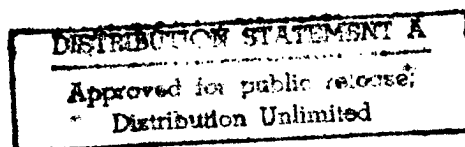


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11 February 1986



# China Report

ECONOMIC AFFAIRS

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11 February 1986

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## ECONOMIC AFFAIRS

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## NATIONAL POLICY AND ISSUES

### PAPERS DISCUSS CORRECTION OF OFFICIAL MALPRACTICE, PROFITEERING

HK080746 Beijing ZHONGGUO XINWEN SHE in Chinese 0335 GMT 8 Jan 86

[Report: "Unsound Practice of Pursuing Personal Interests by Taking Advantage of One's Power of Position Must be Checked Says JINGJI RIBAO"]

[Text] Beijing, 8 Jan (ZHONGGUO XINWEN SHE)--Today's JINGJI RIBAO says: The unhealthy practice of some leading departments in the economic field such as blackmail and the pursuing of one's personal interests by exploiting one's power of office should be conscientiously investigated and handled.

The CPC regards correcting party style as an important task at present. It is said that the General Offices of the CPC Central Committee and the State Council have recently issued a circular, listing the following serious unhealthy practices in our party and government organs: Vying with one another to purchase and change cars; indiscriminately sending personnel abroad; squandering public money by touring various areas; committing extravagance and waste; giving gifts and banquets; earning illicit income other than wages and collective benefits; exploiting the power and advantages of one's office to do business in violation of the regulations and earn profits; and so on.

Today's JINGJI RIBAO further points out: There are also some cadres, including leading cadres, who have exploited their power of office to extort money, give and take bribes, establish relations, conduct under-the-counter transactions and thus have created a bad impression among the masses of people.

The newspaper holds that unhealthy party style has not only shielded the unhealthy practices in society, but has also colluded to take advantage of loopholes in the reform, corrupt the reputation of reform, and harm the interests of the state and people. Those whose offenses are serious and who have violated the law of the state must be punished legally.

According to a report in today's JIEFANGJUN BAO, the General Staff Headquarters, the General Political Department, and the General Logistics Department have recently issued a joint circular forbidding imports of cars, high-grade jeeps or stations wagons by any unit in the whole PLA unless special permission is given. The vehicles that have been purchased (including those that have been received as gifts), replaced, and allocated since 1984, should be conscientiously looked upon.

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CSO: 4006/599

## NATIONAL POLICY AND ISSUES

### OFFICIAL ON ENTERPRISE, CADRE MANAGEMENT

OW200108 Beijing XINHUA Domestic Service in Chinese 1330 GMT 16 Jan 86

[Article by reporter Wang Tianduo of the RENMIN RIBAO and reporter Huang Fengchu of XINHUA]

[Excerpts] Beijing, 16 Jan (XINHUA)--Wei Jianxing, head of the Organization Department of the CPC Central Committee, pointed out at the national meeting on economic work today that we should adopt a stable and sound policy to raise the quality of our work and further strengthen the building of leading groups for large and medium-sized backbone enterprises.

In his speech, Wei Jianxing reviewed the readjustment of leading cadres for large and medium-sized backbone enterprises since 1982. He said: Through readjustment, a significant change has taken place in the quality of enterprises' leading groups. Cadres around 40 years old have become the main body of leading groups and the ages of all cadres are in an echelon formation. About 74 percent of members of leading groups of large and medium-sized backbone enterprises have received education at and above college level. The average number of leading members of each large or medium-sized backbone enterprise is 6.3 people or one-third less than in the period before the readjustment.

He said: At present, we should pay attention to the following work: First, we must effectively strengthen the ideological building of new leading groups and improve their workstyle. They should seriously study the basic theory of Marxism-Leninism and the party's principles and policies, adhere to the fundamental goal of serving the people wholeheartedly, keep to the system of democratic centralism, and foster a solid and practical working attitude and an effective workstyle.

We should establish a regular replacement system for cadres in order to constantly maintain the vigor and liveliness of leading groups of various enterprises. The age of leading members of various enterprises generally must not exceed 55 years old. However, the age limit for cadres of certain specialized departments may be more liberal. Cadres around 40 years old should constitute the main body of leading group of various enterprises.

In the course of reform, we should gradually improve various enterprises' leading system and work order. In order to adapt cadre work to the new

situation in which the plant director assumes full responsibility, we must make some appropriate changes in cadres' work system, management methods, and appointments and dismissals to ensure the implementation of the system of having plant directors assume full responsibility. However, we must firmly adhere to the following things regardless of the change of cadre system: First, we must persist in the principle that cadres are to be governed by the party and that decisions on cadre matters must not be made by a single person. Second, cadres in charge of administrative work and cadres in charge of party and mass work are all party cadres. They all belong to a single entity. All cadres must be governed and deployed by party organizations in a unified manner. Third, we should follow the mass line in selecting and promoting cadres. We should carry out the system of democratic recommendation, soliciting opinions from the masses, and asking the masses to evaluate cadres. We should rely on the masses in selecting and promoting cadres and in judging and supervising cadres.

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## NATIONAL POLICY AND ISSUES

### PRC GRADUALLY DEVELOPING ECONOMIC LAW SYSTEM

OW181413 Beijing XINHUA Domestic Service in Chinese 1218 GMT 16 Jan 86

[Text] Beijing, 16 Jan (XINHUA)--China is gradually developing a system of economic laws and regulations, which has become an important measure for the state to lead, organize, and manage the economy.

It has been learned that in the past 6 years, the NPC and the State Council have promulgated 320 important economic laws and economic administrative regulations. At the same time, relevant departments also worked out more than 400 economic regulations in accordance with the state laws, principles, and policies.

At present, our country sets great store by managing the economy in accordance with laws and an economic judicial system is beginning to take shape. Now the nation signs 400 million economic contracts every year. To promptly solve all kinds of economic disputes, people's courts at the provincial, municipal, and autonomous prefectural levels all set up economic tribunals, which have tried and concluded hundreds upon thousands of economic cases. The State Administration for Industry and Commerce has heard hundreds upon hundreds of economic disputes, the majority of them have been concluded through mediation or arbitration. Some 31,000 enterprises and institutions have hired lawyers or designated specialized personnel as legal advisors; these people have handled some 88,000 legal affairs items. According to statistics for the period between January and September 1985, lawyers retrieved or averted economic losses totaling 1.3 billion yuan for the state and enterprises through their activities as representatives in lawsuits and civil cases. Through their activities, they protected the state's and enterprises' legitimate interests, stabilized the social and economic order, and helped economic administrative departments at all levels to free themselves from the tremendous load of administrative work.

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CSO: 4006/599

## NATIONAL POLICY AND ISSUES

### JOURNAL OUTLINES ECONOMIC SYSTEM MODEL

HK010550 Beijing JINGYI YANJIU in Chinese No 11, 20 Nov 85 pp 46-51

[Article by Wang Zhuo [3749 3820] of the Economic System Reform Office of the Guangdong Provincial People's Government: "Outline of a Model for the Chinese Economic System"]

[Text] [Editor's note] We plan to open up a debate in this magazine on the subject of models and general plans for the economic reform. Here we are publishing an article by Comrade Wang Zhuo, and would welcome discussion on it. [End editor's note]

The economic system reform we are currently involved in China consists of a process of reforming the old and establishing the new, and of substituting a new for an old model. The economic system reform is a creative, conscious activity with extremely broad scope and implications, and it is necessary to have an overall program to guide this sort of conscious reform.

The model for China's economic system reform is made up of two basic components: First, the mechanism for economic movement, that is, the creation of a new mechanism for the movement of the commodity economy, second, the mechanism for regulation of the macroeconomy, that is, the creation of a macroeconomic regulation mechanism for the new commodity economy. A difficult task is how to unite organically the movement mechanism and the macroeconomic regulation mechanism, forming a model for the Chinese economic in which the commodity and planned economics are relatively united on the basis of the socialist system of public ownership.

#### The Creation of a New Commodity Economy Movement Mechanism

The creation of a mechanism for the movement of the new commodity economy and the reform of the mechanism for the movement of the old product economy is the first task in the creation of Chinese economic system model.

##### I. What was the mechanism for the movement of the old product economy?

According to my research, the administrative mechanism was the mechanism for the movement of the products economy. The basic hallmark of the movement of the product economy which we adopted from abroad was the use of the

administrative mechanism to control the movement of the product economy. Therefore, the mechanism for the movement of the product economy consisted of a monopolistic, closed, vertical-type model which eliminated the market mechanism. Its major problems were as follows: It suppressed enterprise motivation, vitality and strength; it was bound to lead to the slow introduction of technology and low economic results in enterprises; and it often led to dislocation and stagnation due to mistaken administrative policies or inappropriate administrative measures. In the rural and urban economic system reforms introduced over the past 5 years and more in China, the main aim of some of the reform measures under the general guiding principle of "enlivening the economy" and "opening up to the domestic and foreign markets" was to reform the old model of a product economy movement mechanism, and the creation of a new commodity economy movement mechanism.

## II. What is the new commodity economy movement mechanism?

According to my research, there are two essentially different commodity economies, and therefore two different models of movement mechanism. The model for the capitalist commodity movement mechanism has already been formed, and we will not discuss it here. What we have to explore is the mechanism for the movement of a socialist commodity economy. According to my research, a socialist commodity economy movement mechanism consists of the market mechanism under effective macroeconomic control. Its basic hallmark is economic movement through regulation by the market mechanism. Therefore, the mechanism for the movement of a socialist commodity economy is a sort of network-like, open model which makes conscious use of the market mechanism for competition. Its major advantages are as follows: It is able both to stimulate enterprise motivation, vitality, and strength, and to avoid dislocation and stagnation in the movement of the economy due to administrative mistakes; it promotes technological progress in enterprises, and improves their economic results and their ability to respond to change. The mechanism for the movement of a socialist commodity economy exists under the effective control of the macroeconomy. This is the main point of difference from the capitalist commodity economy movement mechanism.

## III. How are we to establish this mechanism for the movement of the commodity economy?

1. On the question of the status of enterprises, state-owned enterprises are commodity producers and managers which are autonomously managed and take responsibility for profits and losses. An enterprise manages production in response to market needs, and in order to gain a reasonable profit ("doing absolutely anything for money" and "getting rich by foul means" are unlawful activities). If state-owned enterprises incur losses which are deemed to meet the conditions for bankruptcy, they should be declared bankrupt. In general, enterprise bankruptcy is different from an enterprise ceasing production or closing, in that if workers are affected in terms of employment due to bankruptcy, they should enjoy social welfare privileges.



2. On the question of intraenterprise relations, it is necessary to develop different forms of the socialist ownership system, and in state-owned enterprises which have the conditions, to develop a socialist share economy based on the state ownership system in which "one enterprise has many systems, and shareholders manage." We must also promote and popularize a contract economy on many levels and in many forms; carry out a system of floating wages linked to economic results; and handle correctly the relations between distribution of interests to the state, enterprise, and worker. We must both protect state interests, and establish workers as masters of the enterprise from an economic point of view. This is the source of motivation within an enterprise, and the source of motivation for the entire movement mechanism.

3. In the sphere of government-enterprise relations, we should carry out a division of responsibility between the state, enterprise, and worker and make sure that the administrative organs have no right to interfere in the production activities within enterprises. We must streamline the administration and devolve power, and in order to do this we must destroy a few "temples" and reform certain management systems which bind the hands and feet of enterprises, so that enterprises genuinely become lively "economic cells," not simply subsidiaries of administrative organs.

4. In the sphere of administrative relations, we must gradually devolve that portion of the powers of management and authorization which should be devolved. We must both give play to the role of sector management, and exploit the overall function of cities in coordinating and organizing economic activities.

5. In the sphere of enterprise relations, we must give play to the role of a pluralistic market, including the means of production commodity market, the fund market, the labor market, and the technology market, and establish a multilevel competitive market system which turns the market into a link for communications and exchange between enterprises.

IV. Why has the role of the existing mechanism for the movement of the commodity economy not yet come fully into play?

The major reason is this: Further reforms are needed in the old product economy movement mechanism. Before the reforms are fully completed, it will limit the full exploitation of the function of the commodity economy movement mechanism. This may be seen mainly in the following: 1) The main means of production will still be subject to mandatory production plans and product purchase plans. This portion of the means of production cannot yet be introduced into commodity market circulation. 2) Some major of production will be irrationally priced, and prices will not be appropriate to variety, while they will also be seriously divorced from the actual realities of supply and demand. It is also very difficult, for many reasons, to carry out a speedy reform of the pricing system. This irrational price system in turn restricts the full exploitation of the commodity economy movement mechanism. 3) The commodity market has not

yet been entirely opened up, while the markets for funds, technology and labor have not yet been formed. In other words, the market mechanism is by no means wholly complete or healthy. 4) As yet there has been no basic change in the situation of no division between administration and enterprise, or of barriers between regions and levels, and it is difficult to carry out the policy of "first taking the jobs sticks away, then breaking down the temple" in the economic management structure. If there is a "temple," there is bound to be a "spirit," and if so, who will dare take the "jobs sticks" away? Departments in authority continue to give enterprises insufficient power. 5) The macroeconomic regulation mechanism for the movement of the commodity economy has not yet been fully established, while the existing macroeconomic regulation mechanism for the old product economy movements is unable to control growing social demand, and is bound to lead to long-term commodity shortages, and cannot form a buyers' market to an appropriate degree. This is the major obstacle to the reform of the old product economy movement mechanism. If we do not get rid of this major obstacle, it will be difficult to push forward the economic system reform, to avoid losing control over the macroeconomy, and to give full play to the role of the commodity economy movement mechanism.

The full exploitation of the role of the mechanism for the movement of the commodity economy is dictated by the process of substituting the new commodity economy movement mechanism for the old product economy movement mechanism. The speed or otherwise of this process is primarily dictated by the speed or otherwise of the establishment of the model for macroeconomic regulation mechanism for the commodity economy.

#### The Creation of a Macroeconomic Regulation Mechanism for the Commodity Economy

The creation of a macroeconomic regulation mechanism for the movement of the new commodity economy and the reform of the macroeconomic regulation mechanism for the old product economy movement is the second test in the creation of a model for China's state economic system.

##### I. What is the macroeconomic regulation mechanism for the movement of a product economy?

According to my research, products in kind form the macroeconomic regulation mechanism in the movement of the product economy, and value and currency are merely means of calculating and estimating value. The basic hallmark of the mechanism for macroeconomic regulation of the product economy which came from abroad is as follows: 1) In terms of the object of macroeconomic control, its objects are direct control of supplies, products, sales, people, finances, and materials of enterprises (particularly large and medium-sized state-owned enterprises.) 2) In terms of the quotas for macroeconomic regulation, mandatory quotas for material goals are the main thing, to the neglect of the role of guidance plans in terms of value. 3) In terms of macroeconomic balance, plans are drawn up centered on balancing a portion of products, not

centered on balancing the national income and distribution. 4) In terms of handling the relationship between total social supply and demand, attention is concentrated on ensuring the inflation of social demand. 5) In terms of improving the ratios of the product structure, stress is placed on channels for monolithic state investment and direct planning control, while multichannel investment and regulation through market needs are ignored, along with regulation by economic levers.

The major problems in this model for the mechanism for macroeconomic regulation of a product economy are as follows: It is unable to control the balance between national income and expenditure; it cannot overcome the long-existing phenomenon of inflated social demand and product shortages; it cannot make production elements sensitively engage in production of commodities which are in short supply, nor can it effectively coordinate the ratios of the national economy; moreover, macroeconomic regulation directly controls enterprises, managing them too tightly, and killing their initiative and life. This is the reason for the universal phenomenon in socialist economies of lifelessness and repeated loss of control in the old economic system.

China's exploratory economic system reform over the past 5 years and more has indeed achieved successes. If we say that there are still some shortcomings we mean that at the same time as grasping the reform of the movement mechanism of the commodity economy, and paying attention to enlivening the economy, we have not promptly grasped the establishment of a model for a mechanism for macroeconomic regulation of the commodity economy, and substituted it for the old macroeconomic regulation mechanism for the old product economy. The excessive speed in economic growth caused by the partial loss of control over the macroeconomy which is being talked about now is actually an old problem of the model for macroeconomic regulation mechanism of the old product economy. It is not a new problem created by the fact that the economic system reform has gone ahead too fast, but an old problem arising because the reform has gone ahead too slowly. The way to solve this problem is to speed up the establishment of a model for the macroeconomic regulation mechanism of the new commodity economy, and substitute it for the old one.

## II. What is the mechanism for macroeconomic regulation of the new commodity economy?

According to my research, the commodity value mechanism is the mechanism for the macroeconomic regulation of the commodity economy. This new model's basic hallmark is that based on the balance of value, it balances material things mainly through the organization of a balance in values, and centered on the balance of the national economy values, and through the use of mandatory value plans and various economic levers, it regulates total social demand and changes in the structure of demand, and thereby exercises conscious regulation of economic movement.

III. How are we to create a mechanism for the macroeconomic regulation of the new commodity economy?

1. It is necessary to carry out the principle of division of responsibility between the government, enterprise, and work. The enterprise is the management entity of the commodity economy, and in this sense, the enterprise may be said to be the basic unit. The government is the macroeconomic regulator of the commodity economy, and in this sense, the state may be said to be the basic unit. The unification of the mechanism for the movement of the socialist commodity economy and its regulatory mechanism require the unification of the concepts of the enterprise and the state respectively as the basic unit.

2. The mechanism for macroeconomic regulation is possessed and used by the central government and local governments on its behalf. In brief, under the unified leadership of the state, we effect the principle of a combination of centralized use by the central government and dispersed use by local governments of the mechanism for macroeconomic regulation, but on issues which affect the whole economy, the whole country must be subordinate to macroeconomic regulation by the central authorities. What we call the mechanism for macroeconomic control involves two functions: the first function and the second function.

