely shift the guiding ideology of economic work to a reliance on the path of technological progress.

We must concentrate on improving economic results, realize the objective of taking intentions as primary in expanding reproduction. In accordance with the deployments of the center and the province, at the same time as we realistically investigate the existing organizational structures of these enterprises and their product lines, we must investigate seriously their technological structures and energetically use new technology, new facilities, new materials, and new techniques. From now on planning, financial, and banking departments must appropriately concentrate the available capital, goods and materials, and foreign exchange on this technological transformation and then proceed one step at a time using the accumulated strength to wage a battle to the finish. We must carry out a program for each type of work, and with planning and concentration transform the product lines and organize the production lines. We must hasten the renewal of key equipment and also must positively and boldly introduce suitable advanced technology and equipment from outside of the country. We are striving to make the existing enterprises of our province attain, toward the end of this century, the level of development reached by the economically developed countries at the end of the 70's and beginning of the 80's.

The key to accelerating the technological progress of these enterprises lies in taking scientific technology seriously and making full use of our intellectuals. "Industry depends upon products, products depend on innovation, innovation depends on scientific research, and scientific research depends on knowledge;" this is one important lesson. Now there are many industrial and mining enterprises from which "leftist" ideology has not been eliminated, and there are still some people who do not take knowledge seriously and who discriminate against scientific and technological personnel so that in some organizations repression and the wasting of human talent are still fairly serious. These all influence the mobilization of the initiative of scientific and technological personnel and hamper the bringing into play of their specializations. If the economy is to be stimulated then human talent is the key. Intellectuals as well as workers and peasants are the power on which we are depending to carry on the construction of the four modernizations, so that it can be said that without knowledge and without intellectuals, progress in the four modernizations will be difficult and technological progress fundamentally impossible to achieve. The hope is that those comrades who hold erroneous views on the question of scientific and technical personnel will quickly and completely rectify these views and will resolutely carry out this policy towards the intellectuals, placing full confidence in them and boldly employing these scientific and technical personnel so that each finds his place and uses his strengths. We must earnestly rely on and make use of them and thereby improve technological progress in these enterprises.

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ECONOMIC PLANNING

HE ZHUKANG DELIVERS REPORT AT HENAN CONGRESS

HK201147 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 19 Apr 83

[Excerpts] While He Zhukang, acting governor of Henan Province, was making the report on the Sixth 5-Year Plan at the first session of the 6th Provincial People's Congress on 17 April, he emphasized that in the period of the Sixth 5-Year Plan, in energy building in our province, it is necessary to continue to implement the principle of laying equal stress on exploitation and economization, vigorously develop the coal, petroleum and electricity industries and moreover, attach importance to the exploitation and utilization of methane, wind and solar energy. In building communications, transportation and posts and telecommunications facilities, it is essential on the one hand to hand to conduct technical transformation of existing railroad lines and the main stations and depots and on the other hand to speed up building new key lines.

He Zhukang said: According to the 5-year plan for the coal industry, the size of the coalpit building force will be 88 teams and the designed capacity will be 23.55 million tons. It is necessary to main grasp well tapping potential and transformation in existing coalpits as well as building coalpits. Arrangements should be made for building new key coalpits. While grasping well state-run coal mines, we must vigorously develop small coal mines. In petroleum building, we must implement the principle of giving consideration to both petroleum and natural gas and embarking on both survey and exploitation. In order to do well in building the electrical industry, apart from continuing to strengthen the building of electric transmission and transformer projects, we must take such measures as are suitable to local conditions to exploit and utilize hydroelectricity, methane, wind and solar energy. According to the Sixth 5-Year Plan, each year in the last 3 years, the installed capacity of small hydroelectrical stations must increase by 8,000 kw and geological survey work must be strengthened. While firmly grasping the exploitation of energy resources, we must vehemently grasp economization and resolutely fulfill the quota for economizing in energy.

Regarding communications and transport, He Zhukang pointed out: The construction of the Xinxiang-(Heze), Zhoukou-(Fuyang) and Xuchang-Yuxian County railroad lines must be started one after another, basically completed in the period of the Sixth 5-Year Plan and open to traffic in 1986. The volume of railroad transit freight by 1985 will reach 86.5 million tons according to the plan, an increase of 14.1 percent over 1980. The volume of local railroad freight will

be 7.04 million tons, an increase of 43.4 percent. We must strengthen road building and raise the transportation ability. The volume of road freight by 1985 will reach 22 million tons, an increase of 54 percent. Moreover, the construction of the big Huanghe Road bridge at Huayuankou, Zhengzhou, must be completed. According to the plan, the total amount spent on posts and telecommunications projects will reach 100.87 million yuan, an increase of 25.1 percent. After the above-mentioned planned projects are completed, the tense situation in communications and transport in our province will be mitigated to a certain degree.

While He Zhukang, acting governor of Henan Province, was dealing with the main points and important measures of our province's Sixth 5-Year Plan at the first session of the Sixth Provincial People's Congress, he especially emphasized that it is necessary to increase intellectual investment, develop science and technology, implement the party's policy on intellectuals and fully mobilize and bring into play scientists' and technicians' enthusiasm and creativeness.

Acting Governor He Zhukang said: The draft of our province's Sixth 5-Year Plan has provided that the total industrial and agricultural output value in 1985 will reach 45 billion yuan, an increase of 27.9 percent over 1980. The average increase will [be] 5 percent each year. In the course of practice, we will strive for an increase of 6 percent.

In his report at the first session of the Sixth Provincial People's Congress, He Zhukang, acting governor of Henan Province, dealt with the basic tasks in the period of our province's Sixth 5-Year Plan and emphasized: Under the premise of raising economic results, we must maintain an appropriate speed of development of industrial and agricultural production. Acting Governor He Zhukang said: The draft of our province's Sixth 5-Year Plan has provided that the total industrial and agricultural output value in 1985 will be 27.9 percent more than in 1980 with an average increase of 5 percent each year. Judging from the speed of increase formulated by our province's Sixth 5-Year Plan, the average speed is slightly lower than that in the past 28 years. This is because we are in the period of economic readjustment, output of energy resources cannot be fundamentally improved. The tasks of readjustment are still very arduous. Therefore, the speed of development cannot be too high. The planned quotas have been worked out appropriately so that all of us will pay more attention to economic results.

In his report, Acting Governor He Zhukang put forward specific demands in raising economic results. The quality of industrial products must conform to the standards stipulated by the state and the quality of some products must reach the advanced levels of the same trades. The average rate of energy resources saved each year must be 3.8 percent. The per capita labor productivity of state-run industrial enterprises must increase by 2.8 percent each year. The constant costs of products of local state-run industrial enterprises must drop by 2 percent each year. The rate of charges for the circulation of commodities of state-run commercial enterprises must drop by 1 to 2 percent each year. The rate of taxes substituted by local state-run industrial enterprises for delivery of profits must be 3.2 percent more than in 1980. The number of days for floating capital turnover of state-run industrial enterprises and state-run commercial enterprises in 1985 must be 12 and 14 days respectively shorter than in 1980.

He Zhukang emphasized: In accordance with these demands, all economic management departments and production and business units must place raising economic results above everything else. They must clearly work out their own economic and technological quotas and take effective measures to fulfill them.

In his report on the Sixth 5-Year Plan, while Acting Governor He Zhukang was dealing with agricultural construction, he emphasized that it is necessary to adhere to the principles of stepping up grain production without relaxing it and of vigorously carrying out diversification in order to promote the all-round development of agriculture, forestry, animal husbandry, sideline production and fishery. He pointed out that to develop agriculture, it is essential to continue to rely on policies and science and to strive to improve conditions for production. It is imperative to do well in harnessing large and medium-sized river courses and continue to consolidate the embankments of the trunk streams of the Huanghe River and the Huaihe River. It is essential to complete the consolidation of the Boshan, Nanwan and (Yanyushan) Reservoirs, complete the antiflood work at (Zhaopingtai), (Baiguishan) and (Duyahu) Reservoirs and the irrigation projects of the Renmin Shengli Channel and the (Hanzhongzhuang) irrigation area.

Acting Governor He Zhukang said: We must gradually establish the system of cultivating and popularizing superior seeds and put it on a sound basis. We must develop commodity grain bases in a planned way and do well in building six commodity grain bases in Deng, Tanghe, Huangchuan, Shanghui, Dancheng and Huaiyang Counties on a trial basis. We must further carry out the whole people voluntary-tree planting drive and develop intercropping and tung trees and grape production. We must restore the development of the shelterbelts in the east and north of Henan. We must do well in afforestation in the plains and mountainous areas so as to raise the rate of vegetation on the land. We must vigorously produce fodder and develop the fodder industry. We must build a large number of farms for producing livestock and poultry of fine breeds to speed up animal husbandry. We must also vigorously develop aquatic products. In 5 years, the areas for breeding aquatic products must reach 2.5 million mu. After 5 years' efforts, we must ensure an all-round development of agriculture, forestry, animal husbandry, sideline production and fishery in our province.

CSO: 4006/442

ECONOMIC PLANNING

MORE ON HE ZHUKANG REPORT AT HENAN CONGRESS

HK210900 Zhengzhou Henan Provincial Service in Mandarin 1100 GMT 20 Apr 83

[Excerpts] While He Zhukang, acting governor of Henan Province, was delivering a report at the first session of the Sixth Provincial People's Congress, he emphasized that to carry out our province's Sixth 5-Year Plan in an all-round way, it is necessary to strive to build socialist spiritual civilization in the course of building material civilization. After affirming the achievements scored in the first 2 years of our province's Sixth 5-Year Plan period, He Zhukang pointed out that over the past 2 years, the situation of our province's national economy has constantly improved. This cannot be separated from strengthening the building of socialist spiritual civilization and from resolutely striking blows at serious crimes in the economic sphere.

Acting Governor He Zhukang said: In the next 3 years, we must carry out our province's Sixth 5-Year Plan in an all-round way, win a decisive victory in the basic improvement of the financial and economic situation and create a new situation in economic construction. We must comply with the spirit of the 12th Party Congress, further correct our guiding ideology and persist in regarding raising economic results as the center and in simultaneously grasping the building of material civilization and socialist spiritual civilization so as to bring about a new improvement, a new change and new results in all items of work.

He pointed out: To build socialist spiritual civilization, we must vigorously develop education, science, literature, art, public health, physical culture, journalism, publication, broadcasting, television and cinema and constantly enhance the scientific and cultural levels of all people. We must continue to strengthen ideological and political work, universally conduct education in Marxism-Leninism-Mao Zedong Thought, penetratingly conduct education in socialist morality, discipline and the legal system, constantly train and heighten people's attitude toward wholeheartedly working for and serving the people, toward work and toward study, and gradually establish the communist world outlook so that we shall become people who have ideals, morality and culture, and observe discipline. We must further tidy up social order, resolutely strike blows at the antisocialist hostile elements and criminals. Having done the above-mentioned work, we will be able to keep an excellent social order, create a fine social environment and strive for a decisive improvement of the general mood of society and social order.

In his report on our province's Sixth 5-Year Plan at the first session of the Sixth Provincial People's Congress, He Zhukang, acting governor of Henan Province, especially emphasized that it is essential to do family planning work well and strictly control the growth of population. Since the founding of our country, population in our province has increased by 33.45 million people. This has directly affected the development of economic construction and the raising of people's living standards in our province and caused very heavy pressure on education, employment, housing and urban public utilities. We must resolutely and strictly control the growth of population. In the Sixth 5-Year Plan period, the annual average rate of the natural growth of population of our province must be controlled within 12.6 per 1,000. It must drop to 11 per 1,000 in 1985. In family planning work, we must put the stress on the rural areas. We must vigorously advocate one child, strictly control two children and resolutely curb more children.

In his report at the first session of the Sixth Provincial People's congress, He Zhukang, acting governor of Henan Province, emphasized that in strengthening the building of political power and improving government work, cadres at all levels must really improve their work style and endeavor to do their work well. Acting Governor He Zhukang said: Under the leadership of CPC Committees at all levels, we must strengthen the building of political power and improve government work. In accordance with the unified arrangements of the central authorities of the provincial CPC committee, governments at all levels must grasp structural reform work resolutely, firmly and well, freely and boldly absorb into leadership groups at all levels a number of middle-aged and young cadres who have both ability and political integrity, are young and energetic, have scientific and cultural knowledge, dare to bring forth new ideas and do well in the succession by young from old and in their unity. Moreover, we must step up training cadres.

He Zhukang emphasized: After the completion of structural reform, we must establish various forms of the strict responsibility system and ensure that everyone has his own duties and everything is attended to. We must resolutely eliminate the bad work style of putting off work and shifting responsibility onto others. All leading cadres must seriously improve their method of work and work style. They must go deep into the masses and realities to conduct investigation and study and resolutely eliminate the bad customs of not conducting investigation and study and subjectively determining important issues.

He Zhukang said: We are shouldering the great historical mission of carrying out the Sixth 5-Year Plan in an all-round way and creating a new situation in socialist modernization in our province. Governments at all levels have arduous work and important duties and will confront new situations and, new problems which are much more complicated and difficult than at any time in the past. This requires leadership organs and cadres at all levels to study hard Marxism-Leninism-Mao Zedong Thought, and professional knowledge and to adhere to the mass line.

He Zhukang said: People of all nationalities throughout the province must go all out immediately and under the guidance of the spirit of the 12th Party Congress, overcome difficulties, work hard and struggle hard to completely carry out all tasks formulated by the Sixth 5-Year Plan and to create a new situation in socialist modernization in our province.

"From 11 to 18 April, the provincial people's government held a provincial industry and communications work conference in Changsha to discuss and arrange the work of continuing to implement the policy of readjustment centering on increasing economic results, speeding up the progress of economic reform, promoting technical progress and striving to fulfill and overfulfill this year's targets for industry and communication output and financial income."

During the meeting, provincial responsible comrades relayed the spirit of the national industry and communications work conference. Liu Zheng, secretary of the provincial CPC committee, gave a speech. The participants to the conference reviewed the work on this front. They were all of the opinion that in the first quarter of the industrial output value was 6.2 percent more than that in the same period last year and generally speaking the situation was good. The problem was that the economic results were not as good as desired, the coordination between the production and marketing sectors was not satisfactory enough and there was a fall in the amount of realized profits and profit delivery while the amount of bonus payment increased.

The conference stressed the importance of raising economic effects and the aim of achieving a unity between high speed and high economic effects. In order to markedly raise the comprehensive economic results this year, the conference emphasized emancipation of minds and speeding up the reform in economic management system. "At present, we should regard the implementation of the substitution of tax for profit delivery into our state-owned enterprises as a major task. We should concentrate our strength and consciously do a good job of coordinating the implementation of the substitution of tax and the implementation of the all-round responsibility system." Attention should be paid to ensuring that the state get the biggest slice while the enterprises and individuals also be benefitted in the implementation of the substitution of tax for profit delivery.

The meeting stressed eliminating the practice of eating out of the same pot and the implementation and perfection of the all-round responsibility system. It pointed out that enterprise consolidation should be continuously carried out in the spirit of reform and importance should be attached to technical renovation and introduction of advanced technology from abroad. It also attached importance to intelligent investment, education and political and ideological work. It called on the leading cadres at all levels to earnestly improve their work style, often go deep into the basic level to make investigation and study in order to be informed with the new situation, sum up new experiences and solve new problems and thus make new contributions to the prosperous development of the province's industry.

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ECONOMIC PLANNING

HAINAN DEVELOPS SUGAR, FOOD INDUSTRIES

HK200714 Haikou Hainan Island Service in Mandarin 0330 GMT 19 Apr 83

[Text] A work team led by (Lin Yi), deputy director of a bureau under the Ministry of Light Industry, and (Yang Zhizhen) and (Fang Ding), deputy heads of the Guangdong Provincial No 1 Light Industry Department, made surveys on Hainan Island from 29 March to 18 April with a view to helping the island accomplish the Sixth 5-Year Plan and develop its sugar and food processing industries.

The work team made on-the-spot surveys in 15 cities and counties as well as some factories, hearing reports from local leading comrades to obtain first hand information. These responsible comrades said that Hainan Island is favorable for the development of sugarcane production. There are three favorable conditions in this respect: 1) large area of land which is more suitable for sugarcane planting than grain sowing; 2) adequate rainfall and good irrigation system; 3) a rational foundation of sugar industry. The central policy on the exploitation of Hainan points out: if we are able to make full use of good natural conditions in Hainan to speed up the sugarcane production, the people on the island will become well-off at an early date and the financial status will be virtually improved soon. On hearing this, comrades of the work team pointed out that in order to speed up sugar industry on the island, a unified plan must be worked out and be advanced step by step. In the past few years, progress has been made in this area of work. Yet, all sugar refineries are small and poorly equipped and their economic results are unsatisfactory due to bungling management. Therefore, technical transformation must be introduced to the existing factories and efforts must be made to build a group of new factories with a capacity of extracting 1,000 tons of sugarcane per day. Overall plans to this effect must be mapped out as soon as possible and be enacted one by one in an earnest manner.

The work team suggested to the district CPC committee and administrative office that Hainan produce 300,000 tons of sugar by 1985 during the Sixth 5-Year Plan, and 500,000 tons by 1990 during the Seventh 5-Year Plan. By 1985, Hainan should have an area of 1.1 million mu for sugarcane planting and a total output of 3.5 million tons. By 1990, the area for sugarcane planting should be increased to 1.4 million mu with a total output of 5 million tons. Sugarcane planting will be promoted largely in Danxian, Chengmai and Lingao Counties, which are within the irrigation district of the (Zhentao) reservoir. When the area for sugarcane planting is expanded, the processing capacity should also be improved. In 1983, Hainan should be able to extract sugarcane for 18,300 tons per day, 30,000 tons in 1985 and 40,000 tons in 1990. To this end, technical transformation should

be introduced to 19 existing sugar refineries during the last 3 years of the Sixth 5-Year Plan in order to increase their capacity. Some of these refineries should have a capacity of extracting sugarcane for more than 1,000 tons per day.

The work team also suggested that efforts be made to develop the food processing industry while promoting sugar production. As Hainan is opening up to the outside world, it is necessary to increase products especially for tourists. At present, efforts must be made in both planning and developing production in a down-to-earth manner so that the work to develop Hainan will be pushed ahead much better and at a quicker pace.

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ECONOMIC PLANNING

HEBEI HOLDS INDUSTRY, COMMUNICATIONS MEETING

HK210638 Shijiazhuang Hebei Provincial Service in Mandarin 0400 GMT 16 Apr 83

[Summary] A Hebei Provincial Conference on industry and communications work concluded yesterday, after 5 days in session. Leading comrades of the provincial CPC committee and government including Zhang Shuguang, Li Feng, Ye Liansong, Guo Zhi, Yue Zongtai and Hong Yi attended the meeting.

Vice Governor Yue Zongtai made a speech at the close of the meeting. He said: "The general guiding ideology for the province's industry and communications work in 1983 is to continue to implement the principle of readjustment, restructuring, reorganization and upgrading; continue to improve economic results, make a new breakthrough in reforming the industrial management setup, achieve new development in technical progress, and ensure the fulfillment and overfulfillment of this year's production plans." Yue Zongtai dwelt on three points:

"1. There must be new improvement in economic results. The phenomenon of attaching much importance to growth rate and little to results exists everywhere in economic work. The tendency to one-sidedly pursue output value has not been fundamentally changed. This is an issue to which we must pay great attention. There must be growth rate, but the results must be very good. The economic results we speak of embrace not only the enterprises but the whole of society."

2. It is necessary to speed up reforms in the economic field. "The hallmark for judging whether reform is correct is to see whether it helps to build socialism with Chinese characteristics, and benefits the prosperity of the country and the happiness of the people. Reform must also benefit the development of production and the progress of technology, improve all-round economic results, ensure that the state increases revenue, help to overcome egalitarianism and the practice of everybody eating out of the same big pot, and mobilize the initiative of the enterprises and the workers. We must persistently combine powers, responsibilities and interests, and correctly handle the interests of the state, the enterprise and the individual worker. The state must take the biggest slice, the enterprise the medium one and the individual worker the smallest. We must uphold the principle of regarding planned economy as the dominant factor and regulation by market mechanism as supplementary."

He said: "As far as the enterprises are concerned, we must do two things. First, we must recognize the interests of the enterprises, give them an appropriate degree of decisionmaking powers, and avoid binding them hand and foot. Thus they can have vitality and motive force. Second, we must put pressure on the enterprises, implement the spirit of rewarding hard work and punishing laziness, beat the slow and lazy oxen, and spur the enterprises to work to improve management."

He said: "In reforming the industrial management setup this year, we must focus on substituting taxes for delivery of profit, and reforming the wage system. We must spur reform in the economic management departments, establish the role of the cities as economic centers and bring this role into play, and study policies and methods for promoting economic advance."

3. Step up the technical transformation of the existing enterprises and stimulate technical progress.

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ECONOMIC PLANNING

IRON, STEEL COMPANY LIFTS PRODUCTION BY REFORM

HK180341 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 14 Apr 83

[Text] The party committee of Kunming Iron and Steel Company is earnestly implementing the principle of reform, streamlining its administration, rectifying its leading bodies, speeding up its reform and promoting production.

In the past, the Kunming Iron and Steel Company was weighed down with the problems of complicated administrative structure and of having too many old cadres who had a low cultural level and poor professional knowledge and who worked with low efficiency.

Last year, under the guidance of an investigation group for the provincial party committee, the company organized cadres of the plants, mines, sections and departments to study a series of instructions issued by the party Central Committee with regard to reform work. On the basis of constantly raising their understanding, the company party committee combined the 60 factories, mines, sections and departments into 45, reduced the number of leading cadres from 224 to 162 and broke the rules in promoting intellectuals in the prime of life and 34 comrades who have trained themselves to be talented people through self-studies to leadership positions at various levels in the company. The average age of cadres under the new administrative structure is 47.2, which is 3.5 years younger than the original average age. Those who have acquired senior middle school education or above account for 52 percent. The 96 cadres who have been removed have been appropriately assigned to different positions by the company party committee according to their experience and skills. The newly-promoted middle-aged and young cadres respect the old cadres in all their work. In return, the old cadres support the middle-aged and young cadres. Developing the party spirit of hard struggle and maintaining close links with the masses, old cadres who have left their original positions and participated in the investigation group often stay among the workers to help them sum up their experience and formulate reform plans.