3. How are we to give play to the first function of the macroeconomic regulation mechanism?

This first function is the control of the balance between national economic income and distribution, and the prevention of the formulation of plans in which national income is higher than distribution. This is the basic way of solving the problem of inflated demand and commodity shortages. The general principle is to reform the basic system of centralized state control over the balance, and instead to introduce a system of floating balance in which each level of government, each department and each enterprise controls their own figures. There are four salient features of this system:

(1) Increases and reductions in wages of enterprise staff and workers are linked to that enterprise's economic results (mainly, they are linked to that part of finances handed over to the state and that part of funds belonging to the enterprise which it transforms into state-owned assets). The state only controls the floating ratios. If wages go up, state income increases even more. The boat rises and falls with the water, and the boat is always higher than the water; in this way, the phenomenon of loss of control over consumption funds cannot occur. In the case of a small number of enterprises whose per capita profit handed over to the state is little on the small side, the extent to which wages are linked to profits may be extended somewhat.

(2) The balance between financial income and expenditures is maintained. In order to uphold the principle of balancing financial income and

expenditures and having some surplus, it is necessary to make important reforms in the system, make clear divisions between the scope of expenditure and source of income for the central government and the regions respectively, so that each level takes its income as its starting point, controls expenditure according to income, and balances its own books. The central government must not get itself into a financial deficit, and neither must the regions have a covert deficit. If the state has especially urgent needs, state bonds may be issued upon authorization by the NPC.

(3) Implement a financial and credit system which prevents inflation of currency and credit.

It should be clearly stipulated in the rules of the financial system that; the issue of currency is the sole domain of the state, and is controlled by organs with state power. It can only be issued for economic reasons. Unless the state experiences especially urgent need, the financial issuance of currency is not permitted. The central bank is the state's organ of financial management, not an enterprise involved in the credit business.

In the sphere of the credit system, the central bank controls base currency. The central bank controls funds lent to the specialized banks only according to this base currency, eliminating the system of using both credit plan quotas and funds to limit lending to the banks. The current method is that if there is a credit plan quota but no funds, money cannot be lent; and if there are funds but no credit plan quotas, money cannot be lent either. This method is much too rigid and must definitely be changed. How? I propose the following: 1) Specialized banks are financial enterprises; 2) Specialized banks cannot practice monopoly management -- several competing banks should exist in the same city; 3) Specialized banks hand over deposit reserves to the state; 4) The central bank exercises control over the specialized banks through lending of funds; 5) The specialized banks are managed like enterprises, expanding the scale of their loans through attracting more deposits and promptly retrieving money loaned; and 6) Specialized banks introduce a financial management system in which deposits are linked to loans, such that the more deposits there are, the more loans may be made, and the more income there is the more expenditures there can be. When attracting depositors, specialized banks should have as their first priority handing over reserve funds to the central bank; at the same time, they must definitely not borrow any more funds from the central bank. With this precondition, the specialized banks may carry out a credit system which is "self-balancing with deposits linked to loans."

4) A management system is introduced which is characterized by each level exercising control over its own foreign exchange, income and expenditure, such that it balances its own books. The central bank will exercise three types of control over the various sectors and regions: 1) It will calculate the ratio of foreign currency to be retained; 2) It will

calculate the margin between foreign currency income and expenditure; and 3) it will control the amount of foreign currency in order to control commodity imports, and will also calculate the amount of foreign currency to be spent per year on such commodities. These limits must be strictly adhered to.

As long as we exercise genuine control over the four above areas in the mechanism for regulating the macroeconomy, we will be bound to solve three old problems: 1) We will bring the overall balance of the national economic income and expenditure under control, and eliminate plans which result in income exceeding expenditure. Social inflation will be brought under control, the phenomenon of nonstructural commodity shortages will be overcome, and an appropriate buyers' market will be formed. 2) International income and expenditure will be brought under control, such that a big margin between income and expenditure will be avoided and a rational amount of foreign currency reserves will be maintained. 3) The speed of economic growth stipulated by the state will be strictly adhered to by maintaining the four above balances, and such adherence will be an essential part of work discipline. Those who violate it will be punished according to the circumstances of each case. As long as these rules are kept to, the first function of the macroeconomic regulation mechanism will be able to restrict administrative policy errors, keep the ratios of the national economy from becoming unbalanced, and avoid big fluctuations in socioeconomic development.

IV. How are we to give play to the second function of the microeconomic regulation mechanism? The second function consists of regulating the ratios of the production structure, including the ratios of the commodity structure, and of ensuring the coordination of the commodity and consumption structures. Consumption includes that involved in both living and producing. One thing should be made clear here: The state uses the first function of the macroeconomic regulation mechanism, and at the same time as controlling the balance between national economic income and expenditure, it controls the ratios of this income and expenditure, including the ratio between accumulation and consumption and that between the inner ratios of the accumulation and consumption structures. This controls the overall volume and structure of market demand from a macroeconomic point of view. This regulation of the volume and structure of market demand by the state according to plans forms the essential difference between the socialist and capitalist markets. This difference signifies that socialist market regulation is an integral part of the socialist planned economy, not an integral part of the capitalist market economy.

The aim of socialist production is to satisfy social demand. In a commodity economy, social needs are expressed as market needs. Therefore, that market needs regulate the production structure, including the commodity structure, is entirely appropriate to the objective needs of the basic economic laws of socialism.

Socialism. The basic conditions for the exercise of the second function of the macroeconomic control mechanism are as follows:

1. An enterprise is a commodity producer and manager. The enterprise produces according to market needs, and with the aim of making reasonable and legal profits. This is the basic condition for evaluating the role of the socialist macroeconomic regulation mechanism. However, it is difficult for each individual enterprise to be fully aware of all the changes and tendencies on the domestic and foreign markets, and therefore, there is still a need for the central authorities to issue guidance plans for major commodity production according to the scope of production and sales of particular commodities.
2. A policy of price stability is carried out with regard to that small number of commodities essential to the people's lives, and a floating price policy for all other commodities. Floating prices and free prices may fluctuate according to market demand.
3. There is an open fund market, with many channels for sources of investment, including state planned investment, local government plan investment, enterprise investment, funds raised among people in society, and foreign investment. State plan investment is used mainly for nationwide capital construction and large-scale backbone enterprise building, and forms part of the mandatory plans; local government plan investment is used mainly for local industrial and agricultural capital construction and the building of key enterprises, and forms part of the guidance plans. Other investment, including enterprise investment, social fund-raising, and foreign investment, may be used on any project, as long as it does not violate state laws, according to market needs and predictions.
4. Economic levers are used to regulate the commodity profit rate. Profit rates on oversupplied low-demand goods may be lowered by the use of economic levers such as tax increases and price cuts; those goods in short supply and high demand may become more profitable through government use of economic levers such as tax cuts and price hikes. The aim here is to attract funds (and consequently other production factors) from the production of oversupplied commodities to the production of goods in short supply. This is a more effective and flexible means of achieving this than the use of guidance-type quotas for specific products.
5. Exchange rates and customs tax rates are used to regulate the variety and quantity of export goods, acting as a supplementary balance to domestic market supply and demand, and an important economic lever in controlling the state's foreign exchange balance.

The exploitation of this second function of the macroeconomic regulation mechanism and the flexible regulation of the production and commodity structures mainly on the coordinated use of many different means of regulation: 1) Guidance-type production plan regulation: 2) Regulation through guidance-type value quota plans: 3) Regulation by the market mechanism, and 4) Regulation through different economic levers.

## How to Consciously Substitute the New Economic System Model for the Old One

The establishment of a new economic system model, the reform of the old economic system model, and the conscious and complete substitution of the former for the latter. Requires that we draw up an overall program for China's economic system reform. China's economic system reform may roughly be divided into three stages.

The first stage: The preparatory stage, that is, the stage of partial, exploratory reform. This took place from the 3d Plenary Session of the 11th CPC Central Committee in 1978 to the 3d Plenary Session of the 12th CPC Central Committee. The theme of this stage was the enlivenment of the economy and the opening up of the domestic and foreign markets. It concentrated on breaking down the old system of movement of the product economy, and the establishment of a mechanism for the commodity economy; and it achieved great things in the spheres of developing the rural commodity economy, promoting technological progress, improving economic results, enlivening the rural markets, and making the economy more flourishing. However, the mechanism for the movement of the commodity economy was not yet perfected, and the reform came across all sorts of obstacles. Of course, during this preparatory period, we made a thorough summing up of the experiences of the reform, became clearer on the new road to China's economic system reform, and formulated the "decisions of the CPC Central Committee on the Economic System Reform." This is a programmatic document guiding China's economic system reform from now on, and a tremendous result of the system reform during the preparatory period.

The second stage: Overall reform, this will run from the 3d Plenary session of the 12th CPC Central Committee to the completion of the Seventh 5-Year Plan. The first 2 years of this stage consist mainly of "stabilizing the economy," and the theme of the reform is the establishment of a new model for the macroeconomic regulation mechanism for the new commodity economy. This requires the thorough reform of the old product economy regulation mechanism. The specific substance of the reform is as follows: A thorough, coordinated reform of all systems, from the wage system to the financial management system, the credit management system, the foreign currency system, and so on. The aim that the reform must achieve is as follows: Achieve overall control of the balance between national economic income and expenditure, control over inflation of social demand elimination of the phenomenon of national income exceeding distribution and the gradual formation of an appropriate buyers' market. The key here is to control the speed of wage rises through the raising of economic results, and to control the scale of capital construction through the balance of funds. [Footnote] [See also the article "Establish a Model for the Macroeconomic Regulation Mechanism for the New Commodity Economy" in Jingji Lilun Yu Jingji Guanli" No 5, 1985]



In order to control the scale of capital construction, the rate of wage rises, and the inflation of social demand, from the macroeconomic point of view, and to gradually form an appropriate buyers' market, it is necessary to grasp the opportunity to carry out the following three important reform tasks.

First, complete the reform of the price system of the means of production, substituting commodity circulation for monopoly distribution and purchase of products, and basically eliminating mandatory quotas for goods production (including production and purchase plans). Under conditions in which the balance between the national economic income and expenditure is upheld and the necessary mandatory plans for capital construction investment are retained, carry out a plan system dominated mainly by guidance plans.

Second, on the basis of completing the reform of the finance and credit systems, develop the socialist systems of shares and contracts, create a market system with a fund market at the head of the chain, bring into play the various functions of large, medium, and small cities and their roles in the promotion of the economy, of technological progress, and of the supply of information, forming a multi-layered market network with the large, medium, and small cities as the axes.

Third, streamline the economic management structure. Enterprises are subject only to coordination and management by overall government departments; administrative departments within enterprises should be eliminated, along with all sorts of administrative-type companies. Associations of sectors should be organized and perfected, which have responsibility for coordinating domestic business within each respective sector. In this way we will genuinely reach a situation in which there is a division of responsibility between the government, enterprise, and worker, and will fully solve the problem of division between levels and regions.

The achievement of the above three important tasks will create conditions for the perfection of a mechanism for the movement of the new commodity economy. And the unification of this mechanism and the mechanism for the macroeconomic regulation of the new commodity economy will together form the model for China's economic system.

The third stage: The perfection and readjustment of the new economic system model and the elimination of the effects of the old economic system model. It would seem that it is no good for the system reform to be either too stable or too unresolved. An unstable, insecure environment is highly disadvantageous to economic life. An urgent task at present is to design a model to aim at in the creation of China's economic system. If we do not define such a model, confidence in the reform is bound to be shaken by setbacks, detours, and repetitions, and the great opportunity for reform will be lost. In my opinion, one of the system reform committee's most urgent tasks at present is to marshall nationwide forces to conduct research into a model for China's economic system, and to draw up an overall program for the system reform. Strength should be drawn from all sides to draw up various plans which should be compared and selected, and a policy drawn up.

## NATIONAL POLICY AND ISSUES

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[Article by Li Yonglu [2621 3057 4389] of the Sichuan Institute of Finance and Economics: "The Conditions For and Forms of, Management Through Industrial Trades" -- completed August 1985]

[Text] Our nation's 400,000 industrial enterprises are the material base and advance front in carrying out our socialist modernization. However, at present it appears that they are very scattered, their organization is irrational and it is not possible to fully bring their roles into play. The scientific and rational organization of this vast number of scattered industrial enterprises in accordance with the demands of the socialization of production so as to greatly raise the productivity and economic results of all industry, is a strategic task facing us at present. Strengthening management through industrial trades is an important form and method for carrying out this task.

#### 1. Strengthening Management Through Industrial Trades Is an Objective Demand of Economic Development

A primary requirement in this is the development of a socialist commodity economy. Historically, management through trades is the product of economic development reaching a certain stage. It is also a requirement for the further development of the commodity economy. The development of a commodity economy causes the continued raising of the degree of production socialization. As the social division of labor becomes more specialized, the number of trades will increase and the relationship of cooperation between trades as well as between enterprises within the same trade will further develop. This objectivity requires that all trades establish trade organizations of various types to carry out necessary management of the trade and to coordinate the various economic relationships between trades and between enterprises within each trade. The various guild organizations for protecting a trade's interests which appeared in the medieval period, played a definite role in management of their trade. However, these guilds were established on the basis of

handicraft trades and thus the contents and methods of management were relatively simple. Also, they had a pronounced feudal colour. Following the development of capitalism and the appearance of large-scale, mechanized industry, these feudal guilds declined rapidly and were replaced by new trade organizations which accorded with the demands of the development of a capitalist economy. The work of the trade organizations at that time was abundant, and the organizational forms diverse. They were able to accord with the requirements of domestic and international competition and has a greater trade management function.

At present, in some industrially-developed capitalist countries, because of intense competition and especially the intensification of international competition, the capitalists in the various industries, especially some medium-scale and small entrepreneurs, are pressing for protection of their trades. This has resulted in trade management being greatly strengthened and developed, and this management is being daily improved. For example, in 1978 Japan had over 55,000 trade organizations of various types. These form an interconnected network of trade organizations. Most trades have national organizations which exercise varying degrees of management over the trade. Even the small wig-making industry has a national trade organization. It is not only aware of the domestic situation in respect of the trade, but also understands the international situation in terms of the production, sales and technical developments in the wig-making trade. Japan has developed very quickly and is highly competitive in the international market. This is closely linked with the continued strengthening and improvement of its trade management. United States' trade organizations are also widespread, and there are over 18,000 national and local trade associations. Over 70 percent of West Germany's enterprises participate in trade organizations. In France, there are many names for trade organizations. The Federation of Mechanical and Metallurgical Processing Industries alone has 66 trade associations. Membership is close to 10,000 including virtually all large, medium-size, and small mechanical and metallurgical processing enterprises. The experience of developed capitalist countries in strengthening management through trades can provide us with great inspiration. It shows us that improving and strengthening management through trades is a requirement for the development of the economy, and is a particular requirement for the development of a modern commodity economy.

A socialist economy is a planned commodity economy. Between the trades and between the enterprises in each trade exist complex economic relationships and relationships of coordinated division of labor. In order to make it possible to coordinate the production and operational activities and the economic relationships between the various industrial trades and between the enterprises in each trade, to protect the legitimate interests of various trades and their enterprises so as to avoid blindness in the development of production and guarantee the healthy development of the commodity economy, and in order to raise the comprehensive economic benefits of overall industry and of the national economy, it is even more necessary that a socialist nation strengthen and improve industrial management through trades.

Socialist management through trades is established on a base of public ownership and the means of production. Its nature and aims are different to those of capitalist industrial trade management, which is based on private ownership of the means of production. However, in that they are both requirements for the further development of the commodity economy, they have a common nature. Thus, we should study and use as reference the experience of capitalist nations, especially some of the industrially-developed capitalist nations in terms of their effective methods of management through trades and their positive and negative results. We should then adopt those things which are advantageous. This will be beneficial to establishing socialist management through trades with Chinese characteristics.

Second, strengthening management through trade is an important component and objective demand of the industrial structural reforms. Our nation's original industrial management system basically follows the Soviet Union model. Its characteristic is that state industrial management departments directly manage enterprises on the basis of administrative divisions and jurisdiction relationships, mainly through administrative methods, with divisions between levels and between departments. Because the industrial management departments of the central authorities (ministries), provinces, prefectures, counties and villages all have a number of enterprises directly subordinate to them, they take the management of these enterprises as the central point of their work. In this way, on the one hand, the directly-administered enterprises are administered excessively and too tightly which seriously suppresses their vigor and vitality. On the other hand, these departments are powerless in respect of, and unable to manage, other enterprises of the same trade subordinate to other departments. In fact, the industrial management departments at various levels take on many of the microeconomic problems which should be solved by the enterprises themselves, and thus do not play a trade management role. In order to change the old industrial management system and completely break through the divisions between departments and regions. We must appropriately reform our nation's industrial management organizations and management methods, and then establish and perfect industrial trade management. Also, we must change the functions of industrial management departments from mainly managing enterprises to managing trades. This is also a requirement if we are to strengthen macromanagement of industry.

Third, strengthening management through trades is a requirement if we are to raise the comprehensive economic results of industry. Because the industrial management system is not rational, it seriously affects the raising of comprehensive economic benefits. This is mainly manifested in the following aspects: 1. Because of the divisions between departments and regions and the dismemberment of trades, each department and each region has become an entity. Each has its own administration which artificially severs the horizontal relationships of a commodity economy. This results in a very low level of specialization in the overall industry, and combination and cooperation is very difficult to achieve. The "large and complete" or "small but complete" phenomena are very

serious and all this violates the objective demand for the socialization of production. 2. Because of the division between departments and regions and the dismemberment of trades, unified plans for trades are lacking. The phenomena whereby all departments and all regions engage in duplicated construction, duplicated importation, duplicated production and blind development is quite serious, resulting in a great waste of society's labor, materials and funds. 3. Because of the divisions between departments and regions and the dismemberment of trades, all the trades lack unified technical policies and technical standards. This affects technological progress and the propagation of new technologies as well as the raising of labor productivity. 4. Because of the divisions between departments and regions and the dismemberment of trades, the enterprises have many "mothers-in-law," there are many leaders, and organizations are overlapping, resulting in a low level of work efficiency. all these problems require strengthened management through trades.