Through the present reform, they have overcome the shortage of electric power supply and the difficulties in obtaining materials, and have overfulfilled first quarter steel production tasks by 4.46 percent, with an increase of 2.47 percent over the corresponding period of last year. They have overfulfilled iron production task by 2.28 percent, with an increase of 8.66 percent over the corresponding period of last year. Quarterly production tasks for steel, molysczband coke have also been overfulfilled.

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ECONOMIC PLANNING

BEIJING'S MAYOR DELIVERS WORK REPORT

HK191454 Beijing BEIJING RIBAO in Chinese 3 Apr 83 pp 2, 3

[Excerpts of "government work report delivered by Jiao Ruoyu at the first session of the eighth Beijing Municipal People's Congress on 16 March 1983"-- passages within slantlines published in boldface]

[Text] Fellow deputies:

I have been entrusted by the Beijing Municipal People's Government to submit a report on its work to this congress for deliberation and approval.

/Three Years Witnessing Preliminary Results in Implementing the Four Directives/

Three years and 4 months have passed since the incumbent government was formed through an election at the third session of the seventh municipal people's congress in December 1979. During the past 3 years and more, we have implemented the line, principles and policies formulated by the 3d Plenary Session of the 11th CPC Central Committee as well as the four directives on the principle in building the capital as laid down by the Secretariat of the CPC Central Committee. Bearing in mind the long-standing problems, we have wiped out the influence of the "left" and brought order out of chaos in various fields. We have effected a number of readjustments, strengthened political and ideological work, improved the environment, developed scientific, educational and cultural work and carried out economic work according to the characteristics of the capital, so that work on all fronts have been gradually directed to the path of the four directives. We have achieved initial results in this connection.

Over the past 3 years, we have tightly grasped our work in the following manner:

/1. Vigorously building up spiritual civilization with the communist thinking as its core and improving general mood and public security and order in society./

Acting on the directives of the Secretariat of the CPC Central Committee and bearing in mind the characteristics of the capital, we persistently put the building of socialist spiritual civilization in a prominent position. We extensively carried out mass activities of "five stresses, four beauties and three loves" and gradually strengthen education in communist thinking, ideal and discipline. We popularized the "pledge given by the people of the capital

for developing civilization," the rules and regulations observed by workers and students and the written pledges for rural commune members and drew up moral codes for various trades and professions. The social practice of stressing civility, courtesy, public health, order and ethics is gradually taking shape.

Beijing's public security and order and environment are a problem for which people of the municipality show deep concern. Over the past 3 years, we have mobilized forces in all fields and relied on the masses to tackle this problem in a comprehensive way.

The past 2 years saw a gradual decrease in the number of criminal cases. The rate of criminal cases in the second half of 1981 dropped by 17.5 percent as compared with that in the first half of the same year, and that in 1982 declined by 17.6 percent as compared with that in 1981. The rate of solving criminal cases was gradually increased by 4.4 percent in 1982 as compared with that in 1981. The rate of solving major criminal cases in 1982 was 91.6 percent. Public security and order have been continuously improving.

The struggle to crack down on serious crimes in the economic and other spheres has been unfolding since last year. Up to the end of January 1983, 6,193 economic crimes were discovered, of which 69.6 percent have been wound up and 17.4 percent have been investigated and are awaiting solution. Among these cases, 232 are major ones, of which 64.1 percent have been wound up and 23.8 percent have been investigated and are awaiting solution.

With regard to the improvement of traffic and environment, we have implemented the laws and regulations ratified by the sixth session of the seventh municipal people's congress and the standing committee of the municipal people's congress. At the same time, relying on the masses, we have adopted measures to strengthen traffic control. As a result, traffic has been improved and there was a marked decrease in the number of road accidents.

/2. Vigorously building residential houses, strengthening basic urban facilities, beautifying the environment and improving the city's outlook./

In the past 3 years, the investment in housing construction amounted to 2.4 billion yuan and new residential houses covering a total area of more than 12.5 million square meters (that is, a total floor space of more than 6 million square meters) were built. At the same time, a plan was drawn up for developing a number of small residential areas, where residential houses covering a total area of 7 million square meters would be built. However, as a result of the drastic increase in urban population, an insufficient number of residential houses remains an outstanding problem.

An investment of more than 760 million yuan was made in the construction of roads and water, heat and gas supply projects in the past 3 years. The total length of roads in urban areas increased by 13 percent as compared with that in 1979. Two roads, that is, Sanhuan Road and, in particular, Erhuan Road, where there are nine flyovers, have been built and are now open to traffic, bringing about a remarkable change in the traffic conditions in the capital. In 1982, 880,000 households, as compared with 768,000 in 1979, used gas fuel, accounting for 61 percent of the total number of urban households. In the past 3 years,

28,000 new telephones were installed, representing an increase of 27 percent as compared with 1979.

The environmental sanitation department has been replenished with additional personnel and equipment and has further strengthened the work of disposing of refuse and nightsoil. At present, litter bins are placed in 60 percent of the urban areas, 80 percent of the roads are basically cleaned every day, and more than 3,800 alleys have been surfaced with asphalt.

An investment of 140 million yuan was made in the control of environmental pollution. In the Sanhuan Road areas, more than 310 pollution control projects have been completed, a number of sites dealing with electroplating, forging and heat treatment have been cleared up, and there has been a marked decrease in the discharge of 6 kinds of poisonous matters, including mercury, cadmium and arsenic. In the western suburbs, the area where underground water is polluted by phenol and cyanide has gradually diminished.

With regard to the greening and beautification of the environment, in the urban areas and near suburbs, 3,290,000 trees were planted, a total area of 2,170,000 square meters of land was sodded and 52 lawns on street corners and at cross-roads were cultivated in the past 3 years. Roads with trees planted on both sides measure 1,832 kilometers in total length. Sixth main roads have been planted with flowers, shrubs and deciduous and evergreen trees. A number of garden-like factories, schools and housing blocks have emerged in urban areas. In rural areas, more than 64 million trees have been planted around houses and villages and along roads and rivers, and 1.2 million mu of land on barren hills has been afforested. This has been the best result achieved since the founding of the PRC.

/3. Developing educational, scientific, cultural, public health and sports undertakings systematically and in a planned way./

Fifty-one institutions of higher learning have been reopened. A few universities have set up branches for day students. The number of students rose from 73,000 in 1979 to 93,800 in 1982. The institutions have recruited more than 4,400 postgraduates, of whom 134 students are studying for doctorate degrees. In the whole municipality, 99 new middle and primary schools and kindergartens have been built and most of the unsafe school buildings have been renovated. A number of universities and middle schools have set up laboratories and replenished and expanded their libraries and reading rooms, thereby improving the conditions for teaching and learning. At the same time, reform has been conducted in secondary education. The number of junior middle school graduates promoted to intermediate technical schools and vocational senior middle schools and the number of graduates promoted to ordinary senior middle schools were in the ratio of 1.7 in 1979, but the ratio changed to be 1.3 in 1982.

While restoring and developing general school education, forces in all fields have been organized to run broadcast and television universities, spare-time universities, correspondence universities and staff and workers universities and various kinds of cultural and technical continuing education classes, to institute self-teaching and examination systems and to set up institutes for

adult education. At the end of 1982, almost 1 million workers, peasants, cadres, teachers, scientific and technical personnel and youths participated in study. More than 70,000 of them are now receiving higher education. Since 1980, more than 9,500 students have carried out private study, taken examinations and have been awarded certificates for completing higher education courses.

Considerably quick development has also been made in scientific research. In our municipality, there are 189 research institutes of various kinds. They have a staff of more than 13,600 people, of whom 321 are research fellow and associate researchers and 5,683 are assistant researchers. The scientific research personnel understand more clearly that their work is to serve the construction of the capital. Bearing the major problems in mind, they join forces in overcoming difficulties, exchange scientific and technical knowledge and promote their work. In the past 3 years, they achieved results in more than 1,000 items of scientific research.

The cultural, publishing, broadcasting and television undertakings are flourishing. The public health department has paid particular attention to consolidating the contingent of medical workers and the management of hospitals and strengthening the work of preventing and curing diseases [word indistinct] sports and athletic activities have been prompted and outstanding sports and athletic teams have improved their skills to a new level.

/4. Carry out the policy of readjustment, reform, reorganization and upgrading, steadily develop economy/ according to the spirit of the instruction and policy of the secretariat of the CPC Central Committee on the capital's construction, we have resolutely readjusted the production setup and the product setup within industry. The percentage of output value of light industry in the total industrial output value increased from 36 percent in 1979 to 45.7 percent in 1982. Compared with 1979 figures, the output value of the food industry increased by 27.5 percent, the textile industry increased by 36.1 percent and the electronics industry increased by 20 percent. Heavy industry is being gradually changed to serve technical innovation in agriculture, light industry, commerce and the building industry. According to the spirit of the instruction by the CPC Central Committee and State Council on completely straightening out state-run industrial enterprises, we are now straightening out 200-odd large and medium-size enterprises, universally studying and promoting the experience of the Shoudu Iron and Steel Company and gradually strengthening the basic work of enterprise management. In the meantime, we have carried out a pilot project in the reform of the economic system, some enterprises have practiced trial implementation of "substituting taxes for delivery of profits and assuming sole responsibility for their own profit or loss" and a handful of enterprises have carried out trial implementation of the floating wage system.

The total industrial output value in 1982 was 22.87 billion yuan, representing an average yearly increase of 5.6 percent in 3 years. Many enterprises have steadily upgraded the quality of their products and have gradually increased their economic results. In the agriculture in suburbs, since the 3d Plenary Session of the 11th CPC Central Committee, we have gradually overcome the serious mistake of egalitarianism of "eating from the same big pot," practiced various kinds of production responsibility systems characterized by the system of contracting specialized jobs and payment linked to output and developed specialized

households and key households according to local conditions. Meanwhile, we have carried out the policy of "serving the capital, making peasants rich and building a socialist modernized new countryside," and have, on the premise of never relaxing our efforts in developing grain production, vigorously developed a diversified economy and gradually coordinated the overall development of farming, forestry, animal husbandry, sideline production and fishery. In the field of vegetable and nonstaple food, we have carried out the policy of relying mainly on local production, and treated imports from other areas as auxiliary, and the state collectives and individuals have gone all out and have established production base areas of nonstaple food such as vegetables, milk, eggs, meat, poultry and fruits. Over the past 3 years, nonstaple food supplied to the city have increased considerably. Commodity vegetables supplied to the city market amounted to 2.43 billion jin in 1982, and remarkable improvements have been made in varieties, quality and balanced marketing. From 1981, pork was supplied without restriction. The supply of fresh eggs reached 105 million jin in 1982, among which about 81 million jin were purchased from the local market, an increase of 80 percent over 1979.

Despite serious drought over the past few years and the reduction of arable land year by year, the total grain output was maintained around 3.6 billion jin, reaching 37.1 billion jin in 1982. Compared with output in 1977, 1978 and 1979, the total grain output in 1980, 1981 and 1982 increased by 850 million jin, an average yearly increase of 280 million jin. The total agricultural output value reached 2.09 billion yuan in 1982, representing an average yearly increase of 9.5 percent from 1979. The total income of 3 levels reached 3.27 billion yuan, an average yearly increase of 14.7 percent.

In commerce, we have, according to the principle of treating a planned economy as dominant and market regulation as auxiliary, and the policy on enlivening the economy, changed the situation of sole operation of state-run enterprises, initially relaxed the purchasing and marketing policy, developed various kinds of economic composition and various kinds of business operation and increased circulation channels, thus giving rise to a large number of collective trade companies, cooperative shops and individual traders. Over the past 3 years, the number of shops and service units of state-run and collective commerce have increased by 4,700. There were 11,600 individual traders by the end of 1982. Meanwhile, some 107 trade fairs of agricultural products and rural markets have been opened in the city's urban and rural areas. Difficulties in "buying food-stuffs," "making dresses," "repairing" and "finding hotels" have been eased to a certain extent.

The market is brisk and both purchasing and marketing are promising in the city. In 1982, the total retail amount of products reached 7.33 billion yuan, an average yearly increase of 12 percent in 3 years.

The amount of foreign exchange in exports increased by 46.9 percent in 1982 over 1979 figures. Tourism has been developing rapidly. In 1982, the city had 457,000 visitors from foreign countries Hong Kong and Macao, an increase of 81.3 percent over 1979.

On the basis of developing production, we have gradually improved the people's livelihood in both urban and rural areas. Over the past 3 years, we have adopted

various means, such as the state recruiting people, developing various collective economies and supporting individual business operations, to place some 371,000 urban youths in jobs and have readjusted the wages of staff and workers in a planned way. In the suburbs, the average income from the allotment of collectives of every peasant reached 288 yuan in 1982, an increase of 78.9 percent over 1979. With income from household sideline production added, the average yearly income of each peasant reached 354 yuan. More and more urban and rural residents have bought high-class and durable consumer goods. According to investigations, more than 80 percent of the households in the city's urban areas have television sets and 70 percent have sewing machines. In rural areas, about 94 percent of the households have radios, about 33 percent have television sets and over 50 percent have sewing machines. By the end of 1982, the total savings deposits of urban and rural residents reached 2.18 billion yuan, an increase of 96.6 percent over the end of 1979.

/5. Carry forward socialist democracy and perfect socialist legal system./

Over the past 3 years, the municipal government has given many special reports to the municipal people's congress standing committee on the work of industry, agriculture, urban construction, public security, education, sports, the protection of cultural relics and the implementation of local rules, and has listened to the criticisms and suggestions of the members of the municipal people's congress standing committee. Meanwhile, [word indistinct] management of all enterprises and institutions and the autonomy by people in the grassroots society. The system of congresses of staff and workers has generally been established in industrial and mining enterprises and the pilot project of the democratic election of factory heads and enterprises' managers has been carried out. In urban areas, neighborhood committees have generally been reelected and have gradually been perfected. In rural areas, villagers' committees have on an experimental basis been established in connection with the reform of the system of administrative management. Many grassroots units have, through masses' democratic discussion, formulated rules for the factory, school, shop and village to gradually strengthen the work of people's autonomy.

While strengthening the building of a socialist democracy, we have gradually strengthened the building of the socialist legal system. On the one hand, we have seriously carried out laws and decrees promulgated by the state; on the other hand, we have, according to the city's concrete conditions and the people's needs, drafted five local decrees to be approved for implementation by the municipal people's congress and its standing committee.

Over the past few years, under the unified leadership of the Beijing Municipal CPC committee, we have gradually strengthened the work of implementing the policy on intellectuals and the vast number of intellectuals have played an increasingly important role in the construction of the capital. Government at all levels have done quite a lot of work in carrying out policies on nationality affairs, Overseas Chinese affairs and religious affairs, in implementing the policy on private houses, and in resolving the problems left over by "cultural revolution," such as the confiscation of property and the repatriation of relevant personnel, thus further stimulating stability and unity and arousing the enthusiasm of various fields.

In carrying out various work tasks of the city, the CPC Central Committee, all departments of the State Council and the Pla have given us much help and support.

In carrying out the municipal government's work, all municipal and idstrict CPPCC's, all democratic parties and personages of all circles have given us much help.

Over the past 3 years, we have made some achievements on all fronts, but we have still fallen short in the requirements of the CPC Central Committee and the State Council, and the expectation of the broad masses. We must treat 1983 as a new beginning, double our efforts, overcome shortcomings and difficulties and further push forward various undertakings of the capital.

/Main Tasks in Building the Capital During the Sixth 5-Year Plan/

The city's Sixth 5-Year Plan has carried out the four instructions of the Secretariat of the CPC Central Committee on the guiding principles of building the capital and the guiding thought of the national Sixth 5-Year Plan, and has, proceeding from the city's practical situation, made overall arrangements for various undertakings. The main tasks for building the capital during the Sixth 5-Year Plan are as follows:

/1. Resolutely put the construction of basic installations in the first place of urban construction and make proper arrangements for the scale and layout of housing construction./

During the Sixth 5-Year Plan period, we must continue to firmly put the construction of various urban basic installations in the first place. The plan stipulates that the investment in this field will reach some 1.4 billion yuan, an increase of 100 percent over the Fifth 5-Year Plan. In the next 3 years, the Shijingshan power plant should be transformed and expanded to a heat and power plant with an installed capacity of 600,000 kilowatts and efforts should be made to build power transmission and substation projects with a complete set of high tension cables between Shanxi and Beijing. It is necessary to build and expand waterworks in Tianchuanshan, Tongxian and Chengzhi, increase the daily water supply by 360,000 tons and begin building the Shui Yuan waterworks No 9. We must strengthen our efforts to complete the Baihebao reservoir and Xiangyang dam irrigation project and make preparations to exploit new water resources. We must continue to build the Beijing gas plant and complete the project of transmitting gas to urban areas, thus increasing the daily gas supply by 500,000 cubic meters. We must begin the project of transmitting natural gas in oil fields in northern China to Beijing and the project of transforming a coking over in a coking factory and make preparations to build a new large gas plant, striving to achieve the target that more than 80 percent of the urban residents will use gas fuel by 1985. We must complete the first stage of the Zuojiashuang large and concentrated heat supply plant project and carry out technological innovation in the No 2 thermoelectric plant, thus increasing the areas in which heat will be supplied from 6 million square meters to 9 million square meters and, at the same time, work out a plan and device for the Songjiashuang thermoelectric plant and Dajiaoting thermoelectric plant. We must transform Sanhuang road, build more flyovers, connect six traffic lanes between Erhuang road and Sanhuang road and build main roads leading to Huangchun

and Changping, two satellite towns. In the next 3 years, we will establish another 42 bus routes and add 1,000 buses. We will build and expand another 6 telephone centers and add 86,000 telephones, thus achieving an increase of 64 percent compared with that at the end of 1982. We will build another 40 post offices and add some post office branches and boxes.

It has been a prominent problem in recent years that the scale of building houses in the Beijing area was too large. The total building area in Beijing required by various departments far exceeds the limits of the urban installations, material supply and manpower in equipment and construction. Therefore, the Sixth 5-Year Plan stipulates that each year the building area of the whole city should be limited to 16 million square meters, and the completed building areas should be around 6 million square meters. All construction items must be carried out according to the precedures of capital construction and new projects should particularly be controlled. If preparations have not yet been made, building is not allowed to start.

In the last 3 years of the Sixth 5-Year Plan, while building new houses, the city must continue to lay stress on building residential houses and, at the same time, do a good job in providing necessary installations of daily services and facilities related to the new houses. It must guarantee to build 4 million square meters of residential houses every year, accounting for 2/3 of the total building area. (Residential houses of local units account for approximately 50 percent of the total residential houses.) By so doing, about 220,000 residential apartments can be built in the city in 3 years.

/2. Seriously deal with pollution, carry out afforestation and further cleanse, green and beautify the capital's environment./

One of many measures to eradicate air pollution is to replace coal with electricity and gas fuel, which we must strive to achieve. In the next 3-5 years, we must gradually increase concentrated heat-supplying areas and increase households using gas fuel. In the near future, we must vigorously promote new-style economy coal stoves and continue to transform old-style stoves. In places where conditions are ripe, we must gradually promote concentrated management of boilers and carry out combined heat supplying. Meanwhile, all vehicles in the city must gradually use unleaded gasoline so as to alleviate air pollution caused by gas waste emitted by vehicles.

In dealing with water pollution, four things must be done 1) relevant factories and scientific research institutions must treat on-the-spot polluted water with heavy metal deposits and polluted materials so as to meet the water drainage standards, and hospitals must treat polluted water and materials. 2) We must vigorously carry out the construction of drainage work and, in the last 3 years of the Sixth 5-Year Plan, complete the project of correcting the polluted water in western suburb and build 100 kilometers of drainage pipelines in the near suburbs. 3) We must dredge waterways, the waterways of the Qinghe River, Xiaoyue River, Wanquan River, Beihucheng River and Liangma River in particular, and start tackling the Tonghui River. 4) We must start building the Gaobeidian water treatment plant and make preparations for building the Chengwangfeng water treatment plant.

To cleanse the capital's environment, we must also clean streets, dispose garbage and deal with factories which seriously disturb people. In the next 3 years, we must put in order the main 435 streets in urban areas by groups. All streets in the four urban districts must be cleaned every day and all garbage must be put in litter boxes inside Erhuang road and garbage disposal must gradually be brought about. In addition, 12 garbage disposal centers must be established in urban areas. Some 100-odd factories which have polluted urban areas and disturbed people must be closed and altered to carry out another type of production or be moved.

Another important environmental construction is to vigorously carry out afforestation. It is necessary to thoroughly and protractedly carry out all-people voluntary planting activities. Every year, all citizens must spend several days taking part in public labor, such as planting trees, growing grass and cultivating flowers, to raise the capital's afforestation to a new level. In the last 3 years of the Sixth 5-Year Plan, we will plant 3.1 million trees in the city's near suburbs, build 1.5 million square meters of lawn, build another 50 urban small gardens, and establish and perfect about 10 parks, including Lianhuachi Park and Yuyuantang Park. Urban afforestation must be developed a high level. In the next 3 years, we must basically achieve the goal of planting trees in suburbs and fields on plains. In areas seriously damaged by wind and sand we must vigorously build forest shelters. The forest areas in mountain regions must increase to 4.5 million mu from the current 3.5 million mu. It is also necessary to strengthen management and raise the survival rate of new trees. Illegal behavior such as damaging forests must be seriously dealt with according to law.

/3. Strive to raise economic results and vigorously develop economy to suit the capital's characteristics./

The Sixth 5-Year Plan stipulates that the total industrial and agricultural output value will reach 28.4 billion yuan in 1985, an increase of 23 percent over 1980 and an increase of 13.8 percent over 1982. The total industrial output value will reach 26 billion yuan and the agricultural output value will reach 2.4 billion yuan.