In addition, strengthening management through trades has great significance and an important role in perfecting industrial information systems, improving enterprise administration and management, and strengthening the comprehensive balance in the macroeconomy.

## 2. Creating Conditions for Gradually Implementing Management Through Trades

There are differences of opinion on whether certain conditions are needed for implementing management through trades, what sort of conditions are needed, and whether or not our nation has these conditions. Some comrades believe that the implementation of management through trades does not require any special conditions. They believe that we only need to change the former departmental management into management through trades and change the industrial management departments into industrial trade management departments. Some comrades feel that it will be possible to achieve management through trades only by reforming the economic structure and thoroughly breaking down the divisions between departments and between regions, and thus feel that we do not have the conditions for implementing industrial trade management. Both these views are worthy of discussing. The former sees the implementation of industrial trade management in our nation too simply and overlooks both the obstacles which the old economic structure places in the path of the implementation of trade management and the mutually-repellant nature of the two. The latter makes the conditions for carrying out industrial trade management absolute and does not recognize the beneficial conditions for implementing industrial trade management which the current economic reforms have provided.

Socialist industrial trade management is a form and method by which to organize and manage the socialist commodity economy. It requires certain conditions. Socialist public ownership and the planned economy system provide the general conditions and objective possibility for us to establish socialist management through trades. It will also result in our management having greater superiorities than capitalist management through

trades. But changing this possibility into reality also requires that we have an economic management system which is suited to the implementation of management through trades. Management through trades is linked to a commodity economy. However, the base of the old management system is a product economy. The nature of a product economy is mutually exclusive with that of a commodity economy. This thus objectively obstructs and repels management through trades, and on this basis we cannot establish a complete industrial trade management system. Past practice has clearly proved this point. Thus, reforming the old management system is a precondition for establishing a complete socialist trade management system in our country. Specifically, we should have the three following basic conditions: 1. Enterprises should truly become relatively independent economic entities, and should have operational decisionmaking power. This is the minimum and most basic condition. 2. Socialist industrial trade management must carry out planning, coordination, service, supervision and guidance for whole industries, including enterprises owned by different departments and regions as well as privately-owned enterprises. It objectively requires that the barriers between departments and regions be broken down and that each trade sets up its own system. If this is not done, there cannot really be industrial trade management. 3. It is necessary to establish a unified, socialist domestic market. Socialist industrial trade management is established on the basis of a planned commodity economy. A market in which commodities can be realized is an indispensable condition and is the external environment for enterprises' production and operational activities. Thus, establishing a unified developed socialist domestic market which includes not only markets for means of consumption, but also markets for means of production, technology markets, labor service markets and financial markets, is a requirement for establishing a socialist commodity economy, and is also an important external condition and external demand for realizing socialist management through trades.

The three conditions are all closely linked with the reform of the economic structure. The process by which the conditions for achieving management through trades are realized is in fact determined by the width, breadth, and depth of urban economic reforms and the process of their development. However, we cannot conclude from this that we cannot implement management through trades before the economic reforms are completed. Management through trades and the reform of the economic structure promote each other. As the economic reforms deepen, they will be of increasing benefit to the implementation of industrial trade management. Also, the implementation of management through trades is an important component of the reform of the economic structure, and its implementation will also be of benefit in the deepening and development of the reform of the economic structure. We should fully utilize the various advantageous conditions presented by the reform of the economic structure to implement management through trades and actively spread management through trades. In fact, in the wake of the further deepening and development of the reform of the economic structure, we already have initial conditions for implementing management through trades.

We should first look at enterprises' autonomy. Since the 3d Plenary Session of the 11th CPC Central Committee, we have carried out a policy of expanding enterprises' autonomy. Following the continual development of the urban reforms, enterprises' autonomy has also been appropriately expanded. This has especially been so following the promulgation of the State Council's "Provisional Regulations on Further Expanding the Autonomy of State-Owned Industrial Enterprises" in May 1985. These further stipulated enterprises' autonomy in areas including production and operational planning, product sales, funds' use, labor and personnel management, and wages and bonuses. In the fourth quarter of that year, the second step of the reform to substitute tax payment for profit delivery was instituted, causing the economic interests of enterprises and their responsible departments to become "unhooked." The enterprises thereby gained greater autonomy. These measures have all created preconditions for changing enterprises from appendages of administrative organs to relatively independent economic entities, so that they can become socialist commodity producers and operators which control their own operations and have responsibility for their own profits and losses. In this way, the enterprises have relative autonomy in operations.

Second, we should look at breaking down the divisions between departments and regions. Due to the development of the reforms of the urban economic structure, the divisions between departments and regions are beginning to see changes. Through carrying out reorganization and combination, strengthening horizontal economic relationships and organizing all sorts of cooperation and combinations which cut across departments and regions, we have begun to break through the divisions between departmental ownership, regional ownership, and private ownership. At the same time, following the initial bringing into play of the many functions of cities, a number of embryonic economic regions of different scales which rely on large or medium-size cities and which have open network forms, have begun to appear. These embryonic economic areas are gradually changing the former situation of divisions between departments and between regions.

Further, we should look at establishing a unified socialist domestic market. The planned commodity economy theory, creatively put forward by the 3d Plenary Session of the 12th CPC Central Committee, created a theoretical base for establishing a unified, socialist market. At the same time, our practice in reforming the economic structure has broken through the fetters of traditional viewpoints. At present, there exists in our nation's economic life, markets for the means of consumption, while markets for the means of production, markets for technology, markets for labor and financial markets are all being formed.

The above show us that the continued deepening and development of the reform of the economic structure has already created definite conditions for carrying out management through trades. We should make full use of these beneficial conditions to promote the development of management through trades. At the same time, we should also recognize that the reform of the economic structure is still in progress. The economic

structure is at the transitional stage where the old system is changing into the new system. Many aspects of the old system are still playing roles to different degrees and are directly or indirectly restricting management through trades. This requires that in the process of organizing and implementing management through trades, we must fully consider the characteristics of the change from the old system to the new system, proceed from reality, advance in an orderly way and progress in a planned and step-by-step manner.

### 3. Establish a "Double-Track System" of Industrial Management Through Trades.

As to the form our nation's management through trades should take and what its target model should be, these are questions well worth studying. Clearly, these points have great significance in guiding current industrial trade management work.

The selection of the model for management through trades in any country is closely linked to that country's society, economic characteristics, management systems and even to its traditional customs. We should proceed from our nation's actual situation and establish socialist industrial trade management with Chinese characteristics.

By proceeding from the requirements and characteristics of a planned commodity economy, our nation's management through trades will be of benefit to independent operations by enterprises, the increasing of enterprises' vigor and the enlivening of the microeconomy. On the other hand, it will be of benefit in bringing into play the role of the socialist state-managed economy and in strengthening control and management of the macroeconomy. Thus, I believe that the target model for our nation's management through trades should be to establish a "double-track system" of organization.

The "double-track system" includes the idea that the system of organization of our nation's management through trades should be an organic combination formed by both government trade management departments and non-government trade associations. These two components are different in terms of their nature and tasks. However, they promote each other and are tightly linked. Non-governmental trade associations will be powerful aides of government trade management departments, and in their work will be guided by government trade management departments. However, organizationally the two will not have a relationship of leader and led. They will each be independent and will each carry out their work according to their own natures and tasks.

Government trade management departments will be functional departments of government and will represent the state in carrying out trade management. Their main functions will be: to formulate and arrange policy, plans, coordination, supervision and specific tasks; to implement the trades' plans, policies and laws and regulations; to draw up plans for the



trades' development; to arrange deployment in terms of the trades' key construction projects, scientific research projects, and the work of developing new products; to arrange specialized coordination and re-organization of alliances; to coordinate development plans and economic relationships between enterprises within the trade and between the trade and other trades; to collect and disseminate economic information to the trade; to manage that trade's external economic and technical exchanges; to supervise the enterprises of that trade in their carrying out of relevant state plans, policies and laws and regulations, and so on.

In the setting up of government trade management departments, the requirements should be broad rather than narrow, and the division of work should be general rather than specific. Departments should be set up on the basis of major trades (which can be referred to generally as "categories") and, in general, management organs can be established at three levels -- the central (ministry) level, the provincial level and the city level.

Trade associations will be organizations voluntarily set up by enterprises of the same trade to coordinate the development of that trade. They will not be government trade management organs and will not be economic entities. Rather, they will be non-government organizations under the guidance of relevant state trade management departments. Their main function will be, under the conditions where enterprises are independent and autonomous in their operations, to carry out liaison, provide guidance, provide service and act as consultants for the enterprises of that trade. They will represent the enterprises in talking to the government, and will be able to act on behalf of the government in holding discussions with the enterprises and in supervision of the enterprises. On the one hand, they will report to the government the situation in respect of enterprises' production operations, and reflect enterprises' ideas, requests and suggestions. On the other hand, they will pass on all relevant policies, plans and laws and regulations to the enterprises and guide enterprises' to consciously achieve the government's intentions. They will play the role of bridge and link between government and enterprises. Their specific tasks will be: to assist relevant government departments to formulate medium- and long-term development plans for the trade; to formulate and supervise implementation by the enterprises of unified technological policies and specialized technical standards; to tighten the relationship between enterprises within the trade, and organize production cooperation and exchange of experiences within the trade, to organize experts to carry out diagnosis, provide guidance and supply consultancy and technical services in respect of enterprises' operational management and product technology; to train managers and technical personnel for enterprises; to collect, put in order and provide to the enterprises all sorts of technical and economic intelligence relevant to that trade; to protect the legitimate rights of the enterprises within the trade and the reputation of the trade; to link up and strengthen the relationship between enterprises of the trade; and so on.

In the arrangement and establishment of trade associations, the division of work should be a little more specialized and the requirements a little stricter. In general, it will be best to arrange and establish them on the basis of specialized industrialized trades. All enterprises of that trade, regardless of which region or department they come under, would then be able to voluntarily join the association, and could also freely withdraw. A single enterprise could, in accordance with demands, concurrently participate in several trade associations. The trade associations will be of two types -- national and local. It is not certain that every province and city will establish local trade associations, and it is not certain that all national trade associations will be established in Beijing. For example, the industrial trade association for bicycles and for sewing machines could be established in Shanghai, the silk industry trade association could be established in Hangzhou and the machine-tool industry trade association could be established in Shenyang. They could rely on their industry's large enterprises and scientific research center to assist in carrying out their work. The highest organ of power of a trade association will be the plenary session of association members, while specific work will be carried out by a council. Below the council, a small, highly-trained administrative body to handle the day-to-day tasks of work may be established. The funds of the associations will mainly come from association dues of member units, income from various types of undertakings arranged by the association, government subsidies and donations from relevant units or individuals.

Trade associations will not be bodies subordinate to administrative organs, and will not be subject to the leadership of any department. However, they will have to implement state principles and policies, and accept the guidance and supervision of the state. At the same time, when formulating plans, allocating investment and formulating pricing, taxation, credit and other economic policies, the state should pay full attention to and respect the views of the associations.

Establishing a "double-track system" for organizing management through trades, which includes the two large systems of government trade management departments and non-governmental trade associations, can both bring into play the role and enthusiasm of the state for strengthening management over trades in the macroeconomic sphere, and also bring into play the roles and enthusiasm of enterprise and enterprise colonies of various industrial trades in strengthening management through trades. In promoting development of our nation's planned commodity economy, this will play an important and positive role. Thus, taking the "double-track system" as the target model of management through trades conforms quite well with our national situation. But, as to whether this organizational system is the target model for management through trades, we must wait until the reforms of the economic structure are completed, because only then can it be truly realized. At present, we are in the period of transition from the old system to the new system. Also, we lack a basis for management through trades. It is unrealistic then to think that we can immediately establish a perfect "double-track system" or organization. Thus, in the process of implementing management through trades, on the one

hand we must consider the demands of a "double-track system" target model, and in formulating policies, adopting measures and forming a basic structure, we must aim in this direction. On the other hand, we must consider the actual situation at present, and implement some elastic, flexible measures of a transitional nature, and adopt diverse methods of management through trades. For example, in establishing trade association and in handling the relationship between the trade associations management and departmental management, there will be the question of how to use existing industrial management departments. This requires that we pay attention to the different situations of the various departments. For example, the products of some departments are quite unitary, while others handle many types of products; in the past, in some departments, jurisdiction management for products and business has been implemented, while in some other departments this was not so; in some departments it is quite clear which products and which business is to be handled, while in other departments it is not too obvious; and so on. In keeping with this situation, in the process of implementing management through trades, on the one hand we should in general combine those trades managed by responsible government departments and those trades managed by non-government trade associations. On the other hand, as to how we are to concretely combine them, we should act in accordance with the time, the place, and the trade and adopt various forms of combination. From experiences in various areas, in our nation's management of trades at present we can adopt the following three forms:

1. Those trades with relatively unitary products, where products and business have clear jurisdiction relationships and where in the past there has been basic division of work based on this jurisdiction, for example, the electricity, textiles, iron and steel, coal and such industrial trades. For these, we can consider adopting a form which unites government management departments and non-government trade associations. That is, it would be one organ with two signboards. The existing industrial management departments will concurrently carry out the dual functions of government trade management department and non-government trade association. It will be a single entity with dual roles. In this way, we will be able to use existing industrial management departments and avoid increasing organizations and personnel. Also, it will be of assistance in the coordination and unifying of work and of benefit in changing the functions of existing industrial management departments from managing enterprises to managing trades.

2. Those trades where product and business relationships are quite clear, but due to the large number of product types, there is much overlapping and duplication between departments, and thus they are managed by many departments. This includes machinery, light industry and chemicals. We can consider adopting jurisdiction methods based on major industrial trades and joining management departments with trade associations, thus having one organ with two sign-boards. Below these we can establish specialized industrial associations based on specialities. This will aid in utilizing existing industrial management departments and implementing overall planning, and will also allow the roles of various specialized trade associations to be brought into play.

3. Those trades where there are no clear jurisdiction relationships in respect of products and business, where many departments manage but none take responsibility, resulting in multi-department management. These include foodstuffs, packaging and similar industrial trades. For these, we could consider establishing trade associations which reach across departments, and below, establishing various types of specialized industrial trade associations. These industrial trade associations will be non-governmental trade associations and can also play a role in taking on some of the functions of industrial trade management departments, such as making plans for the trade and so on. They will not be directly linked to any industrial management department, and thus they will be able to break free from the fetters of management by many departments and better bring into play their role in management through trades.

The organizational forms of management through trades are not fixed and unchanging. Those noted above refer only to the general situation at present. Following the continued deepening and development of the reform of the economic structure, the organizational forms of management through trades will see appropriate changes and it is certain that a socialist "double-track system" of management through trades with Chinese characteristics will be gradually formed and daily perfected through practice.

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## PROVINCIAL AFFAIRS

### HEBEI GOVERNOR ON ECONOMIC DEVELOPMENT

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["Excerpts" of speech delivered by Hebei Governor Zhang Shuguang at a provincial planning work conference in Shijiazhuang on 12 December:  
"Develop Our Province's Superiority, Do a Good Job in Economic Strategic Arrangements, and Develop the Economy of Our Province in a Sustained, Stable, and Coordinated Manner"]

[Text] 1. Major Fighting Goals of the "Seventh 5-Year" Plan of Our Province, and Favorable Conditions for Implementing the Plan

The "Seventh 5-Year" Plan was formulated on the basis of the fundamental guiding principles as set forth in the CPC Central Committee's proposal for the "Seventh 5-Year" Plan and our province's actual foundation for economic development, and on the principle of being optimistic, but not overambitious. We are provided with the following conditions for achieving the fighting goals for this period of time and for developing our undertakings more successfully.

First, the province has brought about a lively political situation of stability and unity. Since the 3d Plenary Session of the 11th CPC Central Committee, the masses of cadres and people throughout the province have gradually unified their thinking in line with the party's line, principles, and policies. With a better ideological foundation, they have trusted and supported the CPC Central Committee and maintained political and ideological unity with it all the more. Leading bodies at all levels have become more united, political life has been vigorous, and the relations between the party and the masses, between the army and the government, and between the army and civilians have become closer. Social order has been stable, and the people throughout the province have worked together with high enthusiasm and morale to create a new period of vigorous economic development.

Second, the line, principles, and policies of the CPC Central Committee have become more definite, have taken root deeper in the people's hearts, and have been grasped by the masses. They have provided us a way to follow in doing our work of various fields, and a unified criterion for our acts. Realizing a radical change in our guiding ideology, we have freed ourselves

from the principles of "taking class struggle as the key link" and "taking grain as the key link," shifted our work focus to socialist modernization, brought our economic work into an orbit focusing on improving economic results, and concentrated efforts on developing the social productive forces. Persistently implementing the policy of opening to the outside world and enlivening the domestic economy, we have promoted the lateral cooperation and associations of different regions, departments and enterprises, developed our lateral ties with other provinces and municipalities, changed the closed economy into an open one, made commodity circulation and the market flourish, brought about a new situation of sustained, stable and coordinated economic development throughout the province, and achieved prospects for self-sustained growth. This shows that the party's principles and policies totally conform to the situations of our country and our province, and to objective economic laws, represent the interests of the masses, and are supported by the masses. An excellent situation of logical administration and harmonious people has emerged. As long as we do our work in a resolute and down-to-earth manner in line with the line, principles, and policies formulated by the CPC Central Committee, we will be able to overcome all the difficulties we encounter on our road of advance no matter how numerous.