According to output targets set by the state, in the next 3 years, the yearly increase rate in industrial production will be 4.4 percent. We must firmly grasp the straightening out of enterprises. Through straightening out enterprises and learning the experience of the Shoudu Iron and Steel Company, the vast majority of enterprises will live up to the requirements of the state in the strengthening out work. It is necessary to firmly grasp technological innovation in some key items so as to achieve results as soon as possible. It is necessary to vigorously promote economic reforms. Industrial enterprises must gradually practice the "system of substituting taxes for delivery of profits and assuming sole responsibility for their own profit and loss." Various economic responsibility systems must extensively be promoted within the enterprises. It is necessary to continue to carry out readjustment and, according to the needs of the market, stress developing food, textile industry, electronic industry and other light industrial products, construction material and other competitive products. It is necessary to resolutely carry out the policy of "shutting down, suspension, amalgamation or switching" in those

enterprises which produce disqualified products and have overstocked products and in those inferior enterprises which have been developed blindly to compete with superior enterprises. It is necessary to rigorously control the total amount of the investment of fixed assets, and newly-established factories must have been strictly examined and approved.

In the next 3 years, the yearly increase rate of agricultural output value has initially been set at 4.7 percent. We have left some margin in setting this target. By 1985, the total grain output will reach 3.8 billion jin, or even 4 billion jin. Milk output will reach 280 million jin, or even 300 million jin. The amount of fresh eggs sold to the state and the amount of fresh fish caught will increase by 60 percent, or even higher, if better work is done. In vegetable production, we must, on the basis of guaranteeing quantity, provide a great variety of vegetables in fine quality and maintain a balanced market. We must further develop and perfect various production responsibility systems characterized by the system of contracting specialized jobs and the system of payment linked to output, and give a free hand to developing specialized households and key households. We must vigorously develop a diversified economy, continue to strengthen capital construction in various fields, strengthen the construction in mountain areas and strengthen the stance as offered by urban areas to rural areas.

In carrying out long-term plans of industrial and agricultural production, we must actively draw up every year's plan and firmly grasp our work. In the next 3 years, if we can maintain the increase rate of the past 3 years, the city's economy will develop more rapidly and the targets of the Sixth 5-Year Plan will be overfulfilled. We must strive to achieve this goal.

The Sixth 5-Year Plan stipulates that by 1985, the total retail amount of the city's products will reach 8.6 billion yuan, an increase of 40.3 percent over 1980 and an increase of 17.3 percent over 1982. The reform in the management system of retail commerce must continue to be promoted. While developing state-run commerce, we must vigorously develop retail commerce, service businesses and repair businesses of collectives and individual traders, the catering trade in particular. It is necessary to restore producing all food with special local flavors as soon as possible, increase the production of new foods and introduce to Beijing all foods with special flavors produced by all areas throughout the country. It is also necessary to strengthen the development of retail commerce, strengthen the capabilities of warehouses and the processing industry and establish more retail markets of daily industrial products and sideline products. Foreign economic relations and foreign trade must also be greatly developed. The plan stipulates that the amount of foreign exchange in export business must increase by 24 percent in 1985 when compared with 1982. It is necessary to actively and effectively utilize foreign funds, attract overseas businessmen to make direct investment or enter into joint ventures, and introduce more advanced and applicable technology and key installations so as to speed up technological transformation in all industrial departments of the city.

Beijing is a center of international exchanges. We must treat tourism as an important cause and earnestly carry it out, thus promoting friendship and achieving economic benefit.

During the Sixth 5-Year Plan period, all economic departments in the city must concentrate their efforts on raising economic results. In the Sixth 5-Year Plan, we have set a series of targets to reflect our economic results and all departments and units must do their utmost to increase production, practice thrift and take every means to guarantee the fulfillment of these targets or do even better.

Beijing is a water-deficient city and repeated droughts in recent years have made the problem more serious. In the past 2 years, there has existed many difficulties in electricity supply. We must continue to distribute the water and electricity supply in a planned way and generally practice the methods of contracts for fixed quantity, selected supply and higher prices for excessive consumption. It is necessary to abolish the system of fixing water and electricity charges, thus achieving proper utilization of the limited water and electricity supply.

During the Sixth 5-Year Plan period, we must also, under the state's overall arrangements and guidance, implement the policy of "labor departments recommending employment while integrating obtaining employment by getting organized voluntarily and seeking jobs through one's own efforts," and take various means to resolve the unemployment problem. We must, by developing the state-run economy, collective economy and individual economy, basically employ by the end of 1985 all urban youths awaiting jobs.

/4. Adopt effective measures and enthusiastically develop education, science, culture, physical culture and public health service./

General education must be actively developed in the course of readjustment. The capital construction tasks of the universities and colleges in the capital of all ministries and commissions under the State Council must be enthusiastically arranged in accordance with the plan delegated by the state. The municipality must lay stress on the construction of such universities and colleges as the industrial university, the teachers' college, the economic college and the second college of medical science. Apart from the primary and secondary schools which should be constructed in newly built residential quarters, 80 additional primary and secondary schools must be constructed or rebuilt. All institutions of higher education must further arouse the enthusiasm of the teachers, fully utilize existing school buildings and teaching facilities, expand the enrollment of day students and strive to increase the number of students to be enrolled. In accordance with the needs of economic and social development, it is necessary to carry out various forms of the educational system which combines a long-term period with a short-term one, readjust the course programs offered in universities and colleges and appropriately increase the influence of the departments, such as finance and trade, enterprise management and political science and law. Readjusting the structure of secondary education in an even more urgent and arduous task. It is imperative to gradually reduce the number of general senior middle schools, strengthen special secondary schools, develop technical schools and, in particular, actively expand vocational senior middle schools and strive to enroll more students than stipulated in the 5-year plan. In this way, by 1985, the number of junior middle school graduates in cities and towns who enter special secondary schools, vocational senior middle schools and technical

schools, and the number of those who enter general senior middle schools will possibly reach a 1.1 ration. Rural education in the suburban districts must also be intensified. Over 95 percent of school-age children in rural areas must receive a standard primary education. All counties (district) must concentrate strength on running well some key senior middle schools and at the same time, concentrate on running well some agricultural middle schools. Importance should be attached to primary education. We must mobilize all sides and quarters concerned, take various ways and means, energetically develop child-care under takings and pay close attention to the training of teachers for pre-school education so that there will be a fairly remarkable increase in the rates of the children in cities and towns who enter nurseries and of those who enter kindergarten in the coming 3 years.

In the next 3 years, there must be a big advance in adult education. The cadres' schools at all levels and institutions of higher education throughout the municipality must undertake the tasks of putting the education of cadres on a regular basis and pay close attention to the work of helping the staff and workers, who are young or in the prime of life, make up their missed general knowledge and technical courses. Staff and workers' universities must be re-organized and upgraded; spare-time special secondary schools must be vigorously developed; and the number of subjects for examination by those who engage in self-study for higher education must be further increased in accordance with the needs of society. The leading educational organizations at various levels and the middle schools all over the municipality must make a concerted effort with all trades and professions, fully utilize the existing staff of teachers and facilities in school buildings and extensively run various kinds of vocational schools or vocational training classes. The rural communes and their subdivisions must energetically run all types of night schools and technical study classes for the peasants. At the same time, a good job must be done in the work of ending illiteracy among young people and the people who are in the prime of life. We must vigorously encourage and support mass organizations and individuals to run schools so as to provide the various construction undertakings with personnel who have specialized technical abilities and to create conditions for employing young people in cities and towns.

The leadership at different levels must further foster the guiding thinking that to rejuvenate the economy, we must rely on scientific and technological progress, bring the enthusiasm of the scientific and technical personnel into full play, regularly put new tasks before them and create conditions for them to carry out the scientific and technical work and open up a way for applying scientific and technological achievements. Great efforts should be made to achieve a large number of advances or to score bigger advances by 1985 in the areas, such as saving energy, pollution control, the cultivation of vegetables, the breeding high-quality pigs, the manufacturing of large-scale integrated circuits, the application of computers, the development of new-type foods, textile products and durable consumer goods, the designing of precision instruments and meters, the trial manufacturing of new-type building materials, and the prevention and cure of problems concerning cerebral and cardiac blood vessels, hepatitis and tumors.

While endeavoring to develop natural sciences, attention must also be paid to developing social sciences. It is necessary to continue to strengthen scientific and technical popularization work and do the work of various associations of natural sciences and social sciences in a more lively way.

In the last 3 years of the Sixth 5-Year Plan, the departments throughout the municipality, such as culture, the press, publications, broadcasting, television, cultural relics, public health service and physical culture, must try their best to improve their work and make new achievements. In the coming 3 years, new radio and TV stations will be completed one after another and, in the meantime, additional relay stations should be energetically constructed so that the television population coverage rate will increase from the present 70 percent to over 90 percent. The cultural relic departments must coordinate with departments concerned to draw up plans for the whole municipality for protecting and rebuilding cultural relics in grades and further intensify the work of protecting cultural relics. In the last 3 years of the Sixth 5-Year Plan, it is necessary to construct and expand the Sino-Japanese Friendship Hospital, the people's hospital, the Shuodu Hospital, the Beijing Hospital and the Fuwai Hospital, and special sections of hospitals, such as cranium and brain, tumor, stomatology, gynecology and obstetrics and pediatrics must have an additional 3,000 hospital beds. The sports departments must devote a lot of energy and effort to organize well mass sports activities. Middle and primary schools must strengthen physical education, organize well extracurricular sports activities and build up the constitutions of the students and pupils.

In order to accelerate the development of education, science, culture and public health services and the construction of the capital, comrades of all government organs and fronts must thoroughly eradicate the serious influence of the long-standing "leftist" mistakes and foster a correct concept toward intellectuals. In the new period of the socialist modernization program, intellectuals play a particularly important role. Chinese intellectuals have become part of the working class and the valuable wealth of our country. A general mood of society must be established in which knowledge and intellectuals are respected. Effective measures must be adopted to improve the working and living conditions of intellectuals, give them a free hand in their work, show concern for and care for them in matters of daily life so that they can fully develop their talents and make immense contributions to the socialist modernization program of the capital and to bring benefit to the people.

/5. Handle things in a full-scale and overall manner and strive to bring about a further turn for the better in public security, social order and the standards of social conduct./

It is necessary to further set up and perfect the overall administration responsibility system and the leading system, implement the practice of combining the departments and regions at different levels with the regions as the main factor and help every sector of the internal sectors of the departments and regions at different levels to be responsible, make unified plans according to district divisions and coordinate their actions. The municipality and its districts must organize regular checks on this work. The units where serious cases or serious vicious cases and accidents happened repeatedly must be investigated and bear

leadership responsibility. All units in the capital must set up an overall administration leading group. In the outskirts of the city and its outer suburbs, under the unified leadership of the local party committee, a leading organ should be set up to plan as a whole and coordinate the overall administration work of the whole district with the local government and its policy substations as the priority and joint meetings should be held frequently. At the same time, grassroots and mass public security organizations should be further set up and perfected and attention should be paid to giving play to their roles. The core of overall administration is to take the initiative to do ideological and educational work among the people and in particular, to strengthen the work of educating and redeeming the teenagers who have taken a wrong step in life. Efforts should be made to enforce the measures for helping and educating them through the implementation of the "four contracts" and win over the majority of them to correct their mistakes and repent and begin a new life. Overall administration provides a foundation for strengthening the basic organizations and the ground work, frequently conducting investigations and study, conscientiously keeping abreast of the conditions of public security and various of factors of unrest, doing a good job in the work of taking precautions against any eventualities, mediating in time the contradictions among the people to prevent them from intensifying and solving public security problems when they first appear. Meanwhile, we must continue to strike, according to law, heavy and timely blows at and sternly punish the hostile elements who deliberately sabotage our socialist system and the criminals who gravely jeopardize social public order. The criminals who have confessed their crimes and performed meritorious services must be dealt with leniently. We must enhance our vigilance and intensify the struggle against the activities of spies and special agents.

To further bring about a turn for the better in the public security of the capital, it is necessary to continue to augment the work of the public security departments. The public security departments must do a good job in the work of ideologically and organizationally reorganizing the contingent of public security personnel, strengthen the education in law, strive to train in rotation all public security cadres and officers who have not received regular training within 3 years and raise their political and professional quality. The personnel of the public security departments must constantly enhance the concept of the law and act strictly in accordance with the constitution and the laws and decrees of the state.

Through the concerted efforts of all departments and units throughout the municipality, the number of criminal cases has been further reduced; the rate of clearing up cases has been further increased and there has been a remarkable reduction in public security disasters, such as road accidents and conflagration. The criminal activities in the economic sphere, such as corruption and theft, speculation and swindling, smuggling and trafficking in smuggled goods and offering or taking bribes, and in other spheres, have been severely cracked down on in time and the ugly phenomena, which were long ago stamped out in New China but have reappeared in society have been eliminated.

In the future we must carry out the activities of "five stresses, four beauties and three loves" in a thorough and sustained way, arouse the people all over the municipality to change prevailing habits and customs, transform society and

build a socialist spiritual civilization; we must conduct a widespread education in ideals, ethics and discipline among the people of the whole municipality and in particular, among the young people; we must carry out political training in rotation among the staff and workers with communist ideals, ethics and three loves as the main substance in stages and in groups; and we must launch education in the unity of communist ideals and the party's present policies among the peasants in light of the reality of the countryside. At the same time, we must gradually establish a communist ideological and educational system in all types of schools, a system which proceeds from the easy to the difficult and is mutually connected. We must continue to study and give widespread and thorough publicity to the new constitution, continuously strengthen the education in socialist legality and further enhance the political consciousness of the broad numbers of cadres and the masses of people to observe and safeguard the new constitution; while augmenting the day-to-day political and ideological work, we must continue to carry out the "civilization pledge of the people of the capital" and various regulations and pledges for the villagers and staff and workers, establish civilized villages, streets and lanes, production teams and groups, do a good job in good-mannered service, secure a fine order and further unfold a vigorous mass campaign for learning from Lei Feng and from the advanced. These activities will enable the people throughout the municipality to have firmer common political faith, to carry forward even more the communist ideology and moral practice of wholeheartedly serving the people, putting public interests before one's own and finding it a pleasure to help others, to effectively stop and widely despise the unhealthy practices, such as loving ease and hating work, seeking private gain at public expense, attacking the advanced, "doing everything for the sake of money" and the unscrupulous pursuit of enjoyment. These activities will also help the practice of paying attention to decorum, manners, hygiene, discipline and morality become the order of the day and will bring about a further turn for the better in the standards of social conduct of the capital.

/6. Bring population growth under strict control./

Controlling population growth of the capital is an extremely important matter. Up to the end of 1982, the municipality has formally had a population of more than 9.178 million people. In the last 3 years, there have been at least 470,000 more people. Practicing family planning is a basic national policy of our country and we must strictly control natural population growth. The planned population growth must also be strictly controlled. In the last 2 years, some achievements have been made in the family planning work of the capital. In 1982, the one-child rate reached 98 percent in urban areas and 74 percent in rural areas. However, in recent years, as the number of newlyweds in a year has reached approximately 180,000, we are confronted with another new baby boom. We must in the days to come further strengthen family planning work, try to stabilize and considerably increase the one-child rate both in urban and rural areas and strive to keep the natural population growth rate within the limit of 14 babies per 1,000 people. We must continue to vigorously encourage late marriages and late child-bearing, ensure births of healthy children and better nourishing and strive for one couple, one child. While persisting in giving priority to ideological education, we must complement it with necessary economic, organizational and technical measures. The stress of family planning work of the whole municipality is in the countryside. The rural family planning work must be

integrated with various forms of the production responsibility system and implemented down to the communes and their subdivisions and individuals. The birth of a second child must be strictly controlled and the birth of a third child must be resolutely eliminated. We must continue to do away with the feudal customs of boys being superior to girls and of a roomful of children meaning good luck and strengthen maternal and child hygiene work.

Fellow deputies!

The implementation of the Sixth 5-Year Plan of Beijing Municipality in the first 2 years is satisfactory and in fulfilling the tasks of the next 3 years, there are many difficulties but there are also quite a few favorable conditions. We must make overall plans and arrangements for matters which have a bearing on the overall situation and by means of reorganization and reform, arouse the enthusiasm and initiative of all departments and units and at the same time, further implement various policies and unite the people of all walks of life and of all nationalities all over the municipality to make concerted efforts to fulfill the Sixth 5-Year Plan of the municipality. In this way, by 1985, there will be some improvements in the passive situation in which there is a large amount of outstanding accounts in the superstructural facilities of the municipality; there will be an alleviation in the extreme strain on housing, with more than 200,000 resident households in cities and towns moving into new buildings; there will be a considerable reduction in air and water pollution and a new level in making the city presentable and the suburbs green so as to ensure the people a relatively clean and beautiful living environment; there will be fairly big advances in the readjustment and reorganization of industry and in particular, in its technical transformation; there will be relatively rapid growth in agriculture, and especially in forestry, animal husbandry and fishery; there will be an improvement in commercial work with richer industrial articles for daily use and staple and nonstaple foods; there will be a considerable expansion in the scale of higher education through diverse channels, a rather big change in the structure of secondary education and teenagers and young people will have more opportunities to study; there will be important achievements made in tackling key scientific and technical problems in key technical topics centering around the construction of the capital and a considerable increase in cultural, public health and physical cultural and sports facilities; there will be gratifying advances in the endeavors of various trades and professions to reform the practices of everybody eating "from the same big pot" and of ensuring "iron rice bowls"; there will be proper control over the population and a further turn for the better in public security, social order and the standards of social conduct; and there will be a further improvement in the well-being of the people in urban and rural areas on the basis of developed production. All this will lay a comparatively sound foundation for the great development and changes of the construction of the capital. Three years are not a long time. We must treasure every moment and do all we can to realize this glorious future.

/Further Improve And Strengthen The Government Work/

/11. Government work must adapt itself to the new situation and enforce its leadership over reform./

The experiences in the reform of agriculture and in the initial reform of urban industrial and commercial enterprises have fully indicated that provided we

proceed from reality, smash erroneous concepts and patterns which have for long years shackled the minds of the people in the various spheres of the economic and social life and seriously fettered the development of the productive forces and carry out reform in an overall and systematic, resolute, orderly, guided and step-by-step way, we can create a new situation in all fields of socialist modernization. We government personnel must treat and participate in reform with a firm approach and great enthusiasm, in light of the specific conditions of all trades and professions, conduct investigation and study, draw up overall plans and give meticulous guidance to reform work.

The unshakable aim and criterion of our reform are to promote the building of socialist material civilization on the one hand and to promote the building of socialist spiritual civilization on the other hand. Reform must be conducive to the implementation of the principle of distribution according to work, to promoting the enterprises in establishing and perfecting the economic responsibility system and to further revitalizing the economy; conducive to correctly handling the relationship of material interests between the state, the enterprises and the staff and workers, to ensuring that the state will receive the largest share, the enterprises will retain a major part and the individuals will have whatever surplus there might be in distributing surplus revenue and to bringing the enthusiasm of the enterprises and their staff and workers into full play. The leading organs must practically and effectively keep abreast of and analyze the new developments of reform and solve in time the new problems emerging in the course of reform. The departments, such as finance, taxation, pricing, banking and industrial and commercial management must enthusiastically support reform and at the same time, strengthen the supervision and inspection of the economic activities. They must protect the interests of the state and the consumers, check up and deal with in good time the illegal activities of fraudulent purchases of state-controlled commodities and of forcing up commodity prices and resolutely ban peddlars without a business license.

/2. Vigorously carry out the reform of government organs and do a good job in the cooperation between new and old cadres and the replacement of the old cadres by the new ones./

Doing a good job in the reform of government organs is a measure of fundamental importance for strengthening the building of state power. We must vigorously carry out the reform of government organs in accordance with the plan of the central authorities, earnestly solve the problem of overlapping and overstaffing and strive to streamline the administrative structure, reduce the number of personnel and carry out the method of fixing the staff without fixed personnel; strive to separate the functions of the government from those of the enterprises so that the organs which can carry out their administration in an entrepreneurial way can give full play to their economic functions and become real economic bodies; we must be clear about the limits of duties and responsibilities of the various departments of the government, set up the job responsibility system and conscientiously carry out evaluation and inspection.

The heart of the matter of structural reform is to ensure, on the premise of revolutionization, that the leading bodies and the contingents of cadres will become younger in average age, more knowledgeable and more specialized. This requires us, through the replacement of the old cadres by the new ones, to

gradually bring about a situation like this: a large number of old cadres will retire and do a good job in passing on experience, giving help and setting an example in training new cadres and large numbers of intellectuals who possess political integrity and professional competence and are in the prime of life and who will be absorbed into the leading bodies at different levels; and the middle-aged cadres who have considerable experience in leadership work and a considerable level of political consciousness but an excessively low level of general knowledge must be enthusiastically encouraged and organized so that they will be determined to take general knowledge courses after work. As far as the structure of the age of cadres is concerned, in the leading bodies of the organs under the direct jurisdiction of the municipality and in the district governments, the outstanding cadres under the age of 50 must constitute a certain ratio; in the leading bodies of the county governments, the outstanding cadres in their forties must constitute a certain ratio. As for the intellectual structure, we must earnestly select large numbers of cadres with a cultural level of higher education and absorb specialists and experts into the leading bodies at various levels. In the leading bodies of the organs at the county level and above, the cadres with a cultural level of higher education (including those who have succeeded in studying independently) must account for more than 50 percent and this percentage must be greater in the economic, scientific research, cultural and educational and public health departments. We must make proper arrangements for and conscientiously take care of the veteran cadres who retire from political life and in daily life.

In the municipal and district leadership systems, in the past there was a phenomenon in which there was invariably over-concentration and excessively rigid control in the leadership at the municipal level and this must be earnestly solved in light of the organizational reform. While ensuring unified leadership and planning, we must expand the power of district governments in administration and management. Effective measures should be adopted to ensure that district and county governments will wield their functions and powers as stipulated by the constitution and the law of organization of various local people's governments and bring into full play their positive and dynamic roles in the construction of the capital.