Third, the material foundation of our province has become more substantial than ever. First there has been an overall growth in the rural economy. The agricultural output value this year is expected to increase by 74.5 percent over 1980, grain output may hit an all-time record this year, and the total income of township enterprises is expected to be 50 percent greater than in 1984. Compared with the corresponding period of the previous year, the industrial output value created from January to November 1985 registered a 15.4-percent increase. In this way, the province has begun to increase its industrial output value, profit, and profits and taxes turned over to the state simultaneously. In energy construction, total investment of the province during the "Sixth 5-Year" Plan period is expected to be 70.2 percent greater than in the "Fifth 5-Year" Plan period. This year the revenue of the province is expected to increase by 15.1 percent over 1984. Enhanced economic strength and a substantial material foundation have helped increase our ability to expand production, and lay a solid foundation for the implementation of the "Seventh 5-Year" Plan.

Fourth, the quality of the broad masses of cadres has improved and the cadre structure has become more rational. The broad masses of party members and cadres have overcome their conservative ideas and their obtuseness in politics. They have broadened their fields of vision, further emancipated their minds, given different guidance according to local conditions, displayed their favorable conditions, made break throughs in major points, found more sources of becoming rich, and effectively promoted the development of the commodity economy. Through readjustment, the leading bodies at all levels have succeeded in replacing their old cadres with new cadres. A group of new cadres who are in the prime of life have assumed leading posts at all levels. This has organizationally ensured the continuity of our implementation of the party's line, principles and policies.

Fifth, domestic and foreign economic and technological exchanges has been strengthened. Our province's economic and technological strength has become stronger. Over the past few years we have adhered to the policy of opening to the outside world, broken through the closed economic state, developed lateral economic ties, actively imported advanced technology, talented personnel, funds, and equipment, developed foreign trade, and begun to bring about a new situation in foreign trade. So far, our province has established economic and technological contacts with more than 120 countries and regions and developed economic and technological cooperation and associations with 27 provinces, cities, and autonomous regions throughout China. However, this is just a beginning. Our province lacks foreign exchange, and a shortage of foreign exchange will remain for a long time. We should further adhere to the policy of opening to the outside world, actively develop foreign trade, grasp the production of some competitive products and strive to export more and to create more foreign exchange.

Sixth, the practice of reform and economic construction has brought some experiences and enabled us to make solid progress. As for developing the rural economy, we have summed up and popularized the experiences gained in the general discussions on the "three visits" in Baoding Prefecture and how the people in Langfang Prefecture scored a "quadruple increase and to become comparatively well-off;" the experiences of Tangshan and Wuan Counties in encouraging the masses to engage in mining; and the experience of Xinglong County in integrating the production and processing of trees and fruits. In the field of urban economic structural reform, we have summed up and popularized Shijiazhuang City's experiences in comprehensively carrying out a whole range of reforms including the "collision and rebound type reform." In the circulation sphere, we have summed up and popularized the experiences of the Wangdu County in changing the supply and marketing cooperatives from being run by the government to being run by the people in order to better serve production and livelihood of the masses; the experiences of the Handan City specialized commercial company in streamlining organs and rendering a series of services; and the experiences of the Shijiazhuang People's Emporium and Nangong as well as the state commercial units in Baxian County in developing lateral cooperation, opening up markets, and invigorating the economy. These typical experiences have played an important part in promoting reform and economic construction. Of course, in the course of reform, we also have some faults and have drawn lessons from that. As long as we explore boldly, make progress vigorously, and correctly apply positive and negative experiences, we can achieve continued progress in promoting the province's structural reform and in various construction undertakings.

## 2. One National Economy and Various Other Undertakings Should Be Developed in a Sustained, Steady, and Coordinated Manner

The key to achieving a sustained, steady and coordinated development lies in coordination. Only through coordination can we guarantee sustained and steady development. Coordination means that we should manage things in line with the universally related objective demands and the law of making

the production relations fit the productive forces, and the superstructure fit the economic foundation. As far as the national economy is concerned, coordination means to develop the economy in a planned and proportional manner. Proceeding from the economic reality of Hebei Province, I hold that we should better coordinate the relations of the following fields in the course of formulating the "Seventh 5-Year" Plan.

First, we should coordinate the relationship between general social demand and general social supply in order to maintain a proper ratio between consumption and accumulation. During the "Seventh 5-Year" Plan period, we should maintain a basic balance between the total volume of accumulation and consumption on the one hand and national income on the other. All localities and departments should conscientiously carry out the plans and arrangements of the province and must rationally keep the growth of investment in fixed assets and of consumption funds so that general social demand and the general social supply can coordinate with each other, and so can accumulation and consumption.

Second, we should coordinate the relationship between the development rate and economic results in order to maintain unity between the growth rate and economic results. We should maintain unity between the growth rate and economic result and strive to achieve a long-term sustained, stable and balanced, and realistic growth rate which yields overall actual results. Industrial production of our province has developed fairly rapidly over the past few years. At present the major problem is that our economic results are not good enough. There are various reasons for this, one of which is our emphasis on growth rate to the neglect of economic results when carrying out economic work. For this reason we must shift the focus of economic work to improvement of economic results, give prominence to upgrading product quality, and strive to greatly improve the product quality and economic results of our province.

Third, we should coordinate the proportion among agriculture, light industry and heavy industry in order to promote a self-sustained growth in the national economy. During the "Sixth 5-Year" Plan period our province witnessed a substantial growth in agriculture, light industry and heavy industry. Judging from the conditions and demands of the light and heavy industries of our province, however, light industry developed rather slowly, and, in agriculture, the development of animal husbandry, fisheries and forestry lagged behind. We should exert great efforts to develop light industry, increase patterns and variety, and create more brand-name products to meet the growing demands in the people's lives. We should also continue to rationalize the agricultural structure, strive to develop animal husbandry, aquatic products and forestry, and gradually increase their proportions. In line with the requirement for developing a planned commodity economy, the province as well as various prefectures, cities and counties should base themselves on their own advantages and specific conditions to coordinate the relationship among agriculture, light industry and heavy industry so that production structure can become more rational.



Fourth, we should coordinate the relationship between the part and the whole, and make the part submit itself to and serve the whole. Our efforts to coordinate the relations between the various departments and the various undertakings in economic work, and even the relations between the various sections of a locality, a department or a unit are epitomized in our efforts to coordinate the relationship between the part and the whole. At present economic construction should be developed, and so should science and technology, education, culture, health, sports, and other undertakings. All localities and departments want to carry out more construction. Such a feeling and desire are understandable. However, it is beyond the capacity of our country and our people to carry out comprehensive construction and undertake all our neglected tasks. For some time in the future the growth in allocations for science, technology and education should be higher, to a proper extent, than the growth of the regular local revenue, but spending in other fields should be relatively reduced. In developing all undertakings, there is a question of demand and possibility, and a question of the part and the whole. In carrying out economic activities, some comrades set macro-control against micro-flexibility, holding that "we take care of the microeconomy, and the central authorities take care of the microeconomy, and the central authorities take care of the macroeconomy," and even acting in their own ways. This is also a problem concerning the relationship between the part and the whole. Macro-control and micro-flexibility should be related to and coordinated with each other and neither of them can be neglected. One-sided emphasis on micro-flexibility and relaxing macro-control will affect not only macroeconomic results but also microeconomic results. All localities and departments must take the initiative in maintaining unity between macro-control and micro-flexibility, and voluntarily implement the measures for macro-control in carrying out microeconomic activities. No localities, departments, or enterprises are permitted to arbitrarily undertake any projects without considering overall arrangements, to drain the state revenues by retaining more than they are entitled to or by issuing unwarranted bonuses in cash or in materials, and to carry out any businesses detrimental to macroeconomic results and social benefit.

### 3. Efforts Should be Made to Strictly Bring Under Control the Scale of Investment in Fixed Assets in Order to Ensure the Construction of the Key Projects

Judging from the province's situation, the scale of investment in fixed assets is still fairly large, the capital construction front is over-extended, the rate with regard to completion and introduction into production of construction projects is low, and the speed of building operations has surpassed the province's capability. What we should point out in particular, is that some comrades have attempted to engage in a great deal of construction and to work on more items as soon as they witness a better situation and greater economic strength, resulting in considerable blindness in this regard. The striking indicator in this regard is that some localities have excessively engaged in capital construction for small blast furnaces, rolling mills, electric power stations, and breweries, resulting in great losses and waste. Such a state of affairs will certainly achieve no further development.

According to the arrangement set forth by the "Seventh 5-Year" Plan with regard to the two stages, we should pay adequate attention to the speed of capital construction in the first 2 years of the Seventh 5-Year Plan period, and be determined to bring under control the scale of investment in fixed assets in order to make preparations for more rapid progress in the latter 3 years of the period. In order to bring under control the scale of investment in fixed assets and to make reasonable arrangements for investment in capital construction so that it is possible to ensure the construction of key projects, we should realistically do a good job in grasping the following four principles:

First, in mapping out major and general plans, we should concentrate on ensuring the construction of key projects. In 1986, the departments concerned in the province should give a guarantee, in the fields of design, funds, materials, equipment, and labor force, to the key projects assigned by the state to the province. As for the general items of construction, we should deal with each item on its merits, divide them in the order of importance and urgency, and ensure, delay, or cancel items as appropriate. By no means should we carry them out simultaneously and in an overall manner.

Second, as for the capital construction items covered by the plans and the existing ones outside the plans, we should guarantee those within the plans and establish strict restrictions regarding those outside the plans. Localities and the departments should strictly implement this principle in line with the scale set forth by the state and the provincial authorities regarding the investment in capital construction. By no means should they expand their construction scale arbitrarily, upgrade their construction standard, and reform the content of their construction. Otherwise, we should determine which leading personnel are to blame for the wrongdoings. In particular, we should bring under strict control the capital construction items covered by the plans, the funds for which are raised locally. This comprises the following six tasks: 1) The provision of getting a 10-percent increase in the targets of self-raised investment should be suspended temporarily. 2) Except for carrying out capital construction among middle and elementary schools, the scale of all self-raised investment in construction, which are covered by the "five prohibitions" should be put under strict control. 3) The financial departments should strictly examine the self-raised funds and determine whether they have come from the right areas, and should not allow the circulation funds of enterprises, the funds for dismantling the old and carrying out renovations, and the funds for business expansion to be used for carrying out capital construction. 4) All self-raised funds should be deposited in the construction banks 6 months ahead of the schedule of the building operation. 5) We should bring bank loans under strict control and not allow the loans to be used as self-raised funds in building capital construction projects. 6) As for self-raised investment in capital construction projects, we should collect construction taxes in line with the provisions and strictly prohibit units from engaging in capital construction items outside the plans.

Third, in carrying out both production and nonproduction construction, we should increase the proportion of investment in production construction and adequately curtail the proportion of investment in nonproduction construction. Generally speaking, at present, the proportion of investment in production and nonproduction construction throughout the province is 50 percent each, resulting in excess investment in nonproduction construction. This is because we have consciously repaid much of our former debts and have increased the proportion of investment in nonproduction construction because of the rebuilding programs after the Tangshan earthquake. However, the 50 percent proportion with regard to investment in each of the two fields of construction is unusual, and we should adequately curtail the nonproduction figure. In carrying out the construction of production projects, attention should be paid to successfully dealing with the relationship between the work of enforcing the open policy and that of conducting reforms. Efforts should be made to exert more efforts to conduct rebuilding, renewal, and reforms; to follow the road of expanding reproduction by taking the work of conducting reforms as a main task; and to strictly prohibit those that have carried out capital construction by making use of the programs of renewal and renovations.

Fourth, we should base ourselves upon the long-term projects, and pay attention to the immediate ones. To successfully prepare for the vigorous economic development in the 1990's, we should, from now on, have our eyes on the reserve strength; should pay attention to the feasibility study and appraisals of the projects that will be built in the future, focusing on light, textile, energy, communications, and raw materials industrial projects; should conduct appraisals for the production plans, natural resources, environmental protection, sources of funds, economic efficiency, supplies of raw materials, and other subsidiary and coordinated conditions of the projects that will be built in the future; and should set forth reports on the feasibility study of these projects. We should be prepared to begin the construction of such projects once the financial conditions are ripe.

#### 4. We Should Attend to the Economic Strategy and Distribution on the Basis of the Province's Superiority in Natural Resources

It is our basic guiding ideology to exploit our province's superiority in natural resources, and strive to achieve a common prosperity. As far as our province is concerned, the differences in natural, social, economic and historical conditions have led to extremely uneven economic development in different areas, and the formation of different economic areas, such as plains, mountainous areas, beaches, and highland areas, each of which has its respective favorable conditions. Therefore, various localities and all trades and professions should make a conscientious analysis of their superior and inferior conditions, should make the best possible use of their favorable conditions and avoid weaknesses, should give different guidance with regard to different cases, should map out their distinctive ways to become relatively well-off, and should devise a rational strategy

and distribution of the economic construction so that we can better gear our province's economic development to the characteristics of our province, can achieve the best economic and social benefit, can vitalize the provincial economy as a whole, and can achieve a universal prosperity among the people. We should define the economic strategy and distribution as well as the development emphases of the province's Seventh 5-Year Plan in line with this guiding ideology. To this end, I would emphatically put forward the following four suggestions:

1) We should continue to grasp grain production, and vigorously develop the commodity production bases.

We should firmly foster the idea that agriculture constitutes the foundation of the national economy and grain constitutes the foundation of agriculture, and should never neglect grain production. We should rationally readjust the structure of the cropping industry, and should stabilize the grain growing acreage in line with the principle of great stability and minor readjustment. All areas that are suited for growing grain must attend to growing grain. In 1986, we should strive to increase the per-yield and gross output of grain, should improve the quality of grain products, and should increase the variety of grain products. We should actively develop the diversified economy on the premise of ensuring a stable increase in the gross grain output.

Building commodity production bases and carrying out intensive farming are effective ways to change this situation. Beginning in 1986, we should gradually build four commodity production bases. The first one is the corn production base in the eastern part of the province. The planning for this base has already begun and we will benefit from this base next year. The second one is the cotton production base in Heilonggang area. Continued efforts should be made to reduce the cotton growing acreage in some grain producing areas in Tangshan, Langfang, and Baoding in order to gradually consolidate the cotton growing acreage in the Heilonggang area. The third one is the grain production base, focusing on wheat, in the plans along the Beijing-Guangzhou railway. The fourth one is the vegetable production bases in the outskirts of large and medium-sized cities and in the counties around these cities. To successfully build these commodity production bases, people's governments and economic departments at all levels should break with the barriers between different administrative divisions and departments, should develop the lateral and vertical cooperation, should clear the commodity circulation channels, should improve the service network, and should systemize the services of scientific research, seed breeding, production, processing, purchasing, transport, storage, marketing, and information.

We should stress economic development in the mountainous, coastal, and plateau areas during the "Seventh 5-Year" Plan period. There are three reasons for this: First, the mountainous, coastal, and plateau areas cover 65 counties whose total area and population account for 60 percent and some 30 percent, respectively, of the province's total area and population.

The economic situation there is backward. Approximately 20 to 30 percent of the peasant households in the remote mountainous areas, old revolutionary bases, and plateau areas, in particular, have not yet solved their food and clothing problems. It will be difficult to vitalize the province's economy if we fail to make these areas free from poverty and help them become prosperous. Second, the mountainous, coastal, and plateau areas are rich in resources. Our province has various kinds of mineral deposits and forestry, fruit, livestock, and aquatic product resources and most of them are found in the mountainous, coastal, and plateau areas. Because of a lack of technology, these resources have not yet been fully developed and utilized. These natural resources are our hidden favorable conditions. As long as we combine the favorable conditions of the province's technology and funds with that of the natural resources in the mountainous, coastal, and plateau areas, and promote mutual support among them, it will be possible for us to vigorously promote economic development in the mountainous, coastal, and plateau areas and to promote great economic development in the province. Third, successfully tackling the economic problems in these areas will enable us to fundamentally improve the ecological environment of Hebei Province, reduce natural disasters in the plains, and make the capital cleaner. In developing the mountainous, coastal, and plateau areas, we should vigorously organize scientific and technical workers to go to these areas, strive to conduct technical education, accelerate the development of communications and transport, and vitalize the circulation channels in these areas. This is a key to accelerating economic development in the mountainous, coastal, and plateau areas.

In order to enable the people throughout the province to become rich in general, we should exert vigorous efforts to develop township enterprises. In line with the policy of vigorously supporting, rationally planning, and correctly guiding the development of township enterprises and strengthening management over such work, we should operate township enterprises in line with local resources, serve agriculture, and give priority to developing the processing industry focusing on farm and sideline products. On the premise of observing the state stipulations and protecting natural resources, we should actively develop small-scale mining and building materials industries. We should follow the road of integrating trading, industry, and agriculture; comprehensively utilizing natural resources; and developing the processing industry in an effort to increase output value and to become rich. In the course of developing township enterprises, we should pay attention to making overall planning, strengthening macroeconomic guidance, depending on our own accumulated funds, acting according to our capability, and guarding against blind actions. We should strictly control the development of some products for which a ready market cannot be found and the construction of some projects that cannot yield good economic results.

2) We should give priority to developing the light and textile industries and strive to increase the production of consumer goods.

Our province has rich raw materials and a good foundation for developing the light and textile industries. These favorable conditions have enabled the province to achieve rapid results and good benefits with little investment in the light and textile industries. Therefore, we should continue to implement the policy of "giving priority to six fields," and greatly develop the light and textile industries. We should give priority to grasping five major industries, including the textile, foodstuffs, animal feed, ceramics, and pharmaceutical industries.