In regard to the building of political power at the grassroots level, we must change the system of the people's commune which integrates government administration and economic management and establish township governments as stipulated by the constitution and strive to basically complete this work this winter and next spring. Further efforts should be made to establish and perfect and staff and workers congress of enterprises and the grassroots mass autonomous organizations, such as the urban neighborhood committees and the rural peasants' committees, so as to expand the right of the masses of people to manage economic, cultural and social affairs.

/3. Practically and effectively improve the work style and work methods of the government./

Our government organs have exerted a lot of effort in improving their work style and achieved some successes. However, there still exist bureaucratic practices in this respect, such as alienation from the masses, the divorcement from reality, being dilatory in doing wrangling things, having excessive documents, holding re-

dundant meetings and concentrating on formalities to the neglect of practical results in handling some matters.

Our leading organs and leading cadres must try their best to raise their leadership techniques, use their brains and be good in grasping matters of major importance and handling problems; resolutely handle the affairs of which they have already had a clear and accurate appraisal, be bold and good at making decisions, make successes in real earnest, do things in a down-to-earth manner and not indulge in formalities; they must set strict demands on cadres and not be afraid of giving offence, and there must be inspection, supervision, criticism and commecgation in assigning work. Collective leadership must be closely integrated with the division of work with individual responsibility. Leading cadres must carry forward the spirit of boldly undertaking responsibility in everything and being bold in shouldering heavy loads.

Effective measures should be made to cut meetings to a minimum and reduce the excessive circulation of documents. We must not indulge in tedious formalities of official documents, try to solve problems through consultation face to face and must not hold meetings to discuss the problems which can be solved on the spot; we must strictly and responsibly handle matters which can be solved within the limits of our powers and responsibilities; we must hold meetings with due preparation and resolutely not hold meetings which will not solve problems. Government organs must be geared to the grassroots units to conscientiously help the grassroots units effectively solve problems in time.

We must uphold and carry forward the style of conducting investigation and study. Leading cadres of the government and its various departments must be resolute in freeing themselves from tedious matters, go deep into the masses and into the realities of life, conduct a systematic survey, take the initiative to study new developments and solve new problems, sum up new experience and establish new rules and regulations, and must strive to scientifically and comprehensively approach and handle affairs and try to avoid deciding major issue on a subjective basis.

We must carry forward the style of relying on the masses and maintaining close links with the masses. We must earnestly heed the opinions of all sides concerned, consult the masses when matters arise and consciously accept the supervision of the masses of people; and we must do a good job in the work concerning people's letters and visits and strictly and responsibly handle the important problems posed by the people. Efforts should be made to enable the government to become an organ which concerns itself with the interests of the people and wholeheartedly serves the people.

/4. Study a new and steadily raise the political quality and the professional competence of the government personnel./

In order to build a socialist modern powerful country which is highly democratic and civilized, the CPC Central Committee has called on the broad numbers of cadres on all fronts and in all trades and professions to study anew in the new great struggle. On the one hand, they must have a better grasp of Marxism-Leninism-Mao Zedong Thought, which is the theoretical basis guiding their ideas

and all actions, and on the other hand, they must have a better grasp of every branch of the social sciences and natural sciences and a mastery of modern technology and the operational and management science. All office workers must actively participate in study with high revolutionary zeal and constantly raise their political and professional competence so as to suit the needs of their work.

All work personnel of government organs must enhance the consciousness of observing discipline and abiding by the law, observing and safeguarding state laws and decrees in an exemplary way, resolutely implementing the principles and policies of the CPC and the state and earnestly carrying out all decisions of the government. They must highly treasure the good name of government personnel, be faithful in the discharge of their duties and honest in performing their official duties; correctly wield the power entrusted to them by the people, wage struggle against violations of the law and discipline, practicing graft, resign public office for private gain, corruption and theft and of abusing one's power to seek private gain, and be models who safeguard the interests of the state and the people.

Fellow deputies!

Now the people of the whole municipality sincerely hope that the capital will constantly make new progress in the socialist modernization program. We firmly believe that under the leadership and concern of the CPC Central Committee and the State Council and under the guidance of the four-point instructions of the Secretariat of the CPC Central Committee concerning the guidelines for the construction of the capital, so long as the people of all nationalities throughout the municipality unite as one and make concerted efforts and struggle hard, they can completely perform all types of work better than they have in any previous period and can completely overcome all kinds of difficulties on the way to forge ahead and achieve greater advances in future work.

Under the guidance of the spirit of the 12th CPC National Congress, let us exert ourselves, be bold in making innovations, work diligently, quietly immerse ourselves in hard work and struggle for creating a new situation in the socialist modernization of the capital.

CSO: 4006/441

AGGREGATE ECONOMIC DATA

JIANGSU'S JANUARY INDUSTRIAL PRODUCTION INCREASE REPORTED

Nanjing XINHUA RIBAO in Chinese 11 Feb 83 p 1

[Report by Cai Mingde [5591 2494 1795]: "Our Province's January Industrial Production Higher Than Same Period Last Year--But There Are Problems, the Main One Is the Slow Pace of the Reform"]

[Text] Our province's January production was higher than that in the same period last year. The situation is very good, but there are a lot of problems, especially the slow pace of reform. This is the view formed by two responsible comrades of the Provincial Economic Commission after recently separately leading investigation in 11 prefectures, cities, 20 or so counties and more than a hundred enterprises.

Compared to the same period last year Jiangsu's gross output value in January increased 15.7 percent. Both profits and industrial and commercial taxes delivered to the state increased respectively 19 and 17 percent. However, if we subtract the 3-day holidays of the Spring Festival in last January, then the average daily output value this January increased only 5.75 percent, compared to last year.

In January, 80 out of 100 major products of our province increased in output over 1982, among them raw coal and electric energy production respectively by 5.5 and 15.9 percent. Among heavy industrial products, synthetic ammonia, agricultural chemicals, cement, plate glass and walking tractors, etc., and among light industrial products, wool fabric, wool yarn, paper, sugar, wine, bicycles, glass liners of thermos flasks, etc., and electronic products, such as television sets, taperecorders, all have had a fairly big increase in production. The outputs of pure chemical and blend fabric have dropped by 42.5 and 21.3 percent respectively. The output of radios also has dropped somewhat.

Responsible comrades of the Provincial Economic Commission believe that the reason industrial production scored success in January was that the economic readjustment of 2 years ago began to show initial results, and heavy industry picked up fairly quickly. At the same time, many manufacturing and mining enterprises have been actively pursuing the economic responsibility system with contract as its core and have been striving for economic results and giving attention to enhancement of both restructuring and production.

They also made preparations and arrangements for the first quarter production, working on their own initiative.

However, there were also a number of problems in industrial production in January. The main one was that the economic restructuring has not reached the expected requirements. In some industrial departments and related responsible departments there still exist many old ways of thinking and old conventions which are harmful to the implementation of restructuring in industrial enterprises. The work style and working methods of some comrades of responsible departments are not suitable to the new situation in which restructuring is being carried out in industrial enterprises. In addition, the problems on how to arrange, by doing good work, for a good supply of fuel and raw material for enterprises and for good sales of products, and on how to support production development, etc. remain to be studied and improved. The responsible comrades of the Provincial Economic Commission have suggested that the comrades of the local industrial and related responsible departments study seriously the party's guiding principles and policies on economic restructuring and economic revival. They must open up the field of their vision, improve their working style, have the courage to destroy the old and establish the new, actively support the enterprises in their restructuring, and effectively change the situation of "everyone eating in the big pot" where it does not matter whether one is doing a good job or not, and change wrong practices, like "whipping a quick bull." We must grasp restructuring on the one hand, and, on the other hand, the management of production, effectively solve problems in fuel and raw material supply and sales of products, as well as carry out well the link-up of industry and commerce, and industry and trade. Industrial enterprises must grasp firmly, in the course of restructuring, technical transformation, strengthen their assessment of economic results, and strive by every means to contribute more to the country.

12200
CSO: 4006/357

ECONOMIC MANAGEMENT

REPORT ON CONTROL OF ENTERPRISE'S CIRCULATING FUNDS

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 2, 4 Feb 83 pp 2-3

[Article: "Report on Strengthening the Control of Circulating Funds"]

[Text] Editor's Note: "Report on Strengthening the Control of Enterprise's Circulating Funds" by the State Economic Commission, the State Planning Commission, the Ministry of Finance and the People's Bank of China Approved and Transmitted by the State Council on 15 December 1982 To Be Implemented in All Localities.

Economizing on the utilization of circulating funds is a major issue in improving economic results, eliminating waste and solving the current problem of construction fund shortages. In recent years, various departments have begun paying attention to economic results and industrial and commercial enterprises have strengthened the control of circulating funds and speeded up the turnover of funds to certain degrees. However, the situation of excessive occupation, slow turnover and poor economic results of enterprises' circulating funds is still fairly serious at present. In 1981, circulating funds occupied by state-run industrial, communications and commercial enterprises which were covered by the state budget amounted to 317.5 billion yuan. Of which, 35 billion yuan was tied up by overstocked goods, materials and commodities. It is estimated that some 13 billion yuan of loss will be registered. In 1981 the turnover rate of circulating funds in all state-run industrial and commercial enterprises failed to reach the better records of the past. For every 100-yuan output value, industrial enterprises invested 31.7 yuan in 1981, an increase of 3.6 yuan, or 12.8 percent, over that of 1965. In other words, an additional of over 10 billion yuan were used in 1981.

Analyzing the causes of excessive occupation of circulating funds by enterprises, problems requiring immediate solutions are as follows: Some products are planned and arranged to produce more than they can be sold, and production and marketing do not dovetail; some localities, departments and units, proceeding from their own interests, raise production quotas at each level, blindly set up outlets, engage in duplicate construction projects, increase production of high-priced and high-profit products already in abundant supply and force commercial departments to purchase them; in circulation, there are too many links and the flow of circulating channels is obstructed and

some products find no markets; enterprise management is chaotic, commodities, goods and materials are overstocked and wasted and funds are excessively occupied; and in the supply and control of funds, there is no policy to arouse the enthusiasm of localities, departments and enterprises and measures are not effective. In order to change the current situation of excessive occupation of circulating funds, economize on the utilization of circulating funds and speed up the turnover of funds, we must immediately adopt the following measures:

First, strengthen production planning and management and do a good job in the coordination of production and marketing. Regarding products under command plans and products to be produced in certain units on a regular basis, we should effectively arrange marketing plans while arranging production plans and ensure that production and marketing are linked in accordance with the principle of relying mainly on the planned economy and using market regulation as a supplement. When carrying out these plans, we should conduct timely investigations of the market situation and promptly adjust the plans upon discovering that products are oversupplied or not selling well. We should stop the production of products which have been eliminated through competition and restrict the production of products which are already unmarketable. Regarding products under guidance plans and products to be produced in accordance with market regulation, enterprises should keep abreast of market trends, adhere to the principles of adjusting production according to sales and placing orders according to sales and prevent blind production and blind purchases.

Second, strictly forbid unplanned projects of outlet construction and duplicate construction projects and reduce the amount of occupied circulating funds. In building plants and expanding production capacity, all localities must abide by the state unified plan and ask for permission of the State Planning Commission, the State Economic Commission and provincial, municipal and autonomous regional planning and economic commissions. We should close, suspend, merge or retool those long-time money-losing enterprises whose material consumption is high, product quality is low and management is poor, those enterprises whose production is greater than demand and whose products are seriously overstocked, those backward enterprises which compete with advanced enterprises for energy resources, raw materials, transport facilities and markets and especially those enterprises which have been blindly developed to crowd out good quality products with low quality products on the market.

Third, reduce the links of circulation, facilitate the flow of circulating channels and expand the sales of commodities. Commercial, foreign trade and material supply and marketing departments should adopt multifarious buying and selling forms to expand commodity procurement and increase the proportion of readily marketable commodities. Commercial, foreign trade and material supply and marketing departments must not procure products which are not readily marketable, fall short of export standards or are already obsolete, nor should banks grant loans for such products. No central or local department is allowed to force such procurement or grant. Otherwise, they will be considered violating the financial and economic discipline. Commercial departments at all levels should engage in joint efforts with banks in working

out a normal and rational limit for the amount of commodities to be kept in stock for circulation. Funds for above-limit stock must be reported to higher authorities and banks to be approved. If the demand of such funds is irrational, banks should charge more interests on the loan of such funds.

Fourth, reduce the prices of overstocked goods and materials and sell them within a given time. Machinery and electronic and steel products put into storage before the end of 1980 and which need to be sold at reduced prices or discarded as useless must be sold or discarded within the given time in accordance with the related rules and regulations of the State Council. With regard to the goods and commodities which were found overstocked after 1 January 1981, losses caused by discarding, depreciation and readjustment of systems are not allowed to be redeemed from state funds and bank loans. They should be included in the cost of production and the profits and losses of enterprises or be paid with other related funds.

Fifth, strengthen the control of circulating funds and institute a system for examining circulating funds. Beginning in 1983, the Ministry of Finance and the People's Bank of China should set a turnover target of circulating funds (a turnover rate of circulating funds calculated on the basis of sales income) each year, include it in the national economic plan as a command target and have the State Planning Commission transmit it to be fulfilled at all levels in all localities, departments and enterprises.

In light of current situation of production management and price fluctuation, banks, financial departments and responsible departments of enterprises at all levels should jointly work out reasonable quotas for the occupation of circulating funds or limits for the amount of commodities to be kept in stock for circulation and operation for the period of a year. In accordance with the fixed quotas and the requirements for speeding up the turnover of the circulating funds, enterprises should hammer out their circulating fund plan and carry it out at all levels including related administrative and technical offices, workshops and other grass roots units.

In accordance with the fixed quotas for the occupation of circulating funds, and the requirements for speeding up the turnover, banks, financial departments and responsible departments of enterprises at all levels should conduct quarterly checkups on enterprises to analyze the situation of fund utilization and supervise and speed up the improvement of the fund management. They should compare the results of the checkups with the annual plans and make an analysis report at the end of every year.

Sixth, adopt different measures in accordance with different situations in the supply of funds. In accordance with the fixed plan of annual circulating fund occupation, financial departments and banks should organize a rational supply of funds and conduct strict supervision. Regarding projects to help develop production, enliven the economy, expand product sales and improve economic results, projects to increase the production of goods in short supply, projects to retool equipment to produce goods requiring low consumption of energy and raw materials and projects to adopt new technology, new techniques, new equipment, new materials, to produce new products and to

import advanced technology, banks should give energetic support in extending circulating funds and equipment loans.

Financial departments and banks should resolutely refuse to appropriate funds or extend loans in the following circumstances: 1) blind distribution of network outlets, duplicate construction and production plans without approval of the state, provinces, municipalities and autonomous regions; 2) producing and procuring products in abundant supply whose production has exceeded the limited production plan; 3) producing and procuring products which have no markets, consume much energy, have low quality and high cost of production; 4) products which have been included in the list of obsolete items and which enterprises fail to improve in spite of state's order to do so within a given time; and 5) enterprises which the state has decided to close, suspend, merge and retool but which operate as usual and fail to carry out the orders of higher authorities.

Banks should also strengthen the guidance and management of commercial credit. Banks at all levels should give support to commercial credits favorable to developing production, enlivening the economy and expanding commodity sales and commodities which are allowed to be sold on credit, installment plan and advanced payment plan with approval. At the same time, banks should actively engage in guiding and managing this work, strictly abide by disciplines in settling accounts and avoid any delays on both sides. Banks should restrict extending credit to and settling accounts with those enterprises who use commercial credit to promote their sales and, at the same time, continue to produce low-quality and high-priced products and goods manufactured in a rough and slipshod way.

Seventh, strengthen the control of funds for enterprises in light of enterprise consolidation. This is a basis for strengthening the control of all circulating funds. It is necessary to publicize, in accordance with local conditions, the experience of the Capital Iron and Steel Company in establishing the responsibility system of combining responsibility with rights and interests. Collective enterprises which pay taxes to the state instead of paying profits and are run under contracts may use a portion of the profits retained by them after taxes as their own circulating funds. Banks should speed up the turnover of funds for enterprises by carrying out the practice of floating interest rates on a trial basis and rewarding the good and penalizing the bad.

Eighth, strengthen organization and leadership of the work of circulating fund management. Since the amount and speed of the turnover of enterprises' circulating funds is a comprehensive reflection of the efficiency in the process of production and circulation, all circles must coordinate with each other and jointly adopt measures to strengthen management. The State Economic Commission, the People's Bank of China, the Ministry of Finance and commercial, supplies, industrial and communications departments should practice the division of labor, closely coordinate with each other and take concerted action to do a good job in this regard. Beginning in 1983, departments concerned should attend quarterly meetings on analysis of circulating funds, sponsored by the State Planning Commission, to report and examine the

implementation of plans for circulating funds. The State Economic Commission, the Ministry of Finance and the People's Bank of China should sum up these meetings and submit reports to the State Council. The People's Bank of China should establish and perfect the system of assigning credit employees to factories in order to strengthen the management of credit work in grassroots units of the bank and help and supervise enterprises to do a good job in managing and utilizing funds.

12302

CSO: 4006/339

ECONOMIC MANAGEMENT

CPPCC MEMBERS INSPECT BEIJING'S SHOPPING AREAS

OW171242 Beijing XINHUA in English 1157 GMT 16 Apr 83

[Text] Beijing, 16 Apr (XINHUA)--More than 50 members of the National Committee of the Chinese People's Political Consultative Conference (CPPCC) inspected one of Beijing's groceries and three department stores today. This was the last day of their six-day inspection tour in the capital, which started on 11 April. Previously, they inspected industrial enterprises and people's communes on the city's outskirts.

When they visited the Xidan grocery, one of the five biggest downtown grocery stores, they inquired about the responsibility system which is now being practiced in the city's commercial networks.

The grocery's manager Tang Junchuan told the inspectors that according to the contract between his store and the district non-staple food company, the grocery can draw 5.5 percent from the fixed minimum profit that it has to turn over to the state. Eighty percent of surplus profit will go to the grocery. Enthusiasm and sense of responsibility were heightened on the part of the workers.

This is conducive to the improvement of service and increase of volume of business.

The inspectors said that more considerations should be given to stabilizing prices and to consumers' interests.

CSO: 4020/68

ECONOMIC MANAGEMENT

IMPORTANCE OF LEARNING ACCOUNTING DISCUSSED

Guangzhou YANGCHENG WANBAO in Chinese 19 Jan 83 p.2

Article by Gu Sheng [4474 5116]: "Stress on Economic Results Requires a Mastery of Accounting"

Text To do economic work you must be able to do accounting. Personnel working in the fields of financial accounting, planning statistics, and integrated production-supply-marketing, must all understand accounting. It is even more necessary for managers, plant directors, and those in higher positions who control or make policy to understand accounting. Accounting is a basic skill required for forecasting and summarizing economic results.

Mastery of accounting means mastery of the laws of economic activity, and being able to use them to greatly improve economic results. Without accounting, or without skillful accounting, there can be great losses of wealth. In the past economic results in many areas of production and capital construction have been poor: one important reason is inadequate accounting skills. Some persons don't do any accounting and persist in acting blindly; they try to realize a goal which they consider appropriate, but end up with few accomplishments and many failures. Some people don't use reliable data in their accounting and just use estimates or data arrived at through discussion; they decide policy rashly in an unrealistic way: the result is frustration at best. There is a close connection between neglect of accounting, and excessive concentration of management authority and the failure of management personnel to assume economic responsibility. To encourage everyone to pay attention to accounting it is necessary to concentrate on reforming the present system.

Some systems are quite irrational in their provisions. Sometimes the resolution of a problem which requires only a small sum of money is delayed until it requires a large sum of money; sometimes reasonable adaptive measures are illegal, while irrational measures are completely legal, correct, and the relevant regulations are unalterable and accepted as infallible; sometimes it is possible to attain obvious economic benefits by allocating very small and available funds, but to get you have to give, and some regulation prevents this and blocks the proposal; sometimes an economic benefit which could be attained as easily as spitting on your hand is prevented by a regulation, and so it becomes an unattainable wish. Why not do everything in our power to reduce the number of such bizarre occurrences?

Furthermore, sometimes we proceed in ignorance and cause reckless waste or serious losses; we call it "paying our lesson fees" and don't let it bother us. However, it hurts us like the dickens to invest a little money in acquiring knowledge and let more people study science, technology, and management. Little do we realize that investment in knowledge is a case in which "cutting the firewood isn't delayed by taking time to sharpen the knife." Japan's period of recovery after World War II was very difficult; there were many closings and bankruptcies, but education continued to go forward. This prepared much human talent for subsequent development: without this talent Japan's economic development could not have been so rapid. As Lenin pointed out, a country which is flooded with illiteracy cannot build communism. In China at present there are many illiterates and scientific illiterates. A failure to remove this condition will hinder the performance of important tasks. Just think: if our knowledge and techniques are derived from engaging in simple reproduction using ancient methods without a mastery of modern science and technology, how can we talk about building high levels of material and spiritual civilization?

We must practice flexible accounting rather than rigid accounting; we must start from objective economic results rather than clinging to outmoded conventions; we must consider economic results from the point of view of the whole and from the macroeconomic standpoint, rather than calculating from the benefit of narrow interests. Accounting and management skills can open up new sources of funds and create vast wealth. Examples are too numerous to mention. At one time in a certain region there were overstocks of dried cassava: if it were used as an ingredient in brewing liquors, the liquor factories would have to pay taxes and lose money. Of course they didn't want to use the cassava and so no taxes were paid at all. The intelligent solution was to adapt to the situation by reducing taxes so that liquor factories would use dried cassava slices to brew liquor--the problems of overstocked materials and tied up funds were solved, the liquor factories earned some profits, and the tax departments collected much more revenue. An aquatic products corporation in a certain region assisted the peasants in developing fish breeding by initiating the organization of supplies of fry to peasants everywhere. The corporation earned no money, but even paid freight charges. As a result the peasants developed fish breeding and the aquatic products corporation earned a big profit in a rational way by handling fish products. These are examples of wealth which has been won through accounting! Accounting is the basis for the sciences of organization and management. We should use accounting methods to determine whether or not a management organization or system is rational; we should see whether or not the results stimulate the rapid development of the social forces of production and bring about a great increase in social wealth. If the effect is to stimulate, then the system should be maintained; if the effect is to restrict, then we should reform it.