In the textile industry, we should readjust the production plans and the product mix. While developing 100 percent cotton products, we should actively expand the production of chemical fabrics, woolen textile products, silk fabrics, and blended textile products. On the basis of reprocessing products, we should strengthen dyeing and after-treatment, speed up technical transformation and promote improvements in the quality of products. In the overall arrangements, the textile enterprises in Shijiazhuang and Handan Cities have attended to grasping comparatively complicated techniques such as intensive processing, dyeing, and after-treatment of products; developed high-grade export products; transferred replaced old equipment to the cities and towns in the cotton producing areas in Heilonggang; closely integrated cotton production with processing; and gradually formed a multitiered and multifeatured production pattern. Zhangjiakou City should stress the development of woolen and flax textile fabrics, Chengde City should stress the development of silk fabrics, and Baoding City should stress development of chemical fabrics and textile products for decorative use.

In the foodstuff industry, we should emphasize the development of basic raw materials, expand production spheres, and produce traditional, instant, and high-quality foodstuff. In the production of wines, the emphasis should be placed on improving quality and increasing the proportion of fine-quality wines. At the same time, we should greatly develop the production of beverages and canned foods.

In the processing of animal feed, we should make the best use of our rich resources of corn, cake dregs of oil-bearing crops, straw, industrial waste residues, and food leftovers to process and utilize them comprehensively. In particular, we should greatly develop compound feed. We should stimulate the development of livestock breeding with the development of animal feed in order to increase the production and supply of meat, eggs, and milk.

In the ceramic industry, we should change the structure of ceramic products in line with the changes in the demands of domestic and foreign markets, greatly develop the ceramics for industrial, sanitary, gardening, and daily use, improve the grades and quality of products, and expand domestic and domestic markets.

In the medical industry, the emphasis should be placed on the pharmaceutical production of a group of key enterprises, such as the Huabei Pharmaceutical Factory, and on the consolidation and improvement of small plants. In the

production of medicinal herbs, we should give play to the advantage of the Anguo medicinal herb production base, greatly develop the processing of medicinal herbs, and turn Anguo Country into a medicinal herb production and distributing center of north China.

3) We should expedite the production of energy, communications industry, raw materials, and machinery and electronic industries, and increase the reserve strength for the economic take-off of the 1990's.

Production of coal and electricity should be the major fields in the development of energy. In coal production, it is necessary to intensify the prospecting of resources, do a good job in the construction of local collieries and the collieries whose products are distributed under the unified state plan, and expand their production capacity. In the production of electricity, the emphasis is to continue construction of, expand and newly build some powerplants, and to successfully carry out the subsidiary projects for the powergrid in order to increase power transmission and transforming capacity.

In the raw material industry, we should emphasize the production of the metallurgical industry, building materials, and basic chemical materials. In the metallurgical industry, we should mainly pay attention to the reconstruction and expansion of Tangshan, Xuanhua and Chengde iron plants, and the technical transformation of Handan Iron Plant in order for them to have the ability for a basic mutual-complementary and comprehensive production. In the building material industry, the emphasis is to reconstruct and expand small cement plants of Handan, Qixin, and some prefectures, cities, and counties, do a good job in the early-state preparations for the second-phase construction of the Jidong Cement Plant, and complete the Zinhuangdao float glass production line. In the meantime, we should encourage the masses to mine marble with great efforts, and process it in a centralized method in order to satisfy the demands of domestic and foreign markets. In the chemical industry, we should emphasize the production of basic chemical materials and refined chemical products, increase the production of the products in short supply, and enhance the competitiveness of products.

In transportation, we should stress the development of road transportation, successfully enable roads to share the transportation burden of railways, and improve the efficiency and quality of transportation. The focus of road construction should be placed on the areas with poor transport conditions, such as Taihang Shan, Yan Shan, and plateau areas, so that the commodity economy of these areas can be developed.

The development of machinery and electronic industries should be geared to the needs of textile and foodstuff industries, animal feed processing, the processing of farm and sideline products, and the mining activities of the masses. Priority should be given to manufacturing small, multifarious, flexible, and applicable machines and equipment urgently needed by our province. In the electronic industry, we should mainly improve its ability for comprehensive production, increase the production of basic and component parts and electronic materials, develop computer software and hardware, and promote the modern management of enterprises.

4) We should make the best use of and develop our advantage of being near to Beijing and Tianjin.

We must fully understand and utilize the advantages of Beijing and Tianjin, take the road of "relying on and serving Beijing and Tianjin" as Langfang did, and take the initiative in entering the radiation circle of the economy and technology of Beijing and Tianjin. We should emphasize two aspects. First, we should establish various forms of associations of scientific research and production and, through them, we should draw the technology, talented personnel, funds, and equipment to transform our traditional production, open up new production spheres, upgrade our technological level, and develop the productive forces of our province. Second, we should make the best use of the two great markets of Beijing and Tianjin, and try all possible means to export more of our farm and sideline products to Beijing and Tianjin and serve the production and lives of the people of Beijing and Tianjin. Zhangjiakou Prefecture should be gradually turned into a nonstaple food production base for Beijing, and other prefectures, cities, and counties neighboring Beijing and Tianjin should also strive to establish long-term and stable relations with them to supply them farm and sideline products. Cities and towns near Beijing and Tianjin should focus on the processing industries in the service of Beijing and Tianjin, and strengthen cooperation and association with them so as to enter the Beijing and Tianjin markets.

#### 5. Great Attention Should Be Attached to the Use and Cultivation of Qualified Personnel

Economic construction, social development, and scientific and technological advancement all depend on the use and cultivation of qualified personnel. The major problems at present are that qualified personnel cannot meet the needs of and coordinate with economic development; and that the available qualified personnel are not sufficient; and structure of qualified personnel are not sufficient; and structure of qualified personnel and education is not rational; and the cultivation of middle-grade qualified personnel, in particular, remains to be a weak link. Next year and even in the entire "Seventh 5-Year" Plan period, we should base ourselves on both the immediate and long-term interest to readjust the distribution of qualified personnel and the structure of education in line with the needs in economic construction, bring into better balance the relations between the various sectors, and conscientiously make a success in the use of available qualified personnel and the cultivation of new qualified personnel.

We should make proper use of the available qualified personnel so that these personnel as well as their talents can be turned to best account. First, we should start from the restructuring of the scientific and technological system and the elimination of the two "common big pots" to further solve the problem that scientific and technical personnel are improperly placed and cannot fully play their role. Scientific and technical personnel should go out of their offices to popularize new technologies through the establishment of various forms of scientific research-production associations. We should also select fine scientific and technical personnel



to replenish enterprises in a planned manner, and send them to the forefront of production to tackle technical difficulties and serve economic construction. Second, we should organize with great efforts various categories and levels of scientific and technological administrative departments, research organs, higher educational institutes, national defense and scientific and technological information units to popularize science and technology. We should introduce the scientific and technological achievements and the knowledge and information that are applicable and can yield better and quicker results to small and medium-sized enterprises, township enterprises, cooperative associations, and specialized households, especially to mountainous, coastal and plateau areas, and other economically and technologically backward areas. Third, we should open our door wide to bring in qualified personnel from Beijing, Tianjin, and other areas through various measures, such as contracts, transfer on a temporary basis, offering and training, and should enable them to serve the economic development of our province.

We should exert all-out efforts to train new talented personnel. At present, our province requires, urgently and chiefly, peasants who have mastered certain specialized technology, workers who have knowledge concerning intermediate technology, and technical personnel who have specialized secondary education technical standards. At present, emphasis on training talented personnel should be on the work of developing vocational and technical education as well as the education for training teachers. First, we should adopt various ways and means to develop full-day agricultural and vocational middle schools, and schools for staff members, workers, and technical training at all levels; and should do a good job in carrying out regular vocational and technical education. Second, a good job should be done in holding short-term training classes of technology and professions. Efforts should be made to organize and train a million people, including graduates of senior and junior middle school, retired military officers and army men, and various skillful craftsmen, in line with the local strong points in natural resources and local need. Third, a good job should be done in carrying out the education for training teachers in order to produce more qualified teachers. Efforts should be made to adopt a far-reaching and strategic attitude toward the education for training teachers, to make all-out efforts to successfully operate teacher's colleges and schools at all levels and the colleges and schools in charge of training classes for teachers, and to give preferential treatment in the fields of investment, funds, teacher supply, and equipment to these colleges and schools. In particular, a good job should be done in opening schools of training teachers at the county level, and in increasing investment and expanding the scale in this regard step by step, in order to lay a good foundation for making elementary education universal.

#### 6. Leading Personnel At All Levels Must Master the Methods of Administrative and Financial Management

Even though our province has achieved a basic turn for the better in financial affairs over the past few years, it still lacks financial resources.

Therefore, we must uphold in a long-term manner the principle of conducting self-reliance, launching arduous struggles, and building the country and doing everything industriously. This principle has a special significance to the principal leading personnel who have been newly promoted to the government organs at all levels and have not studied well the methods of administrative and financial management. These new leading personnel also do not know well how to obtain financial resources and how to spend the funds adequately. Such a state of affairs must be changed resolutely. Efforts should be made to foster the idea of being masters of the country by managing financial affairs, to work out the ways to make money, collect money, and use the money, and to vigorously increase production and open more financial resources. We should further enhance the work of tax revenues, vigorously prevent tax evasion, and do a good job in encouraging the counties that have received state subsidies to switch their losses to profits. Efforts should be made to resolutely maintain a balance between revenues and expenditure, keep expenditure within the limit of incomes, collect all the money that should be collected, spend well all the money that should be spent, and refrain from spending the money that should not be spent. In doing everything, we should also conduct careful calculation and strict budgeting, practice strict economy, resolutely oppose extravagance and waste, and do much work with the limited financial resources in order to spend the money on the actual necessity and to achieve a still greater efficiency.

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## PROVINCIAL AFFAIRS

### BEIJING NOTES CHANGES IN PEOPLE'S CONSUMPTION LEVEL

SK2201111 Beijing City Service in Mandarin 1000 GMT 29 Dec 85

[Text] During the Sixth 5-Year Plan period, three new changes took place in the consumption level of the masses, which showed that the living standards of the people is improving every year.

The first change is that the order of retail sales of consumer goods has changed from the past sales of foodstuffs, daily necessities and clothing to the present sales of daily necessities, foodstuffs, and clothing. In 1980, the sales of foodstuffs ranked first in the retail sales of consumer goods, with daily necessities second, and clothing third. This year, the sales of daily necessities ranked first with foodstuffs and clothing following. This change shows that the people in the capital, after solving the clothing and food problems, are concentrating greater purchasing power on the purchase of daily necessities.

Another change is that the dresses of the people have changed from wearing one dress in several seasons to wearing several dresses in one season. According to the statistics released by the municipal First Commercial Bureau, in 1980, superior quality clothing made of wool, silk, and satin accounted for only 20 percent of the total sales of clothing. This year, the sales of quality clothing have jumped to some 30 percent. At present, the Changcheng-brand and Dadi-brand raincoats, and the (Yililan)-brand down coats as well as long boots, leather jackets, and woolen clothing and other middle- and high-grade dresses being sold in the markets are in great demand.

The other change is that household electric appliances have become products sought by the broad masses of consumers. Compared with 1980, except for the sales of watches and bicycles, the sales of sewing machines, one of the three old major products, began to decline. Household electric appliances, which are the new major products, have become products in great market demand. The sales of such products showed an increase of 100 percent. This year, the sales of television sets, and cassette recorders by the municipal commercial departments have increased by 100 percent and 200 percent respectively over 1980. The sales of washing machines have increased by 400 percent, and that of refrigerators, which have increased most greatly, have increased by 11 times.

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## PROVINCIAL AFFAIRS

### HEILONGJIANG SECRETARY ADDRESSES CPC WORK CONFERENCE

SK192240 Harbin HEILONGJIANG RIBAO in Chinese 24 Dec 85 pp 1, 2

[Text] The Heilongjiang Provincial CPC Committee work conference which lasted for 4 days, concluded on 23 December. Implementing the guidelines of the National Conference of Party Delegates, the conference summed up the work of 1985, and worked out plans for the provincial work of next year.

Attending the conference were secretaries of various city, prefectural, and county CPC committees, and major responsible persons of various provincial departments, committees, offices, sections, bureaus, farms, and forestry, industrial and mining, and railway departments, totaling 285.

Comrade Sun Weiben, secretary of the provincial CPC Committee, delivered a report at the conference, entitled "Develop the Excellent Situation, and Strive to Win a New Victory." He said that in 1985 party organizations at all levels throughout the province have resolutely implemented the party's various principles and policies, and persistently promoted the two civilizations simultaneously, thus achieving new progress in various fields of work. While fully affirming the province's achievements in party rectification, leading body construction, the building of spiritual civilization, ideological and political work, reform of various systems, and maintaining a sustained, stable, and coordinated development of the economy, he also pointed out the difficulties and problems in the course of advancement.

On behalf of the provincial CPC Committee, Sun Weiben formulated the plan for the 1986 work in his report. He said: The year 1986 is the first one for implementing the "Seventh 5-Year" Plan. In the new year the general guiding ideology for the provincial work is to conscientiously implement the guidelines of the National Conference of Party Delegates; to promote the two civilizations simultaneously; to adhere to the strategic principle of "carrying out reform and technical transformation, opening to other provinces and the outside world, and developing resources in order to make the country and the people prosper"; to work together in high spirits; and to create a good beginning for the fulfillment of the "Seventh 5-Year" Plan.

He said: The strategic principle of "carrying out reform and technical transformation, opening to other provinces and the outside world, and developing resources in order to make the country and the people prosper" for economic, scientific and technological, and social development was put forward by the provincial CPC Committee in June 1984, at the third plenary session of its fifth committee. After more than 1 year of practice, the provincial CPC Committee held that this principle is compatible with the guidelines of the National Conference of Party Delegates and the actual conditions of our province. In 1986 and for some time afterward our province should still follow this strategic principle in carrying out its economic construction.

First, we should unswervingly carry out reform, remain clear-heads resolutely implement a series of principles and policies on reform issued by the central authorities, enhance our confidence in reform, devote ourselves to reform, and remove the obstacles on our way of advance in order to enable reform to develop soundly along a correct track.

The CPC Central Committee defined the principle of persistently stabilizing the economy in the first 2 years of the "Seventh 5-Year" Plan period. Next year our province should strive to make progress in reform while maintaining its stability in order to provide favorable conditions for a sustained, stable, and coordinated development of the national economy. We should continue to grasp firmly the central link of invigorating enterprises, large and medium-sized ones in particular, and actively promote the reforms already started in various fields while gradually improving them by eliminating what is not necessary, supplementing with what is needed, and maintaining what is beneficial and discarding what is disadvantageous. We should put more efforts in continuously bringing the relations between the various sectors into better balance, in tapping the potential of enterprises and enhancing their vigor, and in strengthening the indirect control over macroeconomic activities.

Effective measures should be adopted to invigorate enterprises conscientiously. At present the policies and measures for invigorating enterprises have been clearly defined. The key is to carry them out in a down-to-earth manner.

- 1) The province should organize a unified large-scale inspection on how the principle of simplifying administration and delegating power to lower levels has been implemented. The inspection should be focused on checking whether the "10 regulations on expanding decision-making power," the "10 regulations on promoting technological advancement," and the "14 regulations on enhancing the vitality of large and medium-sized enterprises" issued by the State Council, and the regulations on expanding decision-making power issued by our province have been implemented comprehensively. In this way the province can help enterprises solve problems.
- 2) We should make a breakthrough in sorting out and consolidating administrative companies of various categories and at various levels in order to solve the problem of withdrawing the power that should be delegated to enterprises.
- 3) The percentage of the profits retained by large and medium-sized enterprises should be examined conscientiously so that the

regulatory business taxes levied from these enterprises can be readjusted and reduced in a planned and step-by-step manner in line with the relevant regulations of the State Council. 4) Arbitrary collection of funds and fees from enterprises should be resolutely stopped in order to solve their problem of bearing an excessive burden. 5) Coordinated reforms carried out by each enterprise should be deepened, with the focus on straightening out the managerial system and the economic relations within the enterprise. Next year we should further consolidate and improve the system of having enterprise directors assume full responsibility, and bring the relations among the party, the administrative unit, and the trade union into better balance. We should extensively institute the system of having plant directors assume responsibility for the targets to be fulfilled during their term of office, establish appraisal methods and a reward-penalty system, and change the tendency of meting out rewards alone without punishments, or meting out handsome rewards but lenient punishments. Leading persons should enhance their competence and improve their ability to cope with changes and make policies.

We should further carry out scientific and technological and educational reforms successfully in order to promote economic construction. We should continue to implement the CPC Central Committee's decision on reform of the scientific and technological structure and, through the reform, establish a new scientific and technological system geared to the needs of economic construction and stressing economic results in order to serve the transformation of traditional production by increasing the competitiveness of products, in order to serve the development of burgeoning production by establishing a group of technology-intensive industries that have a fairly high ability to master, apply, and develop technologies, and in order to serve the revitalization of the local economy by greatly popularizing applicable subsidiary technologies that yield faster returns and developing applicable new methods, technologies, and equipment to equip township enterprise and local small and medium-sized enterprises. We should organize large-scale transfer of science and technology to rural areas throughout the province, and develop the rural economy by means of technological advancement. In the meantime, we should make arrangements for a group of basic research projects on new technology that can be applied in the future in line with the need for such projects and our capacity. In this way, we can guarantee reserve strength for our province's economic construction and scientific and technological development. We should thoroughly implement the CPC Central Committee's decision on reform of the educational structure and the resolution adopted at the fifth plenary session of the fifth provincial CPC Committee. We should greatly develop secondary and primary vocational and technical education while giving prominence to the development of normal education. We should further readjust the proportions of regular colleges, special colleges, and secondary specialized schools, and set up the specialities that our province does not have but urgently needs. The enthusiasm of various levels for running schools should be aroused through various measures in order to make a success of television universities, spare-time universities, and adult education. Unified plans should be worked out to popularize the 9-year compulsory education by stages and in groups. We should pay attention to clearing the channels through which talented people can go to rural areas.