Since the Third Plenary Session of the 11th Central Committee, the improvement of economic results has been emphasized again and again, and everybody pays more attention to accounting in their work. The 12th National Party Congress further stressed getting all economic activity in line with the focus on improvement of economic results. This is an important strategic principle.

The "spendthrift" style of sparing neither labor nor money has always been the method of wastrels; the strategy of attrition has always been the blind method of an army destined for defeat. It has nothing in common with the creative spirit of starting from reality, struggling hard, reckoning carefully, and stressing economic results.

The 12th National Party Congress has issued a call to quadruple the gross annual value of agricultural and industrial production in China by the end of the century. This is an aggregate account for the entire nation. How should the prefectures, departments, and production units design their own plans and conscientiously carry them out while paying attention to the whole situation and stressing the improvement of economic results? This requires precise accounting. Accounting and economic forecasts can clarify the goals of our efforts: we should have a pretty good idea of how to get started, how to proceed, what we should do, and what we should not do. To act after calculating is conscious practice; to calculate after acting is reckless practice. We must do conscientious accounting in order to raise our consciousness and reduce acting blindly.

12187

CSO: 4006/274

ECONOMIC MANAGEMENT

REFORM OF COMMERCIAL MANAGEMENT SYSTEM STRESSED

Guangzhou NANFANG RIBAO in Chinese 28 Feb 83 p 4

[Article by Ma Zhufu [7456 4554 1133]: "A Talk on the Necessity of Reforming the Commercial Management System"]

[Text] In 1980, our province selected general merchandize systems in the two cities of Jiangmen and Shaoguan, the three counties of Dongguan, Gaozhou and Wengyuan and in Guangzhou City as places for carrying out pilot projects on independent authority in expanding commercial enterprises. Following that, there were a number of commercial enterprises throughout the province that successively put management responsibility systems into practice. Up to the present, more than 4700 enterprises and shops have implemented management responsibility systems. This amount to 42 percent of the total number. Although the management responsibility systems have not been in effect for a very long time, there are still many places in which they are not sufficiently perfect. However, we have already seen that implementing reform is markedly effective and that the trend of development is good.

Reform of the commercial management system is a pressing demand for development of objective conditions. The existing commercial system in this country was basically suited to the transformation of privately-owned industry and commerce in the 1950's and to the subsequent demands for [premature] transition [to communism] and for unification of government and business with the result that it gradually evolved. Under conditions of long-term shortages of goods, this type of management system played an important historical role in assuring supply of the basic necessities of life for the masses. However, there were definitely many drawbacks to this type of management system. One was that there was exclusive state management, with limits placed on collective and individual commerce and with various economic modes not being permitted to exist together during the socialist period. There was only one channel of circulation. This created many inconveniences for production and consumption. A second was that there was stifling overcentralization and responsibility for too many tasks, with stress not being placed on using market regulation and with circulation links not being sufficiently unblocked. A third was that in the area of distribution there was "eating from a large kettle of rice," with the doctrine of egalitarianism being promulgated. This smothered the initiative of enterprises and their staff and workers, there was a severe government-merchant work style and the quality of service was poor.

The fourth was that we became accustomed to managing affairs according to old conventions for a long time, stuck to conventions and did not seek to improve. What we wish to point out here is that, of these defects in the commercial management system, those of "eating a large kettle of rice" and implementation of egalitarianism in the area of distribution were the most harmful. This was concretely manifested in monopoly purchase and monopoly marketing by the state and implementation of a large supply system. The mode of business accounting was the reimbursement for accounts system, with some dozen to scores of units assuming unified responsibility for profits and losses. Internal distribution in enterprises was brought to the same level, with staff and workers having "iron rice bowls." Because of "eating from a big kettle of rice" and of implementation of egalitarianism, the initiative of enterprises was hampered in improving management systems and that of service. This also led to a poor state of economic benefit in the part of commercial enterprises. According to statistics, the profit margin in commercial sector systems tended to decrease progressively after 1956. After the "gang of four" was smashed, there was a slight elevation in the commercial margin of profit but it still was at a very low level. The number of units within the nation suffering commercial losses in 1978 amounted to more than 14,000, or 20.8 percent of the total number of independent accounting enterprises. The amount of losses was as high as 2.3 billion yuan.

We were aware at an early time of the problems existing in the commercial management system and a number of reform measures were taken by concerned departments particularly after the Third Plenary Session of the Party. Practice shows that they were effective. When we look at the pilot units in our province in which the management responsibility system was implemented, we find that its effects were manifested primarily as follows. The ropes that had been binding enterprises were loosened, business grew as it continued and the more business that was done the more active it was. The spirit of being masters among workers and staff was intensified and there was a distinct improvement in the quality of service. Independent establishment of enterprises was strengthened and there were continual improvements in the level of enterprise management. The management capacities of enterprises were extended and there was a great change in the appearance of management conditions. Both large department stores and small eating establishments did good jobs of implementing the management responsibility system and outstanding economic benefit was achieved. Sales of the Nanfang Daxia Department Store in 1979 amounted to 65 million yuan, whereas in 1982 they amounted to 160 million yuan, an average annual increase of 48 percent. The increased volume of business over the three-year period amounted to an increase of 150 percent. Before the one-hundred small eating establishments under the jurisdiction of the Guangzhou City Food and Drink Service Company implemented contract management, thirty-seven of the shops had losses. In October 1981, implementation of contract management was begun. In the first 6 months of 1982, business income increased 10.3 percent as compared to the same period for the first six months of the year, fulfilling a payment of profits to higher authorities of 25,000 yuan. Not only were losses eliminated but there was also a profit over the quota of 100,000 yuan. There were also increases in bonuses to workers and staff. These circumstances indicate that reforming the management and administration system of commercial enterprises is a very good thing.

If the commercial management system is not reformed, expansion of agriculture and industry will be retarded. For the past several years, a contract production responsibility system linked to production has been implemented in our nation's rural villages and there has been another great liberation of productive forces in the rural villages subsequent to land reform, with all enterprises flourishing. What is particularly of note that rural villages in many places have smashed the state of economic semi-self-sufficiency, with the commodity economy becoming unusually brisk and with a marked increase in social wealth occurring. Industrial enterprises absorbed the experiences of success with the agricultural production responsibility system, and, with the objectives of increasing socioeconomic benefits and improving the quality of service, a production management and administration system was implemented in which responsibility, authority and benefits were closely coordinated, with the enthusiasm of the workers for production being greatly increased and with the circumstances of industrial production being very good. The rate of development of the light and textile industries especially has been accelerated, there has been a fundamental change in the long-term state of short supply of some industrial products of everyday use and some products are overstocked in inventory. This new situation that has appeared in agriculture and industry has set a new task of adaptation for commerce. Commercial work is in part linked to production and is in part linked to consumption and is responsible for the formidable task of stimulating production and doing an active job of circulation. If a reform of commercial work is not undertaken quickly, some old management systems and modes of administration may impede the development of industrial and agricultural production. In fact, the phenomena of difficulty in selling and difficulty in buying have appeared in many regions because of the defects that exist in the commercial system. As far as our province is concerned, the masses in the cities want to eat pineapples and watermelon and cannot buy them, while the pineapples and watermelon in some production regions cannot be sold. The supply of peanuts in cities and towns is not abundant. However, there is a great overstock in some regions to such an extent that they were subject to mildew and rot. This state of affairs is not beneficial to the consumers and also dampens the enthusiasm of the producers.

If we are to implement reform, the key problem lies in eliminating the influence of "leftist" ideology. In the past, commercial work was deeply affected by "leftist" influence. This severely bound the thinking of the people. If "leftist" ideology is not eliminated, reform will not be possible. At present, we must create public opinion in a large way so that everyone will be clear about the harmful effects of "leftist" things on commercial work and so that they will be clear about the immense significance of reform of the commercial system. We must further free ourselves from old ideas, further relax policy and continue to readjust the structure of commerce in the entire economy. We must be resolute in dredging out urban and rural channels of circulation and we must gradually reform the commodity management system. To be sure, reform of the commercial management system will be formidable and complicated and cannot be accomplished in one step. It will require deep and careful thought and seeking truth from facts and must be undertaken in a planned and step-by-step way. However, we must not be irresolute if we encounter difficulties in the course of reform. Moreover,

we cannot sit down and talk about ways of doing things, just talking and not engaging in practice. All that we need do to do a good job of reform is to conduct careful investigation and research, follow the mass line, be courageous in practice, dare to be creative and have faith in ourselves.

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CSO: 4006/333

FINANCE AND BANKING

UNDUE DECENTRALIZATION IN CREDIT FUNDS USAGE CRITICIZED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 2, 4 Feb 83 pp 16-18

[Article by Qing Xu [0615 2485]: "Centralized Finances, Spur the Economy"]

[Text] To guarantee that the great goal of quadrupling the gross value of industrial and agricultural output by the end of this century, the principle of centralizing funds to guarantee key construction should be conscientiously carried out. Just as Comrade Chen Yun said, "To advance on a backward and poor economic foundation it is necessary to centralize material and financial resources as completely as possible and use them in a unified way." While centralizing the necessary construction funds through financial administration, special attention should be devoted to strengthening centralized unity of bank funds to facilitate centralizing the necessary finances and material to carry out the country's key construction and greet the arrival of the new period of economic development.

Factors Influencing Centralized Unity of Funds

After a discrepancy appeared in the credit revenue and outlay of state banks for 2 consecutive years, the planned revenue and outlay, the balance of currency that could be distributed was limited to within 5 billion yuan and this was an important indicator of change for the better in the economic situation. However, there is still decentralization of bank funds and there are still many factors which affect the bank's centralized unity:

First, control authority of savings deposit funds is not centralized. This is evident in the following areas. 1. Voluntary use of savings deposit funds at the grassroots level. In recent years, implementing the credit fund balance contract has attracted more savings which permitted the issuance of more loans, and thus although bank savings deposit funds increase annually, the savings deposit funds which managing banks above provincial, municipal, and autonomous region level could use under unified control decreased annually. Savings deposits at the People's Bank in Heilongjiang increased 1.01 billion yuan in 1980, 100 million yuan in 1981 and are estimated to increase 500 million yuan in 1982, but the funds over which provincial branch banks can exercise unified control dropped 5.45 billion yuan in 1980 compared to 1979, 1.75 billion yuan in 1981 compared to 1980, and 1 billion yuan in 1982 compared to 1981. With continuing implementation of the credit balance contract planned management

system, this situation should elicit our highest consideration. 2. Large numbers of organizations doing things on their own. Current financial institutions are the People's Bank, the Agricultural Bank, the Bank of China, and the Construction Bank. These banks have not attracted savings accounts, collected funds according to the scope and intent of the division of labor and have severely decentralized the state financial strength. In recent years, some banking sections, financial sections, and enterprise units in Heilongjiang have started trust savings businesses and most of the "long-term unused idle funds" which they have attracted are normal savings which they have removed from the People's Bank. 3. The practice of pooling resources is very common in society and some places and enterprises are using methods such as issuing shares and recruiting workers to pool resources to exploit bank savings deposits. A survey of seven cities and five counties in Heilongjiang Province shows that 80 percent of the society's accumulated resources are enterprises' special fund savings deposits in banks and 20 percent are the masses' savings deposits in banks.

Second, control of state centralized allocation of credit funds is decentralized. 1. The pressure and diversion of bank credit funds is severe. The gross value of fixed assets in Heilongjiang Province in 1981 had increased 7.54 billion yuan compared to 1978, but the self-owned circulating funds of enterprises which relevant sections appropriated dropped from 86 million yuan in 1979 to 44 million yuan in 1981. This created a shortage of self-owned circulating funds of enterprise production and circulation. Currently, bank loans which have been diverted to enterprises because of this have increased to 160 million yuan. 2. Waste of bank funds continues to exist. By the end of November, 1982 in Heilongjiang 2.1 billion yuan in loans were tied up in commercial and industrial enterprise loans for overstocked commodities, and 30.39 million yuan in loans were tied up by enterprises which had been shut down or temporarily stopped operations. 3. Duplicate plant construction makes for duplicate loans. In 1981, there were 21 breweries in the province with an annual capacity which had already reached 1.35 million tons, basically satisfying needs. However, breweries were blindly expanded anyway, and in 1982 had increased to 36, with an annual capacity of over 23 tons [2.3 million tons?] so that duplicate plant construction has duplicated 87.61 million yuan in loans. 4. There are multiple channels for issuing loans. The Agricultural Bank issues loans to enterprises which do business with the People's Bank; the Ministry of Finance issues loans to enterprises which petition banks for loans; tax departments and foreign trade departments also issue loans to enterprises.

Third, control over issuance of currency is not strict. Problems which have now appeared are: 1. Capital construction investment outside the plan expands the issuance of money. Investment in capital construction ultimately becomes money in circulation, and if capital construction investment exceeds the capabilities of state financial and material resources then it increases the issuance of money outside the plan and thus expands the disparity between gross sales of goods and volume of circulation in the market. The money put into people's hands through bank outlays for capital

construction investment outside the plan in Heilongjiang for 1980 and 1981 was more than 1.1 billion yuan. 2. Money paid irrationally to individual peasants for purchase of agricultural sideline goods increased the cash in circulation. Twenty percent of the 2.1 billion yuan paid to peasants for agricultural sideline goods in Heilongjiang in 1981 and 1982 was paid out under conditions where the agricultural commodity requisition index was set too unreasonably. 3. Issuance of employee bonuses is also out of control. In 1981 and 1982, the bonuses paid out through banks in Heilongjiang was 800 million yuan, but according to investigations, the actual amount that was paid out to individual employees as bonuses in the province during these 2 years is estimated to be 15 to 30 percent more cash than the amount the banks paid out.

How to Realize Centralized Unity of Bank Funds

According to the economic strategy deployment set by the 12th Party Congress, if we cannot centralize appropriately bank funds, strengthen key construction centered on energy and communications, and promote the technological transformation of existing enterprises in the first 10 years, then the economic upsurge in the second 10 years will come to naught. Therefore, we must fully mobilize the initiative of banks at all levels from the center to the grassroots level, thoroughly implement the thinking that the whole country is a chess game, strengthen suitably the managerial jurisdictions of main offices and provincial branch offices, centralize bank funds, and promote the smooth completion of national key economic construction. We propose that measures be adopted in the following three areas:

1. Authorize the main office of the People's Bank to control the amount limits of issuing currency. With the development of production and circulation each year, the state should appropriately increase the volume of currency issued to the market. Currently, the increase in the amount of money in circulation in the market has outstripped the increase in social production and commodity circulation to be beneficial for turning the national economy towards a favorable cycle, and the People's Bank should control the amount of money issued strictly: (1) The deficit which banks issue notes to cover should be handled by balancing revenue and expenditure. (2) With regard to imbalances between credit revenue and expenditure of special banks at various levels, the main office of the People's Bank should supervise and urge them to actively organize deposit income, expand sources of credit funds, and cut back on granting loans, but it is not possible to rely on increasing the issuing of money by the People's Bank as a solution. (3) The authority of the People's Bank to issue money should be safeguarded by law. How many notes the state can issue each year should be discussed by the Standing Committee of the National People's Congress and once approved should be safeguarded by state law so that no individual or department can willfully order the People's Bank to issue more notes outside the plan.

2. Within the limits of macro-economic decision making, the People's Bank main office and the provincial, municipal, and autonomous region branch offices should manage and use credit funds well. First of all, the People's Bank main office and provincial, municipal, and autonomous region branch offices should uphold the principle that credit is centralized

in the banks and that the People's Bank exercises centralized control over credit nationwide. No individual or department or enterprise unit can operate savings and loan business. Secondly, it is necessary to close gaps in the distribution of credit funds. In accordance with the situations and problems of different periods of economic development in the nation, the People's Bank should report to the State Council and the Standing Committee of the National People's Congress at specified periods and make public to the entire nation stipulations on the scope, policies, conditions, time limitations, and supervision of handling of loans by special banks. It is necessary to make clear the economic responsibilities of banks of various kinds and at various levels and strive to manage and use loans wisely. Thirdly, the gap should be closed in credit balance contracts.

The state comprehensive credit plan is annually presented to the National People's Congress Standing Committee and after it is discussed and approved it is transmitted by the People's Bank main office and branch offices to various kinds of banks at various levels for implementation. At mid-year if the special banks' credit funds are insufficient, the People's Bank has the authority to make adjustments between special banks; however, at year-end if credit funds of special banks are insufficient, the People's Bank has no authority to make adjustments and must report through the State Council and the Standing Committee of the People's Congress for a decision. Fourth, it is necessary to control the national "money market." The People's Bank should specify a rate of the demand deposits and time deposits which special banks have attracted to be transferred to the People's Bank as a cash deposit. Depending on the need for funds in the national economy at different times, after approval by the State Council the People's Bank could use the method of raising the cash deposit to reduce credit or lower the cash deposit to expand credit to advance as soon as possible the national economy towards a favorable cycle.

3. Uphold the principles that the whole country is a chess game and strive to centralize funds to guarantee key construction. In line with stipulations of the State Council, the collection and distribution of credit funds and issuance of money of the entire nation should be unified in the People's Bank at the central level and the level of province, city and autonomous region. This is urgent. On the foundation of improving the national banking system, it is also necessary with the consolidation of preliminary results at bank credit fund management system restructuring to adopt suitable measures, and depending on actual circumstances to readjust the range of authority to distribute credit funds. At present, the credit fund balance contract method is only suited for provincial, municipal, and autonomous region branch banks. Provincial, municipal and autonomous region branch banks should carry out the principle of the union of edict type planning and guidance type planning as far as the credit fund management of grassroots level banks are concerned. Provincial, municipal, and autonomous region branch banks should adopt a variety of administrative and economic methods to guide grassroots level banks to use the credit funds under their control for enterprises which the nation urgently needs to develop, especially for enterprise equipment renewal and technological

reform. In the future, banks should have a reasonable division of labor, key enterprise, key project, key engineering, as far as the direction of fixed asset loans is concerned and should allow provincial, municipal, and autonomous region branch banks to review and arrange for the loans. However, provincial, municipal, and autonomous region branch banks must strictly control their own totals. Centralizing bank funds appropriately is definitely something which cannot be done by the old rigid ways of the past but must consider the reasonable rights and interests of the grassroots level bank. This is to ensure that they have the necessary autonomy and can resolve according to local conditions those matters which it is not appropriate for the main office, provincial, municipal, or autonomous region branch offices to resolve, making it better to give full play to their initiative. The most important thing is to resolutely suppress the decentralization and waste of national credit fund enterprise loans and to bring credit funds to support the funding needs of the country's key development enterprises and projects.

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CSO: 4006/340

FINANCE AND BANKING

BANK LOANS FOR RURAL CONSTRUCTION REPORTED

Fuzhou FUJIAN RIBAO in Chinese 15 Jan 83 p 3

[Article by Chen Mingxun [7115 6900 8113] of the Fujian Agricultural Bank and Bao Jinxiang [0545 6855 4382] of the Fujian Construction Bank: "Providing Funds for Expanded Reproduction in Agriculture: In Four Years the Fujian Agricultural Bank Has Allocated Over 110 Million Yuan in Loans for the Construction of Small Hydropower Stations, and the Fujian Construction Bank Has Invested 28 Million Yuan in Agricultural Capital Construction"]

[Text] In order to support the construction of small hydropower stations by rural communes and brigades, the Fujian Agricultural Bank has allocated a total of over 110 million yuan in loans in the 4 years since its reestablishment. It has helped to build 2,011 small hydropower stations with a total installed capacity of over 290,000 KW; these stations account for 38 percent of the total installed capacity of small hydropower stations in Fujian Province.

The Fujian Agricultural Bank chooses projects to support by applying the principle of selecting the best. It actively assists communes and brigades which lack funds to set up power stations, basing its selection on the hydroelectric resources and production needs of the area. In the last few years the Agricultural Bank of Yongchun County has allocated 2.44 million yuan in loans and has already helped to build 240 power stations. The construction plans for the suburban Wolong Power Station were too ambitious: after work started problems arose concerning labor and funds, and the project was about to be abandoned. Comrades from the county Agricultural Bank made an onsite investigation and a timely loan of 30,000 yuan; they also helped revise the construction plans. Soon the project was back underway and completed. It is now part of the power grid and generates annual revenues of over 20,000 yuan--the loan was fully repaid in only 2 years.

Responding to the spirit of the instructions of leading comrades of the Central Committee concerning the development of small hydropower stations, and guaranteeing the improvement of economic results from its loans, the Fujian Agricultural Bank has recently made the following decisions: (1) To give preference to supporting projects currently in progress, to step up construction on existing power stations, and to fund the extension of the power grid. (2) To energetically support those communes, brigades, and masses who are

in need of funds to substitute electric power for plant fuels, diesel oil, gasoline, or coal, or for use in daily life for such purposes as culture, illumination, cooking, cooling and heating. Special attention should be given to the old revolutionary bases, minority regions, and border regions which lack funds for electric power construction.

(Chen Mingxun of the Fujian Agricultural Bank)

In the last 4 years the Fujian Construction Bank has invested over 28 million yuan in capital construction, stimulating expanded reproduction in agriculture and the development of agricultural education.

Since 1979 we have helped to build altogether 9,700 m² of seed grain storage in Fujian, with a capacity of 13 million catties. We have taken preliminary steps to improve production conditions at 38 seed multiplication farms. In Fujian Province we have set up 7 prefectural (or municipal) stock breeding stations and 33 county artificial insemination and veterinary diagnostic stations, thereby taking the first steps toward setting up a livestock breeding extension system. By investing in and supporting production expansion in the state farms, in 1979 we helped to turn around the losses which they had suffered for a prolonged period: profits in 1981 reached a total of 7.1 million yuan. With the assistance of state funds, prefectural agricultural schools such as those at Jianshang, Jinjiang, Longxi, Longyan, and Ningde, were rebuilt and expanded. The number of students at the agricultural schools has increased by 94 percent since 1978. These agricultural schools also undertake the training of agricultural management cadres at every level.