We should continue to make the various rural reforms successful, deeply implement the defined rural policies of the party, improve the cooperative economic system and the commodity circulation system, do a good job in rendering socialized service, and promote the readjustment of the production structure. We should change unified and assigned purchases into contract purchases so that the production and purchase of agricultural products will be controlled by contracts. We should continue to consolidate and develop the family-based output related production responsibility system and encourage the development of specialized households and various kinds of economic associations. The time period for contracted lands should be stabilized at 15 years or more and the time period for the utilization of private plots should be readjusted and generally extended to 15 years. While readjusting the rural production structure, we should continue to conscientiously implement the principle of "not relaxing crop cultivation while diversifying the economy," and supplement our superiority in terms of (grain) with (township enterprises and diversified undertakings). Meanwhile, we should do a good job in the reforms of the supply, marketing, and credit systems, and pay attention to studying and grasping reform in the state farms.

Macroeconomic control is an important aspect of reform. Next year, we should focus our work on controlling the allocation of funds not covered by the budget, while reducing the scope of investment in the fixed assets; controlling the institutional purchasing power while reducing the expenditure on administrative funds; and controlling the issuance of bonuses while reducing the expenditure on consumption funds. We should strengthen the work on overall balance, guard against carrying out construction projects in a blind way or carrying out duplicate construction projects, and strengthen management in various trades. The essence of strengthening macroeconomic control is to correctly use the economic lever. The financial, banking, tax industrial, commercial, and pricing departments should formulate methods that are conducive to macroeconomic control and vitalizing enterprises.

Second, we should score new achievements in technical transformation. The proposal of the central authorities on the Seventh 5-Year Plan has pointed out that it is necessary to carry out technical transformation and to rebuild and expand the construction of the outdated enterprises on the basis of the existing foundation, for this is the basic way to accelerate the modernization of the national economy. Our province was one of the old industrial bases during the "First 5-Year" Plan period. At present, problems with regard to outdated equipment and backward methods are very prominent. Technical transformation has become all the more pressing. Next year's provincial technical transformation work should be focused on further implementing the overall plan and, on this basis, working out technical transformation plans for industrial enterprises and other trades. The emphasis of the province's technical transformation should be placed on the large and medium-sized enterprises that have a vital bearing on the overall situation of the province's economy, on key enterprises that can play an exemplary and vanguard role in the technology of the various trades after innovation, and on those enterprises that are undertaking export tasks.

The technical transformation of enterprises should be integrated with foreign economic cooperation. It is necessary to properly adopt advanced technology and import funds. The imported items contracted this year should be completed as soon as possible in order to put them into production and make them yield benefits at an early date. We should digest and absorb the technologies that were imported and put into production years ago, and should blaze new trails so that they can yield better benefits. Enterprises that are not undertaking large-scale technical transformation tasks (including collective and township enterprises) should also carry out small innovations and should not just wait for assigned tasks. Like the Jiamusi coal mining machinery plant, we should pool the wisdom and efforts of all; mobilize all workers to raise rational suggestions; encourage engineers, technical workers, and veteran workers to offer plans; update equipment and technology; improve product quality; reduce materials consumption; and increase economic results.

The agricultural, animal husbandry, and forestry fronts should also carry out technical transformation with modern scientific means. Next year, these three fronts should make greater progress in improving the per unit area yield, establish and improve systems of popularizing fine strains of crops and animals, and raise the economic results. The province as a whole should define the present and long-term key joint research projects. Next year, we should grasp two or three pilot counties for carrying out technical transformation in the agricultural, animal husbandry, and forestry spheres.

Third, we should make new progress in development. Our province has rich natural resources, mineral deposits, lands, grasslands, forests, and water areas for further development. The principle of "carrying out reform and technical transformation, opening to other provinces and the outside world, and developing resources" put forward by the provincial CPC Committee includes not only the development of natural resources but also the development of production, products, and competent personnel. Therefore, we should strive to rely on our own efforts to speed up development under the situation of receiving no investment or small investment from the state. We should study and formulate relevant policies and measures and fully boost the enthusiasm of all quarters.

In developing natural resources, we should first do a good job in geological prospecting -- the pioneering work for the development of natural resources. Second, we should ensure smooth progress in the key state and local coal and timber production projects and the related local railway construction projects. Third, we should vigorously sign contracts on rural developmental production, establish specialized households and groups for developing natural resources, develop and build the mountainous areas, afforest the land, and develop fishery and animal husbandry production. Areas where conditions permit may appropriately increase their farming acreage. While developing natural resources, we should pay attention to protecting and cultivating the natural resources in order to maintain an ecological balance.



In developing new industries, we should focus our work on grasping the purchase and sales of Daqing ethylene products and develop township enterprises. Meanwhile, we should also develop the tertiary industry. Petroleum and chemical plants and township enterprises will be the two major points for vitalizing the province's economy; therefore, we should pay great attention to them. Next year, our province's township enterprises should persist in adapting measures to local conditions and should continue to make new progress. Their direction of development is to persist in serving agricultural production, major industrial support projects, and the livelihood of the people. We should shift the work focus of township enterprises on processing farm and sideline products, develop the building materials and mining industries and some industries and products that yield high profits and have the characteristics of Heilongjiang, and gradually display the superiority of the products produced by the township enterprises. We should also vigorously develop village-run, collectively-run, and household-run enterprises. The existing township enterprises should be further consolidated and changed from being run by the government to being run by the people. We should also grasp the work of making cities support township enterprises. The urban and rural areas should actively develop the tertiary industry, and place their work focus on developing the communications, telecommunications, tourist, commercial, catering, and service trades, and make them serve production and the livelihood of the people. The proportion of the province's tertiary industry should gradually be coordinated with the primary and secondary industries.

In the development of new products, we should focus our attention on developing marketable and good-quality but inexpensive products and new products suitable for export in line with the province's development of natural resources and technical transformation. The major points of our work should be on grasping the development of machinery, electric, petroleum, and chemical products and the comprehensive utilization of timber, as well as the development of flax, woolen, and chemical fiber fabrics, foodstuffs, animal feed, and building materials. In technological development, we should pay attention to the development and application of microelectronic technology, biological engineering technology, new energy sources, and new materials.

In the exploration of talented people and intellectual sources, we should further implement the policy concerning intellectuals, use the available specialized scientific and technological personnel of various specialities in a rational manner, and adopt preferential policies to widely recruit specialized personnel through advertisement and examination. At the same time, we should be willing to carry out intellectual investment, and trained qualified personnel at various levels through various channels. Training of cadres should be carried out successfully. In particular, the training of managerial cadres should be strengthened, and efforts should be made to enable at least 20 percent of the managerial cadres to receive rotational training next year. After attending "two classes to make up for missed lessons," staff members and workers should be trained in vocational skills, be appraised, and have their wages readjusted. In the development

of intellectual sources in rural areas, the emphasis should be placed on popularizing scientific and technological knowledge and education among peasants, establishing and improving peasant education networks at every level, and equipping peasants with modern agricultural science and technology.

Fourth, we should take a new step forward in opening to the outside world. As a border province, our province lags behind others in its development; lacks funds, technology, and managerial experiences; and is rather inaccessible to information. Therefore, only when it makes a unified use of domestic and foreign funds and resources, opens up domestic and foreign markets, and makes up for its deficiencies by using the strong points of others can it speed up the pace of the four modernization.

We should expand lateral economic ties. The doors of cities, trades, enterprises, and scientific research units should be opened wide to develop multi-layered and multi-faceted joint ventures and cooperative production, and establish an open economic network. The functions of central cities should be fully carried out.

We should further relax the control over markets to enliven circulation. We should continue to expand the markets of consumer goods; operate various comprehensive and specialized trade centers successfully; actively develop markets of farm products and minor commodities, trading companies, and trading warehouses; and work out policies to encourage state and collective units as well as individuals to participate in commodity circulation while making state units play their role as major channels. State commercial units should play a leading role especially in the supplies of grain, durable consumer goods in short supply, such nonstaple foods as vegetables and pork which bear on the people's lives, and minor commodities. We should vigorously develop markets of capital goods for production, and conscientiously operate material trade centers of various categories. We should allow the materials not covered by plans to enter markets, and also allow enterprises to openly sell their above-quota products after fulfilling their mandatory plans. We should exert great efforts to open up technology markets, clear the channels through which scientific and technological achievements are applied to production, and promote exchanges and services with payment of new technological achievements. Under the circumstances in which the state has tightened its money supply, we should be prepared to open the monetary market, and encourage enterprise staff and workers to buy shares. We should support the practice of regions, departments, and enterprises lending money to each other. We should also study the issue of the labor market.

Earning foreign exchange through export is the key link to enlivening the economy and opening to the outside world. Great efforts should be made to develop the production of export goods, continuously improve product quality, increase the production of readily marketable products, and adopt preferential policies to encourage more exports to earn more foreign exchange. We should exert conscientious efforts to realize the production of the 10 major series of products for export next year. Beginning next

year, we should regard the volume of export transactions and the volume of foreign exchange earned as mandatory plans and manage them well. We should continue to boldly import funds, talented people, and advanced technologies, and adopt various measures to absorb domestic and foreign investment. In the meantime, we should develop inter-provincial economic associations and cooperation, and make successful organization and coordination for the implementation of the projects on cooperation and association of the northeast China economic zone.

Fifth, we should make new contributions to making the country and the people rich. In the strategic principle of "carrying out reform and technical transformation, opening to other provinces and the outside world, and developing resources in order to make the country and the people prosper" put forward by the provincial CPC Committee, the so-called making the country and the people prosper has expressed our purpose and reflected the dialectical relations that only by making the country prosperous can we make the province rich, and only by making the province rich can we create good conditions for making the country prosperous and strong and the people rich.

As for making contributions to the state, we should continue to display the good traditions of "taking the whole situation into consideration, sharing difficulties, displaying superiority, and making more contributions," strive to grasp the production of the state unified delivery products and guarantee the fulfillment of the grain, coal, timber, and oil-bearing seed delivery tasks and the financial and tax revenue tasks. We should exert efforts to grasp the state key projects in our province.

As for making the people prosperous, we should encourage some people to become rich ahead of others and strive to have them achieve common prosperity. We should conscientiously arrange for the livelihood of the people. All large and medium-sized cities should persist in doing a few good things for the people every year and develop educational, cultural, sports, medical, public health, and public communications undertakings as well as other social welfare undertakings. We should earnestly and meticulously conduct wage reform among enterprises. At present we should help the poverty-stricken border areas, and the mountainous and minority areas and support them to strengthen their ability in achieving economic independence. This year many areas in the province have suffered from serious natural disasters. We should actively organize the disaster-stricken masses, help them find production avenues, and encourage them to overcome difficulties through self-reliance. We should estimate the standards of prosperity of the peasants in a fact-seeking manner and try in all possible means to reduce their burdens. It is necessary to strictly control market prices and ensure that the market prices are basically stable. Furthermore, we should pay attention to the building of small towns.

To make greater contributions to the state and to improve the livelihood of the staff members and workers, we must rely on the economic results of enterprises, and an important way of improving economic results is to

strengthen enterprise management. We should improve the management level of enterprises and strive to ensure that next year the state industrial enterprises will increase profits by 15 percent or more and that the money-losing enterprises will reduce deficits by 30 percent or more. The average per-capita income of the rural people should be 10 percent higher than this year. We should adopt preferential policies to support those counties which have received financial subsidies to gradually become self-supporting in 3 to 5 years.

While attending to work this year we should formulate the "Seventh 5-Year" Plans for the province and various cities, prefectures, and counties in line with the guidelines of the central proposal concerning the "Seventh 5-Year" Plan. On the basis of studying economic development strategy, we should also formulate a long-term plan which integrates economic development with scientific, technological and social development.

In his report Sun Weiben said: The general demands of building the socialist spiritual civilization in the province in 1986 should be: Conscientiously implementing the guidelines of the central leading comrades at the National Conference of Party Delegates, attending to party rectification, vigorously strengthening ideological and political work, and achieving remarkable improvements in the party style, social habits, social order, and social security.

First, we should do a good job in party rectification from start to finish. Units which have completed party rectification should first "review their past experiences," and then lead the party members and the masses to comprehensively view the previous stage of party rectification, to distinguish between the principal and secondary aspects, to clearly understand the essence and appearances, to affirm achievements, and to strengthen confidence. The ongoing county-level party rectification should be carried out in line with the demands of running the party strictly. It should not be carried out in a perfunctorily manner. In carrying out the rural grassroots party rectification which will begin very soon, we should implement the guidelines of the central "circular," give careful guidance, and conscientiously assume responsibility. Improvement of party style is both an important task of party rectification and an important content of the current party building. Judging from the present situation of party style, CPC committees at all levels must focus their energy on improving party style because it is far from being fundamentally improved. First of all, leading persons should take the lead; secondly, a responsibility system applied to the improvement of party style should be established at every level; and thirdly, inner-party democratic life should be strengthened and improved to make criticism and self-criticism a regular practice. All localities should carry out a large-scale inspection of party style and work out plans for fundamentally improving it within 2 years. To improve party style, we should pay close attention to education on party spirit and the strict enforcement of party discipline. We must resolutely eliminate the persons who violate law and discipline to a serious extent and refuse to mend their ways despite repeated admonitions so as to educate the whole party. CPC committees at all levels should exert great efforts to grasp the ideological and organizational building of the party in order to enhance the political consciousness and vocational competence of party members.

Second, we should further strengthen ideological and political work. How to enable party members and the masses to resist the corrosive influence of bourgeois ideas under the new circumstances of reform, opening to the outside world, and enlivening the domestic economy and to become new people with ideals, moral character, education and a sense of discipline is a major issue bearing on the future and the destiny of the party and the state. At present we should emphasize and properly handle the following three aspects: 1) We should both actively develop commodity production and prevent the capitalist principle of commodity exchange from intruding into the inner-party political life; 2) we should focus on economic results when carrying out economic construction, but must draw a clear demarcation line between the Marxist principle of material benefit and bourgeois "money worship" and "all-mighty money;" and 3) we should open our door wide, open to the outside world and learn from advanced foreign science, technology and managerial methods, but should pay attention to distinguishing and resisting bourgeois decadent ideas. Therefore, the tasks for the present ideological and political work are to uphold the four basic principles, and to carry out education on ideals, moral character, general knowledge and discipline, and on patriotism, revolutionary traditions and current situation. The propaganda and education should be carried out emphatically among party-member cadres, young students, and staff and workers.

We should conduct a thorough investigation and study of the new situation in ideological and political work and sum up the new experiences in popularizing ideological and political work. Cadres in charge of political work should pay attention to the study of the relations between various sectors of the commodity economy in order to improve the efficiency of ideological and political work, and administrative cadres should also make use of their mastery of the conditions for the commodity economy to carry out successful ideological and political work. We should intensify education on Marxist theory and foster a correct world outlook and methodology. CPC committees at all levels should formulate plans for cadres to study Marxist theory, and conscientiously make organization for their implementation. They should strengthen leadership over propaganda and cultural work. The party organization of propaganda and cultural departments should further improve their work in line with the guideline of taking social benefit as the only criterion for all their activities. We should strengthen the contingents of ideological and political workers to safeguard the authority of the ideological and political work departments. We should strengthen democracy and the legal system, and carry out the following three major tasks: 1) We should deal strict blows to various economic crimes and other serious crimes to strengthen the comprehensive treatment of public security; 2) we should strengthen democracy and the legal system, and successfully educate the masses with legal knowledge; and 3) we should establish and improve economic legislation, and ensure the smooth progress of reform and economic work in various fields with the legal system.

Third, we should further strengthen the building of leading bodies at various levels and the cadre contingents. After being readjusted in the past,

leading bodies at various levels throughout the province should remain basically stable next year. We should improve the structure of leading bodies and pay attention to promoting nonparty cadres, women cadres, and cadres of minority nationalities into leading bodies. The political consciousness and vocational competence of the members of leading bodies should be strengthened, with the focus on improving their ideology, workstyle and command of theories, and strengthening the system of democratic centralism, in order for them to meet the needs in economic reform and the four modernizations. To make the building of leading bodies at various levels and the cadres' contingents successful, we must correctly understand and implement the principle of the "four requirements," and arouse the initiative of the masses of cadres. At present we should pay particular attention to arousing the initiative of the cadres in their 50's and give play to their positive role. We should not seek uniformity of age when deciding on the promotion to and removal from leading bodies of the cadres in their 50's. We should earnestly do the work concerning old cadres, show concern for their lives, help them solve numerous practical difficulties, and never "let the tea become cold when they leave." Young and middle-aged cadres should modestly learn from old cadres. Old cadres should enthusiastically help young and middle-aged cadres become worthy successors of revolutionary traditions, and support them to do their work bravely so that they can fully develop their strong points and make new contributions in their new posts. There should never be life-long posts for either old cadres or new cadres, and the third echelon should not be unalterable. All cadres should be able to assume higher or lower posts, or to enter or be removed from leading bodies as required so as to make contributions to the reform of the cadre system.

In conclusion Comrade Sun Weiben said: To successfully fulfill the tasks for next year, we should further change the leadership workstyle and improve work methods. We should establish the "three practices," eliminate the "three trends," and carry out the four modernizations with high spirits. First, we should establish the practice of carrying out arduous struggles and building the country through thrift and hard work, and eliminate the trend of seeking pleasure and going in for ostentation and extravagance. Second, we should establish the practice of stressing ideals, abiding by discipline and trying to become the advanced, and eliminate the trend of having selfish ideas, lax discipline and plenty of complaint. Third, we should establish the practice of taking the overall situation into account, stressing unity and vying for more contributions, and eliminate the trend of vying with each other for higher positions and better wages and taking the higher positions and wages of others wrongly. In this way everybody will work together in high spirits and work vigorously in a creative manner for the fulfillment of the various tasks of the party. Leading organs should change their workstyles and improve service. Provincial organs should take the lead in overcoming the bureaucratic workstyle of not going deep into the realities of life, conducting no investigation and study, and showing no concern for the hardships of the masses; the formalism of not doing work in a down-to-earth manner and pursuing only "flourishes;" and the lazebones' way of thinking of using neither their hands nor their brains, mechanically

copying and transmitting whatever from higher levels, and paying no attention to the problems of the lower levels. Beginning next year, all departments, committees, offices, sections and bureaus directly under the province should select one or two money-losing enterprises or poor counties, townships or villages in the rural areas as their liaison points, and go there frequently to conduct investigations and study in order to understand their situations, solve their problems, and help them change their features. They should do so on a contract basis. Leading cadres at all levels should exercise control over and assume the responsibility for the overall situation and concentrate efforts on handling conscientiously the key, major issues which have a bearing on the whole.