(Bao Jinxiang of the Fujian Construction Bank)

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FINANCE AND BANKING

RURAL BANKING SYSTEM TO BE RESTRUCTURED

Lanzhou GANSU RIBAO in Chinese 8 Feb 83 p 2

Article: "Strive to Create New Conditions in Rural Financial Work; The Provincial Rural Banking System Will Be Restructured in Ten Aspects"

Text: The Gansu Province Branch of the Chinese Agricultural Bank recently held a conference of branch bank managers from throughout the province at which a conscientious study was made of the major speech of Comrade Hu Yaobang, "Problems of establishing and restructuring the four modernizations" in which it was linked with actual conditions in rural financial work in our province and discussions were held. A resolution was made to break out of old practices and to be firm about restructuring the entire system in an orderly way. At the conference, it was decided to concentrate on the following ten aspects of restructuring this year.

1. To change the negative, conservative practice of equilibrium in which little was expended and little was earned, under the premise of actively supporting the expansion of agricultural production to break away from old conventions and old customs in regard to recipients, uses, time limits and amounts of loans and to work hard for comprehensive development of agriculture, forestry, animal husbandry, sideline enterprises, fishing and rural industrial, commercial, transport and service businesses.
2. To change the system of unified revenue and unified expenditure in fund management to one of "integrated planning, decentralized management, linking savings with loans and assuming responsibility for balances."
3. To change from the method of loan management without reference to time limits to a method of management according to time limits.
4. To change from the old custom of "letting out money in the spring, collecting it in the fall and not making loans in winter" to letting it out throughout the year and collecting it throughout the year.
5. To change from holding fast to linking money and material to comprehensive improvement of economic benefit. That is, we must make good as quickly as possible and we must also establish a long-range foothold.

6. We must restructure the credit cooperative management system and gradually restore their "three characteristics" (having a mass character organizationally, having a democratic character in management and being flexible in operation).

7. We must restructure the overlapping of organs and change from the separate operations of [rural] savings banks and credit cooperatives to a joint operation.

8. To change the old custom of "eating from a big kettle of rice" and to carry out the comprehensive implementation of a management responsibility system in which responsibility, authority and benefits are linked.

9. To change the practice of granting loans relying purely on loan receipts and combine loan receipts with loans.

10. To restructure the statistical report forms which are out of line with actual current practice and establish a scientific and systematic statistical system.

The provincial bank and branch banks will draw up concrete implementation plans on the basis of these general provisions.

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CSO: 4006/333

FINANCE AND BANKING

BRIEFS

JILIN TAX REVENUE--Jilin Province has set a record in its industrial and commercial revenue. As of 10 March, the industrial and commercial tax revenue reached 264.26 million yuan, an increase of 7.5 percent--18.47 million yuan--over the corresponding 1982 period. [Text] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 31 Mar 83 SK]

CSO: 4006/440

MINERAL RESOURCES

BRIEFS

SHANDONG GOLD MINING--Shandong Province overfulfilled the first quarter's old mining plan by 13.2 percent. A 13.1 percent increase over the corresponding 1982 period. [Text] Jinan Shandong Provincial Service in Mandarin 2300 GMT 2 Apr 83 SK]

CSO: 4006/440

INDUSTRY

SHIPPING COMPANY RAISES PRODUCTION, EXPORTS

HK190517 Beijing RENMIN RIBAO in Chinese 16 Apr 83 p 1

[Report by Wang Tianduo [3767 1131 6995] and Zhang Shihong [4545 0013 7703]:
"Shanghai Shipping Company Raises Production all Round"]

[Text] Shanghai Shipping Company has adhered to the spirit of "funding imports with exports and importing equipment to facilitate the development of exports" and thus raised the technical quality and functions of some of its products to an advanced level.

After the company received order for big ships from abroad, it jointly designed these ships with foreign designing companies and introduced advanced technology and key equipment. As a result it has promoted the technical transformation in its shipyards and successively produced type 6 RN D68M low speed diesel engines, a technically advanced engine of 10,800 horse power; 16,000 ton automatic multipurpose cargo ships and 12,300 ton automatic container ships. The "Zhang Hen" and "Huo Duo," two 16,000 ton multipurpose cargo shops powered by China-made diesel engines have been well received in the world and have gained an increasingly good reputation for their satisfactory technical quality.

Over the past 4 years, the shipyards of the company have had technical and commercial contacts with manufacturers and trades of more than 20 countries and have already received orders for the export of 66 ships with a total tonnage of over 600,000 tons. Moreover, they have used their retained foreign exchange to introduce foreign technology and have combined the introduced technology with the scientific and technical potential that they have tapped within their enterprise in order to increase their capacity for export.

CSO: 4006/442

INDUSTRY

REFORM OF SHANGHAI'S COMMERCIAL STRUCTURE DISCUSSED

Shanghai SHIJIE JINGJI DAobao in Chinese 21 Feb 83 p 10

[Article by Lu Muyun [7120 1970 0061]: "Discusses the Reform of Shanghai's Commercial System: Testing in Selected Points Will Start in the First Half of This Year and Will Be Fully Spread in the Second Half of This Year. The Purpose of the Reformation Is to Break Unadaptable Links and Only by Doing So Will a Breakthrough be Achieved; To Promote Production, Exchange, Distribution and Consumption; To Bring Advance in Economy; and To Activate the Overall Situation by Means of Commercial Reform"]

[Text] The general principle in the reform of Shanghai's commercial system is "proceed from the reality of Shanghai to carry out fully and systematically, resolutely and in an orderly manner the management responsibility system which centers around contracts," said Lu Muyun, President of the Shanghai Society of Business Economics, at the Spring Greeting party held by the Society Council.

Bigger Breakthroughs Must Be Made This Year

Lu Muyun said that Shanghai is the largest industrial as well as the largest commercial city in China. It has 500,000 commercial staff and workers, 350,000 of whom are in the city itself while 100,000-odd are in suburban counties. There is a great deal of work that must be done with respect to commerce. The reform must proceed from this actual situation and must be guided according to these circumstances, and spread to all of commerce in a systematic fashion. Various kinds of management responsibility systems centered around contracts should be established based on different systems of ownership, different trades, different scopes and different working foundations. We will launch pilot projects in the first half of this year, and extend them to the rest of commerce in the second half of the year. We should make a relatively big breakthrough in 1983. The steps in the reform are "3 firsts and 3 thens"--first restructure the collective-owned units and then the state-owned ones; first restructure the small and medium-sized establishments and then restructure large ones; first restructure the trades which supply mainly labor services such as catering food and drink, repairing and fitting, and tailoring, as well as the food markets which have a close relationship with the people's livelihood, and then restructure trades which engage in pure commerce. The reforms must be tested and must then be implemented gradually.

Lu Muyun said that the implementation of the contract system has been the most important reform in the commercial management system since 1956. This reform has been demanded of commerce by the unprecedented and great developments in the urban and rural commodity economies. It is also a component part of and point of breakthrough for the reform of the whole economic management system and is extremely significant. We must have a sober sense of urgency in our spirit. At present, there are a number of problems in Shanghai's commercial units caused by the management system. The reform of commerce means untying the ropes to free hands and feet to make the necessary breakthroughs. It also means promoting production, exchange, distribution and consumption through commercial reform, advancing the economy and enlivening the whole situation.

Benefits to the State, the Enterprises, the Staff and Workers, and the Consumers

Lu Muyun said that the greatest advantage of carrying out the responsibility system centered around contracts in commerce is that it is advantageous in the better integration of the responsibilities, rights and interests of the enterprises. Based on this premise, more business will be done, which will ensure increases in income for the state, the enterprises, the staff and workers. At the same time, improvements in the operating style and the attitudes of workers might well satisfy the consumers. Therefore, only through the correct handling of the interests of the state, the enterprises, the staff and workers, and the consumers, with increases in state revenue and consumer satisfaction as top priorities, will the greatest economic results possible of the contract system be achieved.

Lu Muyun said that the content of the reform of the commercial system is very diverse, and that he hoped that all scholars of economic theory and all workers in Shanghai will exert themselves in investigating and studying it theoretically and practically and put forward their own proposals.

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CSO: 4005/353

INDUSTRY

SHANXI METALLURGICAL INDUSTRY OUTPUT NOTED

Taiyuan SHANXI RIBAO in Chinese 21 Jan 83 p 2

[Text] Table comparing the output of important metallurgical industry products in 1981 and 1982.

	<u>1981</u>	<u>1982</u>
Steel	100%	108.2%
Iron	100%	102.3%
Copper	100%	119.4%
Aluminum	100%	102.3%
Ores	100%	116.3%

CSO: 4006/274

INDUSTRY

PROBLEMS IN TECHNOLOGY IMPORTS ANALYZED

Shanghai SHIJIE JINGJI DAobao in Chinese 28 Feb 83 p 10

[Investigation report by Reporter Mei Mingyang [2734 2494 2254]: "How To Speed Up Local Technology Import--It Is Better for the Industrial Departments To Take Charge of Negotiating and Signing Contracts With Foreign Countries"]

[Text] This year Shanghai's machinery and electronics bureau has 80 items of technology to be imported. Some 33 need to be screened and approved by local authorities. Negotiations and signing of contracts are also supposed to be organized by local authorities. Contacts and negotiations with foreign businessmen have been made on most of these items, and eight contracts need to be signed promptly. Who is the appropriate person to sign the contracts with foreigners? This is still being debated. One opinion contends that since Shanghai is doing business with foreign countries, the municipal foreign trade department should doubtlessly be responsible for signing the contracts. Another opinion contends that it should be done by the foreign trade organ which combines industry and foreign trade, because this organ also belongs to the foreign trade department. Both opinions have sharply raised the question of how can the existing import and export system and structure be used to form powerful organs needed to speed up domestic construction. If this question is not solved promptly, it will inevitably become a serious obstacle in opening a new phase of technology transfer.

In a broad sense, technology transfer is a foreign trade activity. But it differs from general trade of capital and merchandise. On the one hand, technology transfer, as a type of foreign trade, is a kind of scientific exchange activity in which the process is important, different circles and ranks are involved, the kind of technology is emphasized, contracts are long term and the payment procedure is complicated; contract terms and rules in this regard are also different from that of traditional commercial foreign trade activities; and it has never been an international practice to include such technology-oriented trade in capital and merchandise trade statistics. On the other hand, such technology-oriented trade is not a simple commodity business. It more often than not involves both contracting parties in each situation that arises in the course of fulfilling the contract and requires the close cooperation of both parties, such as in the exchange and training of technical personnel, in the resale of patent rights and contract products, and so on. Therefore, contractors must have the technical and economical conditions, equipment, personnel, message feedback system and technological maintenance after the sales necessary to fulfill the contracts.

He who is responsible for signing such technology transfer contracts will be held responsible for solving the series of specialized, technical problems that pertain to each of the contracts. It is impossible for general foreign trade departments to have the conditions necessary to do so. But special foreign trade organs which combine industry and trade and were established by industrial departments in recent years cannot only function as foreign trade organs but also guide production and promptly reflect the market trend of export products onto production departments because it itself is a component part of industrial production. This salient feature is what general foreign trade organs do not have.

Increasing the ratio of machinery and electronic products in the total export volume is a basic policy of the "Sixth 5-Year Plan" of our country. In the work on technology transfer, giving full play to the initiative of industrial departments in trading with foreign countries cannot only prevent blind import, improve import efficiency and arouse the enthusiasm of plants and enterprises toward exporting and earning foreign exchange. It is also a valuable attempt to reform the existing import and export system and structure. Industrial departments also have a strong desire to do so.

I have visited relevant committees, offices and industrial bureaus, all of whom held that rational solutions should be worked out in the spirit of reform. They made the following suggestions: 1) With regard to local technology transfer business, local industrial departments and their trading companies should be held mainly responsible for signing contracts with foreign countries; 2) negotiating, signing and fulfillment of contracts of other types of technology transfer should also be continuously and constantly handled mainly by the relevant industrial departments and their trading companies; and (3) the relevant industrial departments and their trading companies should continue to be held responsible for additional imports of equipment and the resale of contract products after the initial technology transfer.

12302

CSO: 4006/351

INDUSTRY

BRIEFS

CHEMICAL PROJECTS INVESTMENT--Beijing, 6 Apr (XINHUA)--China's capital outlay for 14 big imported chemical projects has been recouped, according to the chemical industrial department. These projects, started between October 1973 and November 1974, cost 5.75 billion yuan to build. They include machinery and equipment for 13 chemical fertilizer plants and 1 ethylene plant, imported from Japan, the United States and France. They went into operation in 10 provinces and Beijing, Guangzhou and Nanjing between May 1976 and September 1979. By the end of the first quarter of this year, the Ministry of Chemical Industry said, the profits and taxes delivered by these enterprises had amounted to 6.72 billion yuan, well exceeding the total investment put in. [Text] [Beijing XINHUA in English 0825 GMT 6 Apr 83 OW]

CSO: 4010/55

DOMESTIC TRADE

LEADING ROLE OF PLANNED PRICES DISCUSSED

Beijing JIAGE LILUN YU SHIJIAN [THEORY AND PRACTICE OF PRICING] in Chinese
No 1, 20 Jan 83 pp 9-11

[Article by He Jie [0149 2638]: "Bring the Leading Role of Planned Prices Into Play"]

[Text] The 12th CPC National Congress put forward the correct and thorough implementation of the principle of relying primarily on the planned economy supplemented by market regulation. How does the handling of prices reflect this principle? In the light of the actual conditions of Guangdong Province, I will discuss some of my realization and understanding.

Looking back to the period since the 3d Plenary Session of the 11th CPC Central Committee, the handling of prices in Guangdong has taken a big step from the past price system of stifling overcentralization and excessive rigid control. In theory and ideology, our past "leftist" error in handling prices has been corrected. Attention has been given to the law of value, and the role of market regulation has been emphasized. In readjustment work, the procurement prices of agricultural and sideline products and the selling prices of the eight major nonstaple foods have been raised by a relatively large degree. The prices of some raw materials and fuels have been readjusted. And the prices of cigarettes and liquor have been readjusted upwards while the price of synthetic cotton cloth has been reduced. In the system of management, the three categories of products have been expanded. The jurisdiction over price control for some products has decentralized. Negotiated procurement and sales of agricultural and sideline products have been started. And the free price system of country fair trade has been restored. Experience has shown that this is the correct direction, and that significant results have also been achieved. This type of readjustment is in conformity with the laws of economics, especially the requirement of the law of value. It has corrected the long-standing condition that the prices of some commodities deviated from their values, and have produced the effects of pushing forward production, enlivening the economy, regulating supply and demand, and satisfying needs. Production has developed, commodities have become abundant, the market has become alive, and the people's livelihood has also improved. This main trend cannot be refuted.

However, one problem that we must conscientiously pay attention to is the increase of market prices. In the last 3 years, we have adjusted the irrational prices which had existed over a long period of time, and have started negotiated

procurement and sales and restored country fair trade under a condition of supply not meeting demands. Objectively speaking, some increase in the price level is unavoidable under such circumstances. As long as the improved level of the people's living standards is greater than the increased level of prices, it can be accepted by the masses. Nonetheless, we must also clearly see the shortcomings and errors in our work. An important mistake of our price control in the past was to singularly emphasize planned prices, neglecting the role of market regulation resulting in stifling overcentralization and excessively rigid control. In the last few years, we have paid attention to the law of value and emphasized market regulation. This is entirely necessary. However, in the process of implementation, we have lacked a proper understanding of the relationship between the planned economy and market regulation. In the economic activities relating to industrial and agricultural production and circulation, various degrees of incorrect ideology and practices, which weakened or even departed from the planned economy, existed. This dealt a blow and weakened the leading role of the state-owned economy. At one time, market regulation was overemphasized. Planned prices were not placed in the leading position that they deserved to be placed in, and market regulation under the guidance of state planning was not emphasized. In the process of price readjustment, the steps taken were a little too large and the range for price negotiation was a little too broad. Furthermore, after the relaxation of policy, we did not keep up with our control measures. Thus, the tendency toward price liberalization appeared to a certain degree, dealing a blow to and weakening the leading role of planned prices and affecting the stability of market prices.

There are many reasons for the high level of prices in Guangdong Province. The basic reason is the inability of production development to keep pace with the increase in purchasing power. However, the broad area and large proportion of price negotiations is also an important reason that the price levels in Guangdong are higher than in the rest of the country. In 1981, the price level in the province increased by 9.3 percent, of which the price negotiation factor accounted for 5.9 percent. In terms of total procurement value of agricultural products, negotiated procurement accounted for only 16.7 percent in 1979 but increased to 34.1 percent in 1981 and 50 percent in the first half of 1982.

Negotiated sales of industrial and agricultural products accounted for only 5.8 percent of the total turnover from retail trade in the entire economy in 1979 but increased to 23 percent in 1981 and 25.2 percent in the first half of 1982 (only 3.7 percent for the entire country in 1981). Although the levels of list prices and negotiated prices have been stable, our computation shows that if the proportion of negotiated prices in the province increases by 1 percent, the general price index will increase by 0.46 percent. Thus, controlling [the amount of commodities for] negotiated prices is an important condition for maintaining the basic stability of the entire market price. Besides adopting a comprehensive treatment, the principle of relying primarily on planned adjustment supplemented by market regulation must be thoroughly carried out and the relationship between planned prices and free prices must be correctly handled if the basic stability of prices in Guangdong is to be maintained. The positive measures should be to vigorously develop the production of planned commodities on the foundation of improving understanding, to actively increase the

proportion of procurement of planned commodities, and to exert maximum efforts to properly handle the supply of planned commodities. At the same time, the range, proportion, and prices of commodities for negotiated prices must be suitably controlled, so that rational proportions are maintained in the production, supply, and sales of planned commodities and the leading position of planned prices is established.

When we emphasize market regulation, it would be wrong to attempt to get away from the guidance of state planning, to weaken the planned economy, and to not adhere to the direction of socialism. However, it would also be wrong to deny the role of market regulation and to backtrack when we emphasize the planned economy.

How to develop and realize the supplementary role of market regulation while practicing the planned economy is an important theoretical problem in our price control and it is also a problem urgently awaiting study and solution in our actual work. I believe that we should first solve the problems of why planned prices must be mainly relied upon and of how to develop their leading position.

Planned economy is the characteristic of the socialist economy and planned prices are a component part of the planned economy. The formulation of a specific price is not determined by subjective will. It is determined by the law of the development of commodity production. When capitalist commodity production developed from its initial stage to the monopoly stage, it went through the three basic forms of free market price, production price, and monopoly price. Socialist commodity production is established on the foundation of the public ownership system and objectively requires that a form of planned prices corresponding to the planned economy must be established. Consequently, adhering to the planned economy and persisting with a corresponding form of planned prices are the requirements of historical development.

Socialist planned prices reflect comprehensively the basic economic laws of socialism and the law of planned and proportionate development and the law of value. To implement planned prices is an important means to achieve the planned economy. The planned and proportionate development of the national economy and the production and exchange of commodities are achieved through the rational establishment and readjustment of planned prices. The socialist national income and distribution must also be based on planned prices. The basic stability of market prices can be maintained only if the state holds authority over the establishment and adjustment of prices of important commodities which affect the people's livelihood and production. Thus, only by practicing planned prices can socialist economic construction be moved forward effectively.

To develop the leading role of planned prices, we must consciously utilize the law of value and correctly establish planned prices, so that planned prices generally correspond to values. Prices which are irrational must be adjusted immediately and in a planned way. We must avoid irrational prices which create large differences in profit levels, affect the development of production, and lead to disproportions in our national economy.

Currently, the planned prices of some products cannot be put into effect entirely. This is because the prices are not based on values and are lower than values. There are difficulties in raising their prices now. Thus, some remedial methods are adopted, such as implementing the policy of [setting] procurement and retention proportions and the adoption of a dual pricing system, and added prices or negotiated prices for extra-plan products. The result is that the position of planned prices and planned economy has been affected by some nonplanned prices. As a long-term policy, these measures are worth studying.

In order to establish the leading position of planned prices, the proportions of product varieties to their output value must be reflected. The superiority in proportional weight for planned prices must be maintained in industrial and agricultural products affecting the national economy and the people's livelihood, especially important raw materials, energy resources, and the people's basic daily necessities, as well as products primarily under planned production of ownership by the whole people. Although the products for planned prices are not many, their output value must account for a large part of the total output value. What is a rational proportion requires further investigation and study. Generally speaking, the proportion should be a little larger for the classes 1 and 2 industrial and agricultural products and materials in critically short-supply, which are under the ownership system by the whole people, which are produced and circulated on a national basis, and which closely affect production and livelihood. The proportion may be smaller for class 3 agricultural and sideline products and small commodities under collective ownership, products produced and marketed locally, commodities with large fluctuations of supply and demand, and the commodities without any major impact on the people's livelihood.

To persistently maintain the leading position of planned prices, we must also strengthen administrative intervention and economic legislation, and persistently maintain the seriousness of planned prices. For this, we must establish the authority of the price departments, we must depend on and mobilize the masses, and we must deal harshly against conduct in violation of price policies and discipline according to the "Provisional Regulations on Price Control" and carry out price control according to law. Only in this manner can we guarantee the thorough implementation of planned prices.

In order to bring the supplementary role of market regulation into play while implementing planned prices, we must solve the problem of the price control system. I believe that we should adopt a multiple-layer price structure. The entire socialist price system may be divided into three sections according to the different effects that commodities have on the national economy and the people's livelihood.

The first section covers the planned prices established by the state. They are established by the state on the foundation of the social values of products and based on the policies of the party and the state and market supply-demand conditions. They are the main body of the market prices. They [should] account for over 80 percent of the total turnover from retail trade in

the entire economy. This section includes the planned prices of classes 1 and 2 industrial and agricultural products, state established prices for some of the class 3 products, the prices of import and export goods, and important standard fees affecting the people's livelihood.