Chen Lei, chairman of the provincial Advisory Commission, spoke at the conference. Hou Jie, deputy secretary of the provincial CPC Committee, gave a speech to sum up the conference. Liu Chengguo, deputy secretary of the provincial CPC Committee, delivered a report on strengthening leadership over rural party rectification work.

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## PROVINCIAL AFFAIRS

### YUNNAN STATISTICS BUREAU REVIEWS ECONOMY

HK210247 Kunming YUNNAN RIBAO in Chinese 31 Dec 85 p 2

[Report: "Yunnan's Situation in the National Economy is Encouraging-- Provincial Statistics Bureau Publishes Round Up on the Province's Economic Condition"]

[Text] The Provincial Statistics Bureau has published a roundup of the province's economic situation for 1985. In the year 1985, our province further implemented the principle of opening up to the outside world and invigorating the domestic economy, stepped up the process of the reform of the economic structure, and thus brought about a new economic situation featuring steady, stable, and harmonious development. The Sixth 5-Year Plan has been fulfilled ahead of schedule. Production and construction are developing comprehensively, urban and rural markets are prosperous and brisk, financial revenue has increased by a wide margin, and the people's livelihood continues to improve.

In 1985, due to frequent natural disasters, the province's grain output is expected to drop by around 5.5 percent as compared with that of the previous year. Despite the decrease, the output will still be comparable to that of past good harvest years. In the wake of the further readjustment of the production structure in rural areas, the production of industrial crops has been developing rather rapidly, the growing area has increased by 33.9 percent over last year while its proportion to the total sowing area for all crops has risen from 8.7 percent in last year to 11.6 percent in 1985. The output of major industrial crops has increased by a wide margin, of which the output of flue-cured tobacco is estimated at 8.2 million dan, an increase of 49 percent over last year; that of sugar cane is estimated at 95 million dan, an increase of 25.7 percent over last year; and that of tea is to amount to 600,000 dan, an increase of 6.5 percent.

As a result of the development of the rural economy and the rise in agricultural labor productivity, the year's gross agricultural output value will increase by 8 percent over last year. This year witnessed an overall development in farming, forestry, animal husbandry, sideline production, and fishery. The output value of forestry, animal husbandry, sideline production, and fishery, which accounted for 44.2 percent of the gross agricultural output value last year, has been raised to account for 47 percent in 1985.



In 1985, the peasants' enthusiasm for breeding livestock was kindled and animal husbandry was boosted because the authorities in various places earnestly implemented the documents concerned issued by the central authorities, the system of the fixed purchase of hogs was abolished, and the restrictions on the prices of animal products were lifted. It is estimated that the number of draught animals on hand has increased by 257,000 head, the number of sheep has increased by 100,000 head, and the number of slaughtered hogs increased by more than 500,000 head, with the slaughter rate raised.

The province's gross industrial output value for 1985 is expected to amount to 12.3 billion yuan (calculation based on 1980 fixed prices), an increase of about 13 percent over last year. Of this gross industrial output value, the light industry output value increased by 15 percent over last year, the heavy industry output value increased by 11 percent over last year, and the ratio between light and heavy industry was 50:50. In 1985, the province did quite well in energy production. During the period from January to November, a total of 14.83 million tons of raw coal were produced, an increase of 9.3 percent over the same period last year; electricity generation totaled 6,834,000,000 kilowatt-hours, an increase of 8.3 percent, of which hydroelectric power increased 15.6 percent; and the shortage of coal and electricity which the province had been faced with for the past few years began to be eased. The supply of color television sets, family-size refrigerators, and sewing machines which had been in great demand has been doubled, the output of the province's well-known products such as cigarettes, sugar, and so on has increased very fast, and the production of other foodstuffs has also developed pretty fast. Meanwhile, the rise in the output of some consumer goods for daily use has also played an active role in guaranteeing market supplies. During the period from January to November, the output of 82 products among the 110 major industrial products increased as compared with the same period last year. The annual quotas for half of the 60 major products subject to test according to the state plan were fulfilled 1 to 5 months ahead of schedule.

In 1985, the province did a good job in communications and transportation. Under the circumstance that the unmarketability of phosphate ores led to a decrease of 1.5 million tons in the export of the ores, the volume of rail freight still managed to maintain last year's level. As for highway transport, with state-run companies as the backbone and collective and private transport companies as auxiliaries, the transport market was prosperous and passenger transport has also developed rapidly. In addition, the province has set up a local Yunnan airline company and opened three new airlines within the province.

Economic results have been improved in the wake of the gradual enforcement of the reform of the economic structure, the constant implementation of the policies and measures centering around the aim of invigorating enterprises, the gradual in-depth development of the reform within enterprises, and the satisfactory fulfillment of technical transformation in some

enterprises. During the period from January to November, all state-owned industrial enterprises covered by the state budget in the province continued to develop along the healthy track of "four simultaneous" growths. Both the profits and the product sales tax payments increased by 23.6 percent over the same period last year, the profits tax increased by 21.3 percent, and the product sales revenue grew by 18.8 percent, all exceeding the growth rate of the gross industrial output value. Meanwhile, the turnover of circulating funds was also increased as compared with the same period last year. The labor productivity of state-owned industrial enterprises was raised by [word indistinct] percent over the same period last year.

In 1985, the province recorded an enormous quantity of and a wide growth margin in the total value of retail sales of commodities which had seldom been recorded for many years. During the period from January to November, the total value of retail sales of commodities amounted to 7,351,000,000 yuan, an increase of 1.51 billion yuan or 25.9 percent over the same period last year. Of this total value, the value of retail sales of consumer goods attributed to the residents in the province grew drastically by 29.7 percent, reflecting the growth in the residents' purchasing power and the improvement of the livelihood in both urban and rural areas. Among such consumer goods as foodstuffs, clothes, and articles for everyday use, the sales of high-grade durable consumer goods grew most rapidly--the growth margin in the sales of television sets, recorders, refrigerators, and washing machines were all above 60 percent; the growth margins of the sales of knitting wool, woolen garments, wool fabric, and silks and satins were pretty wide; and the sales of high-quality confections, pastry, and beverages also grew rapidly, the sales of some nutritious food products in particular was doubled and the supply of these goods sometimes fell short. All these facts show the new trend in the improvement of the people's livelihood and the change in the consumption structure.

As far as the reform of the circulation system is concerned, multiple economic patterns have basically emerged and a commercial economic network featuring various management forms and circulation channels has taken shape. Collective and individual commerce, in particular, has developed fast. In the period from January to November 1985, the proportion of the sales value attributed to commercial units under ownership by the whole people to the total value of retail sales of commodities was reduced from 83.1 percent in 1984 to 75.5 percent, while the proportion due to collective commercial units rose from 10.1 percent to 11.1 percent and that due to individual commercial units rose from 6.8 percent to 13.4 percent. The retail sales value attributed to individual commercial units increased by 150 percent over last year, that due to collective commercial units increased by 37.7 percent, and that due to commercial units under ownership by the whole people increased by 14.5 percent. Country fair trade has been very brisk this year and the volume of business has increased by a wide margin. So far there are more than 2,600 country fair spots throughout the province, an increase of more than 140 spots over the number at the end of last year; and the volume of business of these country fairs for the whole year is expected to amount to 2.2 billion yuan, an increase of 41 percent over last year.

Our province has also made great progress in the import and export trade this year. The total volume of imports and exports for the period from January to November grew by 49.7 percent over the same period last year, and the export quotas for tobacco, local products, and mineral products have been overfulfilled. Meanwhile, some technology import projects have given a great impetus to the province's economic development.

The scale of capital construction had expanded too fast since the fourth quarter of 1984. The expansion has now been slowed down through the strengthening of macroeconomic control and administration. The rate of expansion for October and November 1985 had already dropped to around 30 percent.

In 1985, the province invested more in the energy industry, communications, post and telecommunications, education, and urban construction. During the period from January to November, investment in capital construction for the coal industry increased by 38.9 percent over the same period last year, that for the power industry increased by 66.1 percent, that for transportation, postal service, and telecommunications increased by more than 100 percent, that for education increased by 81.5 percent, and that for urban construction increased by 97.7 percent. In addition, the fulfilled investment value for the textile industry grew by 310 percent.

Investment in nonproductive construction projects, especially in housing projects, has been increased relatively rapidly in 1985. The residential floor space completed in the period from January to November totaled nearly 1 million square meters, an increase of 30.8 percent over the same period last year.

During the period from January to November, in the wake of the improvement of the economic results of enterprises, the province's financial revenues increased by a pretty wide margin--an increase of more than 30 percent--over the same period last year.

While the financial revenues grew, the income of urban and rural residents in our province also increased substantially. During the period from January to November, the average salary for staff members of enterprises under ownership by the whole people was 941 yuan (excluding nonsalary income), an increase of 115 yuan or 13.9 percent over the same period last year. If the rise in commodity prices is taken into account, the year still witnessed an increase of 6.1 percent. Since government organs and nonproductive establishments have introduced a reform of wage system, their staffs have benefitted from a higher increase in their salary.

Since the restrictions on the procurement prices of such agricultural and sideline products as grain and meat have been lifted this year, the initiative of the vast number of peasants in production has been brought into play and their income has increased by a wide margin. According to a sample survey among 2,400 peasant families in the province, the

peasants' cash income at their own disposal amounted to 178.72 yuan per capita during the period from January to September, an increase of 22.6 percent over the same period last year.

The economic achievements made by the province in 1985 are the results of the resolute implementation of the principle on reform, opening up to the outside world, and invigorating the domestic economy laid down by the CPC Central Committee. They have been accomplished through strengthening macroeconomic control and sticking with stimulating the microeconomy. Such phenomena as the overexpanded scale of investment in fixed assets, excessively rapid increase in credit and consumption funds, and excessively high rise in the prices of some commodities, which began to emerge in the fourth quarter of 1984, have been brought under control, while invigorated and efficient enterprises have emerged one after another. At the same time, as new progress has been made in domestic economic and technological cooperation, lateral economic ties between different provinces, between different areas, between different departments, and between different enterprises as well as nonproductive establishments, have been greatly strengthened. According to incomplete statistics, a total of 1,970 cooperative projects were concluded between the province and other provinces from January to September this year, almost equal to the total number of agreements concluded last year.

To be sure, the province is still faced with some problems in its economic development. The scale of investment in capital construction remains too large, grain production is not stable enough, only a small number of large- and medium-sized enterprises have been stimulated, efforts to improve the quality of industrial products and to reduce material consumption and production cost have not been successful enough, the supply of name brand and high quality products on the market still lags behind the growth in purchasing power, and the prices of vegetables, fruits, and other nonstaple foods have been rising too drastically for a while. We believe all these problems will be solved gradually as long as the reform is being carried out in-depth and macroeconomic control is strengthened.

The year 1986 is the year when the Seventh 5-Year Plan is to be started. Following the steady and in-depth development of the reform of the economic structure, the expansion of economic and technological cooperation with foreign countries, and the stepping up of the technical transformation of the existing enterprises, especially large- and medium-sized ones, it can be expected that the province's economy will be developing in 1986 along the trend of steady and harmonious growth. This will prepare good economic conditions for the reform of the economic structure which, in its turn, will inevitably give a greater impetus to economic development in the province.

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## PROVINCIAL AFFAIRS

### HUBEI CPPCC STANDING COMMITTEE HOLDS SESSION

HK150807 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 13 Jan 86

[Excerpts] This morning, the 14th Session of the 5th provincial CPPCC Standing Committee opened at the (Donghu) Hotel in Wuchang. The session was to listen to the report of Wang Qun, deputy secretary of the provincial CPC Committee and first secretary of Wuhan City CPC Committee, on Wuhan's economic structural reform and economic construction; to listen to and discuss the 1985 work summary report of the 5th provincial CPPCC Standing Committee; and to augment members of the provincial CPPCC.

At today's session, Wang Qun, deputy secretary of the provincial CPC Committee and first secretary of Wuhan CPC Committee, introduced the city's situation on reforms in six areas.

He said: In 1984, Wuhan City CPC Committee and government adopted the suggestions of some experts and CPPCC members. Starting from reforms of the circulation system and the transport system, the city promoted corresponding reforms in various areas, as well as the development of the economy as a whole. Based on this situation, in 1985 the city particularly grasped the work of invigorating large, medium-sized enterprises and the tertiary industry, as well as developing extensive economic links among cities and towns. The economy of Wuhan is developing in a healthy, coordinated and steady direction. In 1985, the city's gross industrial output value totaled 15.58 billion yuan or increased by 23.3 percent over the previous year. The long-standing tight financial situation was therefore relaxed.

In the afternoon, Zhang Wencai, vice chairman of the provincial CPPCC, delivered a summary report at the session on the 1985 work of the provincial CPPCC.

Today's session was presided over by Li Wei, chairman of the provincial CPPCC. It was attended by CPPCC vice chairmen Shi Zirong, Xie Wei, Zhou Jifang, Xu Jinbiao, Liang Zhiyan, Tao Yang, Sun Yaohua and (Yang Rui); and secretary general (Zeng Zhonglang). Also present were Tao Shuzepg and Tanx Ze, vice chairmen of the provincial People's Congress Standing Committee; CPPCC members in Wuhan; CPPCC chairmen of various cities and prefectures; directors of CPPCC liaison offices in various localities; and responsible people of the province's democratic parties and federation of trade unions.

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## PROVINCIAL AFFAIRS

### TIANJIN PEOPLE'S CONGRESS MEETING OPENS 13 JAN

SK150128 Tianjin City Service in Mandarin 0030 GMT 14 Jan 86

[Excerpts] The 25th Standing Committee meeting of the 10th municipal People's Congress opened at the cadres' club yesterday morning. Xu Ming, vice chairman of the municipal People's Congress Standing Committee, presided over the meeting. The agenda of the meeting was first approved. It included the following items: 1) Hearing a report made by Vice Mayor Lu Xuezheng on the 1985 market situation and the arrangements for supply and service work for the 1986 Spring Festival market; 2) examining and discussing a report made by the municipal People's Government on readjusting the municipality's 1985 budgetary revenue and expenditure; 3) handling personnel appointments and removals; and 4) examining and discussing the investigation reports made by the political and legal committee of the municipal People's Congress Standing Committee on the situation with regard to our municipality's implementation of the marriage law and on the situation regarding propaganda on and implementation of Tianjin Municipality's regulations on protecting the legal rights and interests of women and children.

At yesterday morning's session, Vice Mayor Lu Xuezheng, on behalf of the municipal People's Government, gave a report on the 1985 market situation and the arrangements for the supply and service work for the 1986 Spring Festival market. He said: A good market situation, exceeding our expectations, emerged in our municipality last year. Market supply as a whole basically satisfied the people's needs for daily necessities and their multi-faceted and multi-layered consumption demands. This helped guarantee the steady progress of the economic reform and promote the smooth development of production and construction.

Speaking on the 1986 market situation, he said that in general market supply will become more stable and thriving. He said: Success in the work concerning this year's Spring Festival market supply and service, in order to enable the people throughout the municipality to have happy holidays, has an important significance in encouraging the people to plunge into the four modernizations and develop the excellent situation with full confidence. The municipal government has decided to regard the improvement of commercial service as an important task and to exert great efforts to carry it out.

Attending yesterday's session were Zhang Zaiwang, chairman, and Bai Hua, Li Zhongyuan, Zhao O Aj Jun, Liu Zengkun, Han Tianyzo, and Yu Fujing, vice chairmen, of the municipal People's Congress Standing Committee.

PROVINCIAL AFFAIRS

IDLE AIR-RAID SHELTERS IN NORTHEASTERN CHINA MADE USEFUL

HK190342 Beijing XINHUA Hong Kong Service in Chinese 0151 GMT 15 Jan 86

[Report by reporter Yang Mingqing [2799 3046 7230] and correspondent Li Guozhong [2621 0948 1813]: "In China's Northeastern Region, Idle Civil Air Defense Works are Used in the Service of Society"]

[Text] Shenyang, 15 Jan (XINHUA)--In China's northeastern region, many civil defense works which have lain idle for a long time have been turned into busy places where people engage in trade, production, and recreational activities or relaxation.

When we strolled along a bitterly cold Shenyang street a couple of days ago, we came across a restaurant reconstructed from a civil air defense works. The "Yemeigui Restaurant" was outfitted with a cafe, a bar, a dance hall, and an electronic machines playroom. Filled with customers, the restaurant exuded a lively atmosphere.

In some other well-known cities of the three northeastern provinces, such as Harbin, Changchun, Qiqihar, Jinzhou, Yingkou, and Mudanjiang, people can also come across many cultural palaces, playrooms, music halls, dance halls, sports rooms, factory buildings, shops, and hotels which have been constructed from civil air defense works.

According to an official in charge of the civil air defense work in the northeastern region, one-third of the civil air defense works in Liaoning, Jilin, and Heilongjiang Provinces have so far been developed and used. They have yielded more than 200 million yuan in output value and business turnover and provided jobs for more than 26,000 people.

The temperature in the underground defense works is usually about 20 degrees Centigrade year round. In the cold northeastern region, no heating equipment is needed if these defense works are turned into lodging houses or places of production and recreation. They can also be used to store vegetables.