The second section covers prices established by enterprises within the limits stipulated by the state. This is to meet the current restructuring of the economic system which recognizes the relative independence and the right to self-management of enterprises. Enterprises establish their own prices within the limits provided for by the state. They include the floating prices established by enterprises within a certain range, negotiated buying and selling prices, and the prices set through negotiations between industrial and commercial enterprises. Prices in this section belong to a flexible form of prices between planned prices and free prices. They are restricted by state policies, laws and decrees, variety range, profit level, pricing principles, limits of price latitude, and limits of authority over management. Because of the different degrees of state planning, some of them are basically within the boundary of planned prices, such as the floating prices and the negotiated prices of classes 1 and 2 agricultural products. Some are basically within the boundary of free prices, such as the prices set through negotiations between industrial and commercial enterprises and the negotiated prices of class 3 agricultural and sideline products. Price formulation in this section is an important component part of the entire price system. It has an active effect on giving play to the role of market regulation. Without this middle section, the boundary of planned prices would be too overextended which could result in stifling over-centralization; and the boundary of free prices could also be overextended which could result in confusion.

The third section covers country fair trade prices. These prices are spontaneously regulated by the law of value and the law of supply and demand. They are free prices. However, they fluctuate under the guidance of state planning, and differ from the free prices under the capitalist system. Although the products are numerous, they account for only about 5 percent of the total turnover from retail trade in the entire economy.

While implementing planned prices, we must also bring the role of free prices into play. This is because our current economy is a socialist commodity economy. Commodity production and commodity circulation still exist and the law of value still has its role. Since there are many forms of ownership in the socialist economy (i.e., ownership by the whole people, collective ownership, and individual economy), unavoidable and different degrees of self-regulating effects of the law of value exist. Moreover, there are tens of thousands of products in the entire economy, their varieties of colors and designs are numerous, and changes in demand are great. Not only is it unnecessary but it is also impossible to include all of them under planned prices and practice unitary planned prices.

5974

CSO: 4006/338

DOMESTIC TRADE

BEIJING DEPUTIES URGE COMMODITY PRICE CONTROL

OW101138 Beijing Domestic Service in Mandarin 0400 GMT 8 Apr 83

[Text] JINGJI CANKAO BAO reports: At the first session of the 8th Beijing Municipal People's Congress held recently, many deputies stated that the people were dissatisfied with the confused situation in price and market control during the spring festival period. The deputies said: The people have shown much discontent over unauthorized price hikes for vegetables and fruits. They pointed out that some stores raised prices at will and that individual business households and unlicensed peddlers wantonly engaged in speculation activities. The deputies urged the government to take effective measures to improve management and stabilize commodity prices.

A deputy director of the Municipal Commodity Bureau pointed out: During the spring festival period, individual business households sold apples at 90 fen to one yuan and tangerines from 1.20 yuan to 1.50 yuan per jin. Although the 1,500 business households purchased fruits at wholesale prices from the grocery wholesale department, they resold them at exorbitant prices. A large number of unlicensed peddlers also fraudulently purchased fruits from the retail stores and resold them at exorbitant prices. In fact, much of the 15 million jin of fruits placed on the market by the Municipal Grocery Company were fraudulently purchased by unlicensed peddlers.

(Quin Shuya), worker of the Beijing No 2 Radio Parts Plant, said: Since the implementation of the contract system by some hospitals, medical charges for visits have been raised from one yuan to over 7 yuan. Such exorbitant medical charges are beyond the financial resources of the small enterprises.

(Li Qiqing), advisor to the Communications Bureau under the State Economic Commission, proposed the organization of people awaiting jobs to fill the missing links in production and commercial services as a means of reducing the number of middlemen.

(Fu Bingchang), deputy director of the General Office of the State Organs Party Committee, and (Wang Jingzhi) of Beijing Automobile (Qingongjian) Plant pointed out: In an attempt to sell more and simplify operations, some state-run collective stores have resorted to selling to individual business households in large quantities. Some people even collaborate with individual business households by selling commodities in short supply to their families,

relatives and friends or to those who are willing to pay bribes and then let them resell the commodities at exorbitant prices. They urged the concerned departments to study and solve this problem as soon as possible. They stressed: Commercial reforms must not be controlled in the hands of profiteers and speculators and consumer goods which bear on the daily life of the people must be properly managed.

(Yang Guanfei), deputy secretary general of the municipal government, said that the success of commercial reforms in instituting the contract system would be measured by price stability. To increase profits by fraud or issue bonuses at will is no indication of the success of commercial reforms.

Many deputies expressed the hope that the municipal government would instruct the concerned departments to consolidate and improve the management of individual business households for a long time to come and formulate regulations for the protection of the consumers' interests.

CSO: 4006/440

DOMESTIC TRADE

SERVICE TRADES INCREASE, PROSPER IN GUIZHOU

OW081343 Beijing XINHUA in English 1059 GMT 7 Apr 83

[Text] Guiyang, 7 Apr (XINHUA)--Service trades, including mobile film projection teams, photo studios, hotels and repair shops, have sprung up everywhere in Guizhou Province, southwest China, according to the Provincial Commercial Department.

Over 1,470 such shops and services have been set up in Guizhou by people's communes and their sub-divisions. They employ 14,000 workers under the provincial corporation of small rural enterprises. Their transaction totalled 18 million yuan in 1982, 55.6 percent more than in 1978, the year before China began to adopt flexible rural policies.

Catering and repair services have been opened by individual peasants in many villages.

In addition, the province has 1,964 state-owned shops and 1,630 supply and marketing cooperatives with 24,889 workers, a 50 percent growth over 1978.

This remote hilly province is inhabited by 28.55 million people of ten nationalities including Miao, Dong, Bouyei, Shui, Gelao and Han. It used to be one of the underdeveloped areas in China.

The province's rural economy has expanded rapidly since 1978. Per capita income of rural population rose from 46.4 yuan in 1978 to 1981's 208.8 yuan, approaching the national average. In 1982, the total output value of the province's agriculture reached 4.6 billion yuan, 11 percent higher than 1981, and the peasants' income grew as well.

Following the growth of rural economy, more service trades are needed. At the same time, large numbers of peasants have been released from farm work with the rise of their labor productivity. This has led to the establishment of more shops, film projection teams and repair and catering services in the countryside.

The Guizhou rural area purchased only 10,125 radio sets in 1978. Last year, peasants purchased more than 90,000 radio sets. More radio repair shops have been set up to meet peasant needs. Zhunyi County had less than 20 film projection teams a few years ago. It now has about 100, and people even in mountainous villages can see films fairly frequently.

CSO: 4020/68

DOMESTIC TRADE

SHANDONG'S MARKET PRICES IN 1982 STABILIZE

Jinan DAZHONG RIBAO in Chinese 17 Jan 83 p 1

Article: "Turn for the Better in Financial Conditions, Market Prices Are Stable"

Text: Data supplied by the provincial price departments show that as financial conditions have taken a further turn for the better, market prices in Shandong have stabilized.

The rate of increase of the overall level of list prices in state-operated retail trade has decreased each quarter. In comparison with the same periods in 1981, 1982 price levels were up by 2.1 percent in the first quarter, 1.5 percent in the second quarter, 1 percent in the third quarter, and less than 1 percent in the fourth quarter. Prices for the entire year were approximately 1.4 percent higher than in 1981. This is a new situation for market prices which has appeared since the market for articles of daily use turned into a buyers market. It shows that the price inflation which prevailed for a while is now basically under control.

The prices of industrial articles for daily use are becoming more stable every day. After the development of the buyers market for articles of daily use, the previous contradiction of quantity in the supply and demand of many industrial articles of daily use has been transformed into contradictions of quality, variety, color, and design. Nowadays the consumer won't buy if the product isn't a famous brand, the latest style, or if the color and design are not pleasing. Therefore some commodities of outdated design or style, or of low quality and high price, are unmarketable and their prices automatically fall: this is especially apparent with clothing and household appliances. For example, retail list prices for synthetic fabrics have fallen by 7.3 percent compared to 1981; prices for household appliances have fallen 6 percent; and ready-made clothing has fallen 4.7 percent. There have been both increases and decreases in the prices of small commodities which are subject to market regulation: overall prices levels are stable.

Vegetable prices have fallen. Party committees and governments at all levels have worked hard to promote vegetable production in city suburbs and industrial and mining areas: the result has been a conspicuous turn for the better in vegetable supplies for cities, towns, and industrial and mining regions.

List prices in state-operated retail trade have fallen every quarter since the second quarter of 1981. In comparison with the same periods in 1981, Shandong's average price levels were down 2.9 percent in the second quarter, 2.6 percent in the third quarter, and even more in the fourth quarter. Vegetable prices at agricultural trade fairs have also started to fall since the third quarter. The tendency for vegetable prices to rise in previous years has now been turned around.

Consciousness concerning price discipline has been raised in all trades and businesses: there are far fewer violations. According to incomplete statistics from six prefectures and municipalities, including Jinan Municipality, an investigation of prices carried out prior to National Day in 1981 covered 6,223 outlets of the commercial network and examined 219,574 different prices: only 25 violations were discovered. In Zibo Municipality the degree of pricing accuracy in state-operated commerce, supply and marketing cooperatives, and commercial enterprises above the municipal level was approximately 98 percent.

12187

CSO: 4006/274

DOMESTIC TRADE

SHANDONG CONFERENCE ON COOPERATIVE REFORM

SK130930 Jinan Shandong Provincial Service in Mandarin 2300 GMT 12 Apr 83

[Text] The provincial conference on the reform of the system of supplying and marketing cooperatives held by the provincial government called for concentrated efforts to attend to pilot units and to sum up experiences in the first half of this year and extending the scope of the reform in a systematic manner in the latter half so as to complete the initial reform of the system of supply and marketing cooperatives by the end of this year.

To restore the nature of supply and marketing cooperatives as a form of cooperative commerce is the key issue of the system reform. The conference urged supply and marketing cooperatives in all localities to recruit more peasants to buy shares after clearing up the shares and dividing the profits, hold members' congresses, formulate cooperative regulations, establish and improve boards of directors and boards of supervisors and conduct democratic elections to leading organs and leading personnel. Efforts should be made to establish at an early date urban farm and sideline produce wholesale markets and shops that do both wholesale and retail business so as to set up grassroots cooperatives gradually in accordance with economic zones. Rural purchasing and marketing agencies may be turned into brigade-run shops, branches of supply and marketing cooperatives, shops jointly run by supply and marketing cooperatives and brigades or, in small villages, shops run by individuals. County supply and marketing cooperatives shall be turned into county integrated cooperatives to serve as economic integrity of grassroots cooperatives.

The conference urged that supply and marketing cooperatives should be gradually turned into comprehensive supply and marketing, processing, storage, transportation and technology service centers and should conduct wide multi-form and multilevel joint businesses, especially agriculture-commerce businesses. Supply and marketing cooperatives should fully play their role as a major channel in rural commodity circulation, institute economic contract responsibility systems and reform labor and personnel systems. After the reform, former state regular staff and workers of the cooperatives should be treated politically and economically as before. Current commercial-agricultural workers and long-term temporary workers may be paid in accordance with the length of their service at the cooperatives, their professional and technical standards and their contributions. In the future, new workers

should be mainly recruited from the best candidates from rural areas. No urban residence is permitted to be changed into rural residence for the purpose of employment. Efforts should be made to gradually bring about a situation in which staff and workers join and quit of their own free will.

Li Zhen, deputy secretary of the provincial CPC committee and deputy governor, and Liu Zhongqian, deputy governor, spoke at the conference.

CSO: 4006/440

DOMESTIC TRADE

BUYERS' POWER IN MARKET BECOMING STRONGER

Shanghai WEN HUI BAO in Chinese 16 Feb 83 p 3

[Article by Xiao Ni 5618 3136]: "Who Is the Master of the Market?"

[Text] Most recently there has been widespread jubilation in the commercial sectors.

What is the source of the jubilation? After textile prices were adjusted, the law of price came into effect and there was a turn-around in the state of "business being hard to do" last year. Various goods such as food, clothing articles of daily use were in very great demand and even some goods that had been moving slowly and that were overstocked came into great demand. Everyone was very happy and had a feeling that this was "something unexpected." And then, the ideology of the "emperor's daughter not having to worry about getting married" began to emerge among certain comrades, with a mood of blind optimism arising.

The idea of the "emperor's daughter not having to worry about getting married" is a management ideology characteristic of a seller's market. However, under the present circumstances of a buyer's market, this is evidently not appropriate. When we look back over the market trends so far this year, there are many conditions that were "unexpected." In the winter of the year before ski clothes were overstocked in the commercial sector, whereas last year people were lined up competing to buy them so that there was a state of supply not meeting demand. There were some shops that did less business than they could have because they underestimated and did not have enough goods. The "Phoenix" brand pearl powder, which was fashionable for a time, is now the object of very few inquiries and there are some shops that have become overstocked with it. The "Lu Mei" brand eight-piece-set barrettes was a product about which there was concern that the high price might make it difficult to sell. However, as soon as it hit the shelves it was sold out. One daughter that was not worried about getting married--Huasheng brand electric fans--now faces many competitors and is having a difficult time of it. Does not all of this indicate that it might be worth studying: of what we produce, what will become a problem and why some things are "unexpected?"

For a long time, under the guidance of "leftist" ideology we emphasized production and neglected circulation and consumption in our economic work. In the management system, the production sectors looked after production only and did not bother with the market. The commercial sector applied the system of state purchase monopoly and exclusive selling rights to products, purchasing whatever was produced. Purchases of both "fast-selling" and "slow-selling" goods are assigned in proportions and ring upon ring to every level of wholesale and retail departments in the commercial sector. Selective purchase and purchase outside of assigned channels were not allowed. The market was monolithic and channels were not smooth. To this very date there are some who are still not clear about the question of who the master of the market is. There are still many people who consider themselves to be the masters and who spend their days sitting in their shops running their businesses and relying on "fast goods." This is the crucial reason why changes in the market have been "unexpected" to many as indicated above.

Why should buyers be masters of the market? We know that all commodities have the two attributes of value and use value. The use value of a commodity is the material bearer of its value. Furthermore, use value is also created by the producer for others rather than for himself. If a certain commodity does not have any use value for others, then it cannot be sold. If one opens a shop, one certainly wants to sell goods. Since you want to sell, then you will have to consider the buyer to be the master. How can you consider yourself to be the master? The demands of customers are endlessly changing and shift depending on time, place and conditions. A commodity that is in great demand today may become unmarketable tomorrow. A commodity that is overstocked in place A may be popular and in short supply in place B. Under conditions of goods being in short supply, the buyer has no choice but to give up and look for his second choice. But once there are large numbers of goods, everyone will become choosy. When a new product comes out, it will create a new consumption demand. And as people's economic income increases, this will also create many new demands. This will require a change in the way of thinking in the commercial sector as well as research on consumption demands and on understanding of market trends in order to guide production, facilitate circulation channels, satisfy consumption, do business and to change the government-merchant work style that developed under conditions of a long-standing sellers market. This is a new topic facing the commercial sector that urgently requires solution.

10019
CSO: 4006/333

DOMESTIC TRADE

FOCAL POINTS OF 1983 COMMERCIAL WORK OUTLINED

Beijing JINGJI RIBAO in Chinese 10 Feb 83 p 1

[Article: "Commercial Restructuring Must be Promoted on the Basis of Summarization of Experiences; Minister of Commerce Liu Yi Said That the Pace of Restructuring Retail Commerce and Food and Drink Service Industries Can be Greater and That it Should be Undertaken Step by Step in Wholesale Commerce and That it Should Not be Rushed Into Headlong."]

[Text] At the symposium for old cadres departing and retiring from the Ministry of Commerce on 9 February, Minister of Commerce Liu Yi [0491 3015] said that the general requirements in commercial work today for implementing the spirit of the directives of the CCP Central Committee and State Council on commercial work are, in terms of ideology, to eliminate the "left," in policy, to relax restrictions, in terms of system restructuring to make breakthroughs, in terms of management to make contracts, in terms of corps to reorganize and in terms of facilities to strengthen them.

Liu Yi raised the following key points for commercial work in 1983.

1. Accelerate the pace of restructuring of rural supply and marketing cooperatives. In accordance with the character of cooperative commerce, the mass participation, democratic [management] and flexibility of the cooperatives must be strengthened; joint management of agriculture and commerce should be developed; the scope of management and the range of service should be expanded; and a system of responsibility of business contracts should be instituted within cooperative at the grass-roots level.
2. Management contract responsibility systems in urban and rural state-managed retail businesses and service businesses should be developed bit by bit on the basis of summarization of experiences. Pilot programs should be run during the first half of the year and comprehensive implementation should be carried out in the last half of the year. Through implementation of a management contract system, we can spur on reorganization and construction of grass roots enterprises, and, through restructuring, we can achieve benefits, speed, financial resources, human talent and a spiritual civilization.

3. Wholesale businesses should select breakthrough points and change the distribution type and closed type multiple-link system in order to make it into an open type limited-link system and the circulation of commodities should be organized by economic regions in order to create the conditions of restructuring of the circulation system. At the same time, we should support collective enterprises and individual enterprises in facilitating commodity circulation.

Liu Yi said that the work of restructuring commerce must hold to a planned economy as its basis and to market regulation as a supplementary principle and we must proceed resolutely and in an orderly way and in a guided and step-by-step way. The pace in retail businesses and food and drink service businesses can a little greater while restructuring of wholesale businesses should be carried out step by step and should not be rushed into headlong.

10019
CSO: 4006/333

FOREIGN TRADE

PRC JOURNAL LISTS TECHNOLOGY IMPORTS

HK210848 Shanghai SHIJIE JINGJI DAobao in Chinese 14 Mar 83 p 7

[Report: "Focal Points in the Import of Technology in the Last 3 Years of the Sixth Five-Year Plan"]

[Text] This reporter has learned from a unit under the State Economic Commission that the chief target of imported technology in the last 3 years of the Sixth Five-Year Plan is to center on improving economic results, step up the upgrading and modernization of products, and promote the economic and technological indices such as quality, variety and input consumption so as to catch up with world advanced levels. In importing technology, emphasis is laid on those trades and industries as light industry, textiles, food, packing, engineering, electronics, precision chemical industry, medicine, new construction material and on complete sets of plant for some raw and semifinished materials industries. At the same time attention should be focused on energy saving and the development of the comprehensive use of natural resources. A brief description of the focal points in the import of technology for the transformation of medium and small enterprises follows:

Light Industry

The stress is laid on consolidating weak links, filling the gaps in technology, changing the product mix, improving the quality of products, promoting the upgrading and modernization of products, expanding the sources of raw materials, and deepening and expanding the processing industry. The main points in the import of technology in various sections of light industry are:

Plastics: plastic floor plates, elastic plastic film, plastic slabs, plastic adhesive-bonded fabric, polyvinyl chloride net ground, plastic foam, plastic carpet, and so on.

Sugar manufacturing: sugar processing, the testing of sucrose, molasses, the synthetic use of bagasse, selected strains of sugarcane and beet, the technique of cultivating beet seedlings in paper tubes, and so on.

Paper making: the recovery of straw pulp, determination of the amounts of paper, automatic water control, the chemical process of synthetic drying nets, the creasing of elastic paper, the technique of dehydrating pulp, and so on.

Glasswork: enamel work: high-efficiency energy-saving glass furnaces, glass containers, glass-blowing machines for glass apparatus, machines to produce bands in irregular shapes, imprinting machines, instruments and apparatus for testing, and so on.

Others: technology and equipment for tobacco and winery, electric light sources, clock and watch making, stationery, etc.

Textile Industry

Emphasis should be laid on solving the problems of techniques involving the printing, dyeing, knitting and finishing processes of synthetic fabric, changing the situation of low quality and high price of synthetic fabric, lack of variety, unsalable products and stockpiles; and importing the technical process of antielectrostatics, antipollution and moisture absorption of synthetic fibers, and developing fibers of irregular shapes; importing the techniques for special finishing processes in printing and dyeing and resin finishing. Developing dyestuffs and new varieties of component formula, importing equipment for dyeing and printing foam fabrics, importing machinery for printing and dyeing samples of new varieties, and complete sets of equipment for producing synthetic deerskin flannel fabrics, and the technology and equipment for producing adhesive cloth; developing techniques in printing, dyeing and finishing processes in silk, cotton, woolen and linen production, importing the finishing-process equipment for tweed and worsted woolen fabric, woolen garments, and acrylic blankets; developing the technique of processing acrylic blankets, importing modern blanket-producing equipment such as new-type grip-cutting, iron-cutting, and rolling-ball finishing machinery, and looms for woolen sheets. Raising the level of the manufacture of textile machineries, importing samples of new-type machinery and filling the gaps in technology.

Leather manufacturing: pigskin and goatskin for shoemaking, pigskin for garment manufacturing and the processing and treatment of fur.

Furniture: board furniture in sets, furniture with engraved designs, production line and key equipment for foldable steel board furniture, machines for carpentry.

Domestic appliances: main parts of refrigerators, washing machines, such as the manufacturing techniques of compressors, evaporators, time setters, mini-generators, and so on.

Garment manufacturing: special production equipment for shirts, Western-style suits, children's garments and embroidered garments, such as ironing, steam ironing, lining pressing, dyeing, and so on.

Detergent, chemical products for daily use: transform the technology and equipment in the production system of detergent, key equipment, instruments and apparatus for printing ink, perfume, matches, and so on.

Hardware for daily use: production techniques and equipment for nylon zips, coating of aluminum products, stainless steel kitchen utensils, locks, cutting tools, etc.

Light industry machinery: the design and manufacturing skills of various light industrial machinery and prototypes, such as coating machinery for paper, beer-canning machinery, plastic injection implement machinery, precision leather slicing machinery, centrifugal machinery for sugar processing, molding machinery for hard polyurethane foam, and so on.

Food Industry

Develop the technology and equipment for new foodstuffs, such as high quality fruit syrup, nutrients, synthetic casing for sausages, fat processing and new beverages. Develop various technical formulas and recipes, production line and equipment for popular foodstuffs such as cooked food, bread, children's food, time-saving lunch for pupils, etc.; develop the processing of meat, aquatic products and milk, such as the technology and equipment for the mechanization of canning, sterilization, storing, freezing, and so on.

Packing Industry

Develop the production of paper and paper-made wrappings for high- and medium-quality packing, such as the techniques in producing strengthened corrugated paper boxes, coating paper, coated printing paper, aluminum paper, paper-plastic combination materials, and techniques in removing printing ink from waste paper, and paper glue production. Develop plastic production in the service of the production of consumer goods and packing for export goods, such as the techniques of continuous production of two-way elastic plastic film, contracting film, elastic film, super-thin film, complex film, plastic conductive packing materials and plastic bottles, and the technique of testing plastic products for packing. In the production of glass containers, the techniques in developing high-efficiency energy-saving glass furnaces, new-type heat-resistant materials, new-type molding materials, molding machinery for two-drop, three-drop and multi-drop bottle making, and the techniques of producing light and thin-walled and irregular-shaped bottles and spray coating on glass. In the production of metal containers, the production techniques for irregular-shaped cans, easy-to-open caps, soft packing cans, and two-piece cans. In decorating and printing, the technique of complex printing, such as offset lithography, typographic printing, intaglio printing, lithographic printing and embossing and the establishment of testing centers for packing decoration. In packing machinery, samples of the following 10 categories: liquid fillers, semi-liquid fillers, vacuum can seamers, wrapping machines for solid, fill-in-packaging machines, fill-in-box machines, irregular-shaped package packing machines, transportation packing machines, machinery for production of packing instruments, and printing presses.

Machinery and Electronic Industries

Centering around the first batch of key items for transformation as selected in the "Trial Regulations Concerning the Transformation of Technology in the Machinery Industry" issued by the State Council, the production know-how of basic machinery and electronic devices are to be imported. The first batch of items to be imported has already been examined and approved. It includes the production technology of low-voltage electrical appliances, electrical equipment for machine tools, high-voltage appliances, hydraulic press devices, hermetic-sealing devices, bearings, apparatus and instrument devices and electronic devices.

Chemical Industry

Promote the adjustment of the product mix of chemical fertilizers and farm chemicals, and the renewal and substitution of products, import the technology of mining phosphates and potassium, the technology for producing new-type high-efficiency and low toxic pesticides and herbicides; promote the development of the fine chemical industry, import the production know-how of the coating of paint, sensitive materials, hermetical glue, new-type plastic, and the know-how for the finishing process of dyestuffs. Promote the renovation of chemical machinery industry, import hermetical refining machinery, vulcanization machinery, board-type heat transformers, and so on, and the technical know-how for the pre-heat process of synthetic ammonia furnaces and hermetical glue for the stoppage of oxygen.

Medicine Industry

The import of technological know-how is to center around the upgrading and modernization of products, raising of quality and lowering of production costs. Emphasis is to be laid on the production of pharmaceutical drugs, inventing new pharmaceutical forms and copying imported forms. The technological know-how for the production of semi-synthetic antibiotics, amino acids, and head spore bacteria-C are to be imported. Promote the innovation of medical instruments produced in large quantity and wide range; technical know-how for the production of high-speed dentist drill bits, porcelain teeth, biochemical analytical devices and revolving positive electronic tubes is to be imported.

Construction Industry

In the cement enterprises the technique of bleaching white cement and the production line and key equipment for revolving kilns which yield an annual output of 150,000 tons, and standing kilns with a capacity of producing 100,000 tons annually are to be imported. In glasswork and earthenware, the key technical know-how for the production of electric smelting refractory and the construction of glass furnaces, equipment for moisture control of material, and automatic weighing devices are to be imported primarily. In nonferrous mines and local material mines, key equipment for mining, sets of machinery for brick molding, and production lines for gangue hollow bricks and corrugated asphalt tiles are to be imported primarily. In

enterprises producing new-type construction materials, production equipment for irregular-shaped plastic materials and equipment to make up a complete set for the production of new-type wall boarding are to be introduced.

Iron and Steel Industry

Emphasis is to be laid on solving a few primary technical problems in the production of iron and steel, such as raising the yield rate of steel products, improving the efficiency and precision of rolling mills, and high-speed analysis in steel smelting and temperature control with a view to guaranteeing the quality of products. The main items to be imported are: the technical know-how for automatic control in the process of iron ore selection, the pretreatment of high-phosphate and high-sulfur molten iron, the know-how for compound blowing in oxygen steelmaking converters, and the technique of continuous horizontal steel casting; high pressure roughing mills, rolling mills for finished products, high-precision and high-speed rolling mills for small wire rods and testing and measuring apparatus and instruments for steelmaking and processing are to be adopted.

Nonferrous Metal Industry

Improve the quality of the processing of nonferrous metals, increase the varieties of products, fill the gaps in the mechanical, electronic, national defense, and war industries, improve the capacity for export and bring in more foreign exchange. Main items of import are: the production know-how for precision copper strips, thin-walled aluminum soldering tubes, titanium tubes, titanium forging; polycrystalline silicon distilling towers, devices for reduction and recovery of tail gas, key equipment and apparatus for extension furnaces, and so on; the advanced technique of producing agents for ore selection; new techniques for electrolysis of aluminum with positive electrodes.

Timber Processing Industry

Centering around the synthetic use of timber, advanced technology and equipment for expanding the varieties of timber products are to be increased. Manufacture important forestry machinery, raise the manufacturing level of complete sets of equipment for producing synthetic boarding, import drying machines for board planing and cutting, and piecing machines, planing and cutting machines for thin boarding, drying machines, air stream laying machines for chipboard, heat pressing machines and heating devices for hot oil, molten glue piecing machines for veneer board, horizontal piecing machines for veneer board, revolving cutting machines for thin board, production lines for the production of board furniture, the manufacturing know-how for key timber-making equipment such as the four-in-one band saw, the processing technique of double soaking of resin, and the technique for the treatment of waste in large fiberboard works.

Coal Industry

Centering around solving the problems of the mechanization of mining in extremely thin or extremely thick coal beds of higher level processing and utilization of coal, of developing the synthetic use of gangue, the state of the mine after geological prospecting, and so on, the technical know-how of mining extremely thin and extremely thick coal beds, of the technique of roof observation, assembling-type and wind-powered coal selection equipment, the technique for molding coal powder, the technique for producing gangue bricks, the new techniques for telemetering in geological prospecting of coal mines, remote sensing, and seismological prospecting, the manufacturing know-how for rock base digging machines, electrically powered coal cutting machines and coal planing machines are to be imported.

Oil Industry

Emphasis is laid on raising the success rate of prospecting, improving the standard of drilling technology and equipment, and improving the quality of oil products and their varieties. Imports are to be made of surveying technology for complex deposit strata, new methods and techniques for second and third extraction, and new methods and techniques to achieve a higher extraction rate; and copies made of the technology for opening up oilfields by flooding, quan qu [0356 6504], mixed hun xiang qu [3236 4161 6504] and heat-powered extraction as its main contents, technology and equipment for selected parameter drilling and directional drilling; new technology for dealing with slurry, and advanced catalysts and additives which deepen the processing of crude oil, and the production know-how for improving high-grade petrol quality of hydrogen fluoride base and methyl in high-grade petroleum.

Electric Power Industry

Import focus is on advanced communication equipment for transmitting electricity in a power grid and the technical know-how for the utilization of powdered coal dust.

Energy Conservation

Imports are to be made in the following items: energy-saving equipment of great capacity and a wide range, the manufacturing know-how for advanced industrial furnaces, technological know-how and technological processes for advanced energy-saving production, new-type production techniques for heat-preserving, heat-insulating, and fireproof materials, and the manufacturing know-how for apparatus and instruments for testing and control in the process of energy consumption.

Transportation

Imports are to focus on the manufacturing know-how of major parts (couplings, brake systems, and so on) of large-size trucks, the production know-how for high-power diesel locomotives and electric locomotives, modernized

conducting systems and management of locomotives in motion in busy sections of freight transport, technical know-how for the mechanization of loading and unloading in ports, and so on.

Agriculture and Forestry

Emphasis is laid on equipping and transforming certain state-owned enterprises as models, with a view to spreading, step by step, advanced techniques and know-how in order to acquire better economic results. The main items include raising the level of processing agricultural produce and sideline produce and of farming in a scientific way, such as the processing, distribution, sterilization, waxing, and packing of fruits; the processing of milk produce and natural rubber; careful selection of good cotton strains in high temperatures; plastic-film-spreading machines for farming plots; deep-digging machines for afforestation in dry climates; high-speed centrifugal machines for producing bacterial fertilizers, and so on, underwater axial-pumps of high capacity, with a view to saving energy and water in water conservation projects, semifixed constant-pressure spraying irrigation equipment and apparatus and instruments for detection, examination and repair, testing and observation, and so on, are to be introduced.

CSO: 4006/432

FOREIGN TRADE

FUJIAN HOLDS MEETING TO CLAMP DOWN ON SMUGGLING

OW140110 Fuzhou Fujian Provincial Service in Mandarin 1120 GMT 12 Apr 83

[Text] According to a report by the reporting group from Pingtan County, a provincial on-the-spot meeting to strike at smuggling was held in Pingtan on 11 April. The main tasks of the meeting were to sum up and exchange experience in combatting smuggling since the convening of the provincial meeting on coastal work, learn from Pingtan County's experience, transmits the guidelines of the State Council leading group on combatting smuggling for the work in 1983, analyze new trends in smuggling activities, study new countermeasures and discuss suggestions for further clamping down on serious economic crimes in order to achieve a breakthrough in the antismuggling struggle in Fujian.

Attending the meeting were leading comrades in charge of antismuggling work in 6 prefectures and cities and 11 counties in the coastal area and responsible persons of departments concerned, totaling some 120. The participants heard reports by the Pingtan County CPC Committee and Government and its antismuggling brigade and inspected two smuggling boats from Hong Kong and smuggling goods confiscated by the county. Letters of commendation from the State Council office on (?combatting smuggling) and the provincial CPC committee and government to the Pingtan County antismuggling brigade were read at the meeting. On behalf of the provincial CPC committee and government, Vice Governor Wen Fushan presented a cash award of 10,000 yuan to the county's antismuggling brigade.

CSO: 4006/440

FOREIGN TRADE

FUJIAN SIMPLIFIES PROCEDURES FOR IMPORT APPROVAL

OW131442 Beijing XINHUA in English 0727 GMT 13 Apr 83

[Text] Fuzhou, 13 Apr (XINHUA)--The Fujian Provincial Government has authorized a special group to examine and approve imports of technology and equipment, in an effort to cut down red tape.

The group consists of representatives from a dozen departments under the provincial government, including the Provincial Planning Commission, Economic Commission and the Commission for Foreign Economic Relations and Trade. Since the group was set up in mid-March, it has examined and approved 38 project proposals.

The group is expected to approve 100 projects in 1983, authorities said.

In the past, imported items had to be examined by these departments separately before approval was granted.

Fujian Province, along with Guangdong, has been authorized to follow special policies to speed up its economic development.

A special economic zone is being developed in Xiamen, a tourist and industrial center in Fujian.

CSO: 4020/68

FOREIGN TRADE

ECONOMIC ZONES TO OPEN WIDER FOR FOREIGN FIRMS

HK080921 Beijing ZHONGGUO XINWEN SHE in Chinese 0121 GMT 8 Apr 83

[By reporter Hu Yaohua [5170 5069 5478]: "Huang Shimin Says More Favored Treatment for Foreign Businessmen in Guangdong's Special Economic Zones"--ZHONGGUO XINWEN SHE headline]

[Text] Guangzhou, 8 Apr (ZHONGGUO XINWEN SHE)--Huang Shimin, deputy director of the Guangdong Provincial Special Economic Zones Administration Committee, said: Guangdong's special economic zones will adopt a policy of opening wider to the outside world and will give even more favored treatment for foreign businessmen. At present, relatively more favorable conditions for investment already exist.

In answering a question put forward by the reporter concerning the construction of the Shenzhen Special Economic Zone, he said: The orientation of the development of the Shenzhen Special Economic Zone is to focus on industrial development, import advanced technology and at the same time run agriculture, animal husbandry, housing estates, tourism and commerce. To date, the Shenzhen Special Economic Zone has already introduced over 1.8 billion Hong Kong dollars, half of which is used for industrial investment. Industrial projects account for about half of the 1,600-odd projects which have been signed and most of them have been put into execution.

Speaking about favored treatment for industry, he disclosed: What is different from the past is that, in certain conditions, a portion of the manufactured goods produced by foreign firms in the Shenzhen Special Economic Zone is permitted to be sold in China. These conditions are: These enterprises must be advanced in technology or many of the raw and semifinished materials they used must be from China. On the condition that their prices and quality are the same as those abroad and with the agreement of departments concerned after concrete negotiations, some manufactured goods which are in short supply in China and have to be imported can be bought, with priority given, from Shenzhen instead of from abroad.

In explaining the policy of opening the special economic zones even wider to the outside world, Huang Shimin said: The boundary line separating the Shenzhen Special Economic Zone from the nonspecial zone is under construction and is expected to be completed this year. After this boundary line is completed, customs duties of materials and consumer goods imported into Shenzhen from Hong Kong will be greatly reduced or exempted.

CSO: 4006/440

FOREIGN TRADE

BRIEFS

GUANGDONG KEY PROJECTS--In Guangdong Province, 19 key projects which have made use of foreign capital to import technology and equipment will be completed and put into operation this year. The amount of investments was some \$200 million. Five of them have been put into operation. These 19 projects have imported equipment from abroad in the form of compensation trade, doing processing work with materials supplied by foreign firms and joint ventures. The majority of them were started in 1982. The Conghua County Marble Plant imported equipment, with investments being less than \$1 million. The building of this plant began in July last year and was put into operation in February this year. Its annual output of marble slabstones is about 120,000 square meters and 70 percent of its products are exported. In the past, the Foshan City Shiwan acidproof ceramics plant's annual output was 90,000 square meters of tiled flooring. Since it imported a complete set of advanced technology, its consumption of energy has dropped by some 80 percent, the cost of each square meter of tiled floor has been reduced from 12 yuan to about 6 yuan and it has been able to export 300,000 square meters of high-grade products each year. Thus, it has earned some \$1.6 million each year. [Text] [HK141514 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 1 Apr 83]

LIAONING EXPORT BASE--With the approval of the Ministry of Foreign Economy and Trade, Dandong City, Liaoning Province, was recently designated an exported commodity comprehensive production base. Dandong City now exports 11 categories of commodities with 160 varieties to 76 foreign countries and regions. In 1982 the sum of commodities procured in the province for export totalled 138.81 million yuan. [Text] [SK101120 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 1 Apr 83]

CSO; 4006/440

LABOR AND WAGES

HEILONGJIANG UPGRADES STANDARD IN PEOPLE'S LIFE

SK151226 Harbin HEILONGJIANG RIBAO in Chinese 19 Mar 83 p 2

[Report from "Information and Foretelling" column: "The State of Affairs Among the Families of Staff and Workers in Urban Areas"]

[Text] According to statistics compiled by the seven cities of Harbin, Qiqihar, Daqing, Jiamusi, Mudanjiang, Hegang and Yichun in regard to the living situation investigation among 1,000 staff and worker households, the living standard of staff and workers in urban areas has been upgraded day after day. A new change has taken place in their family economic structure, currency income and in purchase selections.

In 1982, per household population among staff and worker families was 4.33 persons, 0.05-person less than the 1981 figure. Per household employed population was 2.22 persons, an 1.8 percent increase over the 1981 figure. The per capita burden of staff and workers declined from 2.01 dependants in 1981 figure and a 9.3 percent increase after deducting the costs of parental support and gift giving. There were household 39 percent fewer households than in 1981 whose per capita monthly living income was below wt yuan, a 20 percent increase over the 1981 number of households whose per capita monthly income was from 25 to 60 yuan and a 61.3 percent increase over the 1981 number of households whose per capita income was above 60 yuan.

In 1982, the per capita living expenses of staff and workers was 34.42 yuan, a 7.2 percent increase over the 1981 figure and a substantial 4 percent increase after deducting price increases. Of expenses in commodities, the increase of expenses in foodstuffs was prominent. Except expenditures for pork, beef and mutton, which remained equal to the figure of the corresponding 1981 period, expenses for vegetables, edible oil, aquatic food, poultry, eggs and wine increased in various degrees.

Staff and workers also shifted their purchases of cheap clothing commodities to expensive ones. In 1982, the monthly per capita consumption volume of cotton cloth declined by 7.6 percent compared with the 1981 figure; on the contrary, the consumption volume of chemical fiber and nylon commodities increased respectively by 22.2 and 54.5 percent. They have generally been able to purchase expensive clothes of fine quality, new style and made of chemical fiber, wool and silk.

Of the consumption volume of durable commodities, the sale of record players increased markedly. There was a 400 percent increase in households owning color television sets over the 1981 number, a 45.3 percent increase over the 1981 number of black-white television sets, a 36 percent increase over the 1981 number of recorders, a 135 percent increase over the 1981 number of washing machines and a 21.4 percent increase over the 1981 number of cameras.

CSO: 4006/442

LABOR AND WAGES

BRIEFS

EMPLOYMENT REFORMS PROPOSED--According to HUNAN RIBAO, the provincial labor bureau proposed at the provincial employment work conference on 14 April that pilot projects in reforms of the employment system, the training system and the labor recruitment methods will be organized, beginning this year. This is in order to suit the new situation in reforms on the economic front, further enliven the economy, open up more opportunities, and create a new situation in employment work. 1. The labor contract system will be experimentally introduced. The simple fixed employment system will be changed to a varied system involving contract, temporary and fixed employment. 2. The system of carrying out pre-employment training will be experimentally introduced. The system of being employed first and trained afterwards will be changed to that of being trained first and employed afterwards. 3. Various forms of examination system will be experimentally introduced. This will mean changing from simple examination of educational standards to variety of tests to determine ability to meet the requirements of production. [Text] [HK160311 Changsha Hunan Provincial Service in Mandarin 2310 GMT 15 Apr 83]

CSO: 4006/442

TRANSPORTATION

BRIEFS

RAILWAY ACCIDENT REPORTED--A State Council investigation group led by Geng Zhenlin, former vice minister of railways, arrived in Hohhot on 16 April to investigate the train accident at the Haibowan railway station: The investigation group left for the accident site for investigations after listening to a briefing by the Hohhot Railway Administration. At 2320 on 4 March this year, a train fully loaded with coal and limestone derailed at the Haibowan railway station. The locomotive and some cars were destroyed with the crew suffering heavy casualties and a direct economic loss of more than 1.7 million yuan being incurred. Because of the blocked railway, raw coal produced by the Haibowan Coal Mining Administration could not be shipped out. Four and a half of its producing collieries stopped production and so far one of them has still been unable to resume production. [Text] [SK220713 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 21 Apr 83]

CSO: 4006/442

GENERAL

CONSUMPTION LEVEL OF URBAN RESIDENTS

SK221200 Jinan DAZHONG RIBAO in Chinese 26 Mar 83 p 2

[Text] According to a survey by departments concerned among families of staff members and workers in Jinan and Qingdao and four other cities, the consumption level of urban staff and worker families in our province has improved.

In 1982, the average per capita consumption expenditure on commodities of the staff and worker families in the urban areas totalled 426.99 yuan. Expenditure on food purchases averaged 262.77 yuan per capita, an increase of 15.44 yuan over the previous year, up 6.3 percent. This accounted for 61.5 percent of the total expenditure on purchases, a rise of 3.3 percent over the previous year. Expenditures on clothing totalled 71.45 yuan per capita, which was basically the same as that of the previous year. Expenditures on commodities totalled 69.71 yuan per capita, a decrease of 10.77 yuan or 13.4 percent. This accounted for 16.3 percent of the total expenditure on purchases, a decrease of 2.6 percent. Expenditure on fuel totalled 9.26 yuan, which was basically the same as that of the previous year.

The order of purchases on the family expenditure list changed from food, commodities, clothing and fuel in the previous year to the present order, food, clothing, commodities and fuel.

The rising proportion of expenditures on food mainly resulted from the improvements in the consumption level of staff and worker families, the increase in the consumption of food, the increasing desire of the people for better food, the increase in expenditures on purchases and the rise in prices. In 1982, the set retail price indices of food products in the urban areas rose by 1.9 percent.

The decrease in the proportion of expenditures on commodities resulted from the decrease in the prices of some machines and electrical appliances for family use, the decrease in family expenditures on purchases of commodities, a change in the situation in which the people save money for because of lower prices instead of buying products without consideration and selection, and the family requirement for durable consumer goods such as wristwatches, radios and sewing machines is not big as most staff and workers already have such products.

CSO: 4006/442

HONG KONG MEDIA ON CHINA

PRC, HONG KONG FIRMS ESTABLISH JOINT COMPANY

HK110606 Hong Kong SOUTH CHINA MORNING POST in English 11 Mar 83 business news p 10

[By Transport Editor T. S. Koo]

[Text] An offshore company--a joint venture involving several Hong Kong companies and China--has been formed to serve oil rigs that may be built in the Pearl River area.

The move is in anticipation of an announcement by Beijing in the next few weeks for contracts to begin exploration drilling in the South China Sea.

A Hong Kong source said yesterday that Beijing had finished examining tenders from international oil companies and was now in the final stages of negotiations with about eight firms.

The new company, Zhong-Xing Offshore Marine Services Co Ltd, will initially have a fleet of 10 new multipurpose supply vessels to be built by shipyards in China and Japan.

A senior official of the Yuet Shun Shipping and Offshore Service Ltd, Mr Zhang Feng, one of the Hong Kong companies involved, said it would probably take about three months after the contracts were announced for the rigs to be positioned off the Pearl River.

Mr Zhang said he anticipated five to six rigs being in position by June.

Yuet Shun is a joint venture of Guangdong Enterprises Ltd, Chu Kong Shipping Co Ltd and Thoresen-Solstad Offshore Services Ltd (a company formed by Thoresen International Group and Solstad Shipping Co of Norway).

The Chinese partner is a subsidiary shipping company of China Nanhai Oil Joint-Service Corp of Canton.

In another move, Thoresen-Solstad has ordered the building of two anchor handling tug supply vessels in Shanghai to be used by the new company.

The vessel generating 6,000 horse power, will be ready for delivery in the middle of next year.

Yuet Shun also has ordered two 4,200 HP vessels from Imamura Shipbuilding Co. of Japan at \$4.2 million each.

Four other 6,000 HP vessels will be built in the Guangdong Shipyards and orders for two more (8,000 HP each) will go to a Japanese yard.

CSO: 4020/69

END