In the oil city of Daqing, the civil air defense works can store more than 20 million jin of vegetables at a time. Even in the bitterly cold winter season, the residents of this city can still have fresh vegetables.

In Daoli District, Harbin City, small and medium-sized defense works with a total floor space of more than 44,000 square meters have been turned into 17 neighborhood-run factories. With an annual output value of more than 14 million yuan, they have yielded more than 3.5 million yuan in profits.

Many cities and towns in the northeastern region have noticed the use of underground defense works and have set about using them to ameliorate congestion on the ground.

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## PROVINCIAL AFFAIRS

### USE OF DALIAN PORT TO ENLIVEN ECONOMY ADVOCATED

Harbin HEILONGJIANG RIBAO in Chinese 15 Jul 85 p 1

[Report by Wang Baosheng [3769 1405 3932]]

[Text] Fully utilizing the port of Dalian to help enliven Heilongjiang's economy is the central topic of the Heilongjiang-Dalian conference on economic and technological cooperation and coordination, held by the Heilongjiang Provincial People's Government at Dalian from 10 to 12 July.

Dalian is one of the 14 open coastal cities developed after the four special economic zones since China instituted the open door policy. It is an important window for foreign trade and for the development of economic and technical cooperation with foreign countries. As early as 1979, Heilongjiang's foreign trade sector has set up agencies in Dalian. After that, the provincial people's government and the various prefectures and cities have successively set up agencies here. Currently, Dalian has become Heilongjiang's window for developing import-export trade, for importing technology, capital and equipment, and for strengthening horizontal economic ties and information exchange with fraternal provinces and municipalities. In recent years, exports from the port of Dalian have increased year after year. Last year's volume, not including Daqing's oil, totaled more than 200,000 tons, half of the total foreign exchange receipts of the entire province. Heilongjiang has already designated over 90 economic and technological cooperation projects in Dalian. Last year, three cooperative projects were implemented in the Dalian developing zone: the Qinggang Hotel built through the joint investment by Daqing and Hong Kong; a factory manufacturing formed aluminium for construction use, a joint venture by the Northeast Light Alloy Manufacturing Factory, the China Nonferrous Metal Company and Japan; and the provincial economic and trade building.

In order to further expand the realm of cooperation and institute properly multilevel, multiform and multichannel contact and cooperation in Dalian, Du Xianzhong [2629 7359 1813], secretary-general of Heilongjiang Provincial People's Government, headed a delegation of more than 60 major leaders of pertinent provincial departments and the various prefectures and cities to convene this conference on economic and technological cooperation and coordination. Bi Xizhen [3968 6932 4394], secretary of the Dalian Municipal Party Committee, Mayor Wei Fuhai [7614 1381 3189] and other leaders of

relevant municipal departments attended the conference to exchange views with Heilongjiang's comrades on future cooperative projects, such as coal processing and conversion, processing of grain for export, food processing, the processing of agricultural sideline products, timber processing and comprehensive utilization, and so on. The realm of cooperation has been expanded. The participating comrades of both sides understood that Dalian cannot be separated from the rest of the Northeast, and vice-versa. The provincial people's government expressed thanks for Dalian's support in reviving Heilongjiang's economy by using the port of Dalian. Dalian's leaders indicated that they would be a good window and offer good services for the further development of the economy of the Northeast.

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## PROVINCIAL AFFAIRS

### BRIEFS

SICHUAN OFFICE PROVIDES 'WINDOW' FUNCTION--According to SICHUAN RIBAO, the Sichuan provincial office in Beijing has displayed the spirit of initiative and become a window for the province in opening to the world and invigorating the domestic economy. This office has taken advantage of the benefits of being located in Beijing and having access to plenty of information and done good work for the province's effort to invigorate its economy. 1. It has provided timely economic information. The office compiles data from information on market changes and new fruits of science and technology and dispatches it to the provincial departments and bureaus concerned or to the prefectures and cities. Facsimile is used to promptly transmit to the province information of highly practical use. 2. The office takes the initiative in erecting bridges to provide the province with the conditions for developing lateral economic ties. In October 1985, the office invited the offices of 18 other provinces in Beijing to an economic cooperation meeting, thereby establishing initial ties with many provinces. 3. The office provides consultative services for personnel sent from Sichuan to Beijing. When these personnel encounter difficulties in work, the comrades of the office provide prompt assistance. In 1985, they bought 700,000 yuan worth of various materials for these personnel. [Text] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 17 Jan 86 HK] /12712

MEETING CONCLUDES ON BUILDING OLD BASES--This afternoon in Xifeng City, the provincial CPC Committee and Government concluded the work meeting on building the old bases in Qingyang Prefecture. The meeting summed up in an all-round way the economic construction work of the old bases over the past 3 years, and discussed ways of expediting the pace of building the bases and extricating the bases from their poverty-stricken state. The meeting also exchanged experiences in emancipating the mind, running town and township enterprises on large scale, developing commodity production, and transforming the bases. The meeting also formulated key construction projects for 1986 and 1987, and commended 16 advanced collectives and 13 advanced individuals who have made achievements in building the old bases. Responsible comrades of the provincial CPC Committee, the provincial People's Congress Standing Committee, and the provincial Government, including Li Dengying, Chen Guangyi, Ge Shiyong and (Lu Ming) attended the meeting and delivered speeches. The meeting held that the construction of old bases is a long-standing, determined task. To expedite the pace of construction is an economic task as well as an important political task for the province, which affects the overall situation of the province as a whole. [Excerpt] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 14 Jan 86 HK] /12712

RENTAL BUSINESS DEVELOPS ACTIVELY--Hangzhou, 17 Jan (ZHONGGUO XINWEN SHE)-- Since its inception 3 years ago, the Zhejiang Provincial Rental Company has been active in collecting capital, introducing advanced technology and equipment, and helping factories and enterprises with their technological transformation. It has fulfilled 400 rental projects in the country, totaling 83.38 million yuan and involving nearly 800 factories in 29 provinces and cities throughout the country. In the course of providing rental services in the country, the company is also active in using foreign capital to rent equipment from abroad. Statistics show that the company has so far rented 12 sets of equipment from abroad, using foreign capital totaling \$12.22 million. It has also established business relations with the FRG, Britain, Czechoslovakia, Poland, the GDR, and Japan. The equipment introduced by the company is mainly used in the province's superior industries such as the machine building industry, the textile industry, the plastics industry, the construction materials industry, and light industry. In most cases, quick results can be achieved and the payment for the rent can be settled in 1 or 2 years. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 1000 GMT 17 Jan 86 HK] /12712

BOOMING COUNTRY FAIR TRADE REPORTED--The volume of country fair trade in Heilongjiang Province for the first half of this year totaled 684.02 million yuan, an increase of 71.9 percent over the same period a year ago. It was equal to 8.6 percent of the gross value of retail sales in the province. The farmer's market sales value amounted to 514.26 million yuan, 64.2 percent higher than the same period last year. The sales of pork of 35.41 million jin, 17.15 million jin over the same period of last year, and equivalent to 26.4 percent of the gross volume of sales of the state-owned commercial units throughout the province. In order to adapt to new circumstances of relaxation and revitalization, governments at all levels throughout the province have included the building of country fair markets into urban development plans. Guided by the principle that "the people's markets are built by the people," the method of support by the state and collective investment by the masses has been adopted. Through contributions either of money or labor, new network outlets have been set up actively. Up to the end of June, there were 1,283 trade markets, 247 more than the same period last year. Of these, 445 farm markets were in the cities, 107 more than the same period last year. [Text] [Harbin HEILONGJIANG RIBAO in Chinese 8 Jul 85 p 1] 9335

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## ECONOMIC PLANNING

### HEBEI'S LI FENG ON DEVELOPING MOUNTAINOUS AREAS

SK150639 Shijiazhuang HEBEI RIBAO in Chinese 17 Dec 85 pp 1, 2

[Text] At the provincial planning work conference held on 12 December Vice Governor Li Feng made a speech entitled "Accelerate the Development of 'Mountainous, Coastal, and Upland Areas,' and Promote the Vigorous Economic Development Throughout the Province." In his speech, he touched on the following four issues; 1) Fully understanding the important strategic position of the development of mountainous, coastal, and upland areas in the province's economic construction; 2) The guiding ideology for developing mountainous, coastal, and upland areas; 3) Major orientations and focuses on the development of mountainous, coastal, and upland areas; and 4) Major measures for developing mountainous, coastal, and upland areas.

Comrade Li Feng first stressed that developing mountainous, coastal, and upland areas occupies an important strategic position in the province's economic construction. He said: Mountainous, coastal, and upland areas in the province cover a vast territory, are rich in natural resources, and have great potential for development. In so far as natural resources are concerned, the Taihang Shan, the Yan Shan, and the Heng Shan in our province have a varied topography, numerous varieties of living things, and plenty of mineral resources. In mountains, river valleys, and river basins, we can grow grain, melons, vegetables, and other cash crops. In the vast expanse of barren mountains and hillsides, we can plant trees and grass, and develop forestry, animal husbandry, and fruit growing. In coastal areas, there is a vast expanse of water areas, beaches, and undeveloped saline-alkali land with fishes, shrimps, crabs, and various other aquatic animals as well as more than 160 varieties of plants. In addition, there are many scenic spots and historical sites near Beijing, Tianjin, Qinhuangdao, Tangshan, and Cangzhou. In the upland areas, there are more than 6 million mu of grasslands suitable for raising cattle, horses, sheep, rabbits, chickens, and other poultry, and for growing naked oats, spring wheat, potatoes, flax, and beets. We can also develop fresh-water fishery in lakes and mires. Mountainous, coastal, and upland areas are indeed three precious areas of our province, and we should change the favorable natural conditions to favorable commodity conditions as quickly as possible.

In so far as ecology is concerned, the upland areas, the Taihang Shan, the Yan Shan, and the Heng Shan provide a natural defense for the northern and

western province. In addition to the rich natural resources, there are more than 1,100 large, medium-sized, and small reservoirs, and all the major river systems of the province have their sources in these areas. Because mountainous areas and plains are viewed as an integrated whole, the success or failure in the utilization of mountainous areas has a direct bearing on the entire ecological environment and economic development of our province.

In so far as the development potential is concerned, affected by the "leftist" idea of "taking grain as the key link" for a long time, the vast expanse of barren hills, grasslands, beaches, and water areas and the great quantity of living things and mineral resources in mountain, coastal, and upland areas have not yet been fully utilized, and some of them have even been destroyed seriously. Many places in mountainous and upland areas now still suffer from the shortages of drinking water, electricity supply, transport services, skilled persons, educational undertakings, and medical facilities, which hamper the economic development. Some places in remote old mountainous and upland areas are still very poor, and some peasant households there continue to have inadequate food and clothing.

The people in the vast territory of mountainous areas paid a huge price and made tremendous contributions during the revolutionary war. It is our unshirkable political duty to accelerate the development of these areas and to enable the masses there to change from poverty to prosperity as soon as possible. Therefore, successfully developing mountainous, coastal, and upland areas not only has an extremely important economic and political significance for these areas, but also has an important significance for improving the province's ecological environment as a whole and for promoting the vigorous economic development.

Referring to the guiding ideology of developing mountainous, coastal, and upland areas, Comrade Li Feng stated: Since the 3d Plenary Session of the 11th CPC Central Committee, particularly since 1982, the broad masses of cadres and the people in mountainous, coastal, and upland areas have gradually shaken off the ideological yoke of "taking grain production as a key link" under the leadership of the central authorities and the provincial CPC Committee, vigorously engaged in the development of "mountainous and coastal areas" and of "pastures and forests" in line with their natural resources, and have made the best use of their local strong points, resulting in a good trend in a large number of localities, in which the people have pooled their wisdom and strength to develop various undertakings simultaneously by exploiting the natural resources of the mountainous, coastal, and upland areas. A large number of material sources are being effectively developed or utilized. After summing up the positive and negative experience gained in developing mountainous, coastal, and upland areas over the past many years, particularly over the past few years, we found it necessary to uphold the following guiding principles in the upcoming development: A. Efforts should be made to suit measures to local conditions, to bring into play the strong points, and to conduct guidance in line with the different strong points. It is necessary for us to base ourselves upon our natural resources, and to make the best use of our strong points and open a road of becoming wealthy independently. B. Efforts should be made to integrate the immediate social benefits with the

far-reaching ones. A good job should be done in dealing with the relationship between immediate benefits and long-term construction and between the current plan for getting rid of the poor status and the long-term plans in order to make a start in small projects and to enable these projects to become larger and larger so as to achieve progress step by step. C. Efforts should be made to conduct development and consolidation in a comprehensive way. It is necessary for us to integrate the work of exploiting material sources with the endeavor of protecting and breeding material sources and to integrate economic development with intellectual development in order to promote the benign cycle of ecological environment and the prosperity of the economy and culture in the mountainous, coastal, and upland areas. D. Efforts should be made to uphold the principle of having the state, collectives, and individuals engage in development simultaneously and to vigorously develop commodity production. E. Efforts should be made to put the foothold on the basis of displaying self-reliance and to refrain from placing hope on state support.

In referring to the major orientation and emphasis of developing the economy in mountainous, coastal, and upland areas, Comrade Li Feng pointed out: Localities should fix their own orientation and work emphasis under the general guiding ideology of "being based on local material sources and aiming at having most people become wealthy" and by summing up the experience gained in the development over the past few years.

1) Judging from the province's situation, the major orientation and work emphasis of the mountainous areas in developing the economy should be that these areas should do a good job in concentrating on grasping the development in the five fields of forestry, fruit production, animal husbandry, mining, and grain production on the premise of reasonably utilizing natural resources and protecting the ecological balance and by relying on the power of the policies and the progress of science and technology.

In forestry, they should plant trees, bushes, and grass on the mountains suitable for afforestation simultaneously, concentrate on planting fast-growing trees, feed trees, and fire-wood trees in order to integrate ecological benefits with economic results and to try to make the mountains green as soon as possible.

In fruit production, they should do a good job in managing the existing fruit trees while actively planting new ones. Along with the development of fruit trees, they should make all-out efforts to develop the technique of storing up fruits, keeping them fresh, and processing them. Efforts should be made to process preserved fruits, dried fruits, fruit juice, and canned fruits in order to increase incomes from the increased output.

In animal husbandry, they should put their work emphasis on first raising cattle, sheep, chickens, rabbits, hogs, ducks, and geese and then, on making efforts to upgrade the slaughter rate and commodity rate of animals and poultry. Localities with adequate conditions may develop the production of meat cattle, and milk cows and goats, and raise bees on a large scale. Efforts should be made to develop man-made grassland and to grow grass by

closing the hillsides to facilitate growth in order to increase the sources of feeds among the large mountainous areas. Meanwhile, they should make full use of the reservoirs in developing fishery.

In mining production, they should continuously carry forward the spirit of "making use of natural resources as much as possible" and actively organize the masses to open mining enterprises. Efforts should be made to have households open mining business; to establish joint-venture business among households and among the state, collectives, and individuals; and to introduce outside funds to the mountainous areas.

In grain production, the mountainous areas that are suitable to grain production should realistically do a good job in cultivating grains and conduct intensive farming in order to vigorously increase output. Localities at hillsides with dry land should vigorously develop drought-enduring crops, such as millet, panicled millet, potatoes, sweet potatoes, beans, and sesame. Some localities should do a good job in conducting the limited production by making use of the favorable conditions of the naturally isolated zones.

2) Coastal areas: The main direction and major point of economic development should be in taking fish as the major product while comprehensively developing fishery, animal husbandry, agriculture, coastal industry, tourism, and ocean transport.

In fishery production, we should implement the principle of simultaneously developing fish breeding, catching, and processing, combine fish catching with breeding, the development of seawater with freshwater fishery, and the breeding of fish with shrimps, and further accelerate the rate of development. In breeding aquatic products, we should strive to increase the varieties and the output of fish in line with the diversified ecological environment, gradually change the development from mainly catching fish to breeding, and strive to fully utilize beaches, and shallow sea areas and lakes suitable for breeding aquatic products within 3 to 5 years. In ocean fishing, we should continue to readjust the distribution of fishery, stress the development of mobile fishing operations, improve the fishing capacity, and accumulate strength, in order to prepare conditions for developing deep sea fishing. The coastal areas have rich resources such as forage grass and fodder. We should develop animal husbandry and consider it as one of the major aspects of coastal development. In addition to developing the production of cattle, sheep, chickens, ducks, geese, rabbits, and lean-meat hogs, we should also use various low quality fishes for breeding minks.

We should further readjust the agricultural structure in the coastal areas, stabilize the sowing acreage of paddy rice, and develop such cash crops as sorghum, sunflower, and bluish dogbane. Meanwhile, we should grasp the building of coastal forest shelter belts and the production of small dates, grapes, and other fruits, and vigorously develop diversified undertakings.

We should fully use the natural resources of raw salt, reeds, and native products in the coastal areas, and actively develop the light industry, such as salt chemical, paper-making, and wine-brewing industries, and ship-dismantling industry.



Tangshan and Qinhuangdao coastal areas have a great potential for developing tourism. We should consider developing the "golden coastline" extending from Shanhaiguan to Changli, and the "Kuailedao" in Leting into a whole range of tourist areas. We should also renovate historic sites, increase the number of tourist areas, and make unified plans for a comprehensive development.

In building coastal cities and townships, we should foster a mass viewpoint and pay attention to environmental protection. Governments at all levels should include environmental protection work on their agenda, and bring environmental protection plans in line with construction and development plans of various trades and enterprises, and integrate economic, environment, and social benefits. Before solving problems in environmental protection, we must pay attention to not building shrimp raising ponds near polluted areas.

3) Plateau areas: The main direction and the main point for economic development in these areas should be in taking animal husbandry as the major field of production while integrating the development of forestry, grass cultivation, livestock breeding, and agriculture actively develop the processing industry and trading, and gradually turn the upland areas into production bases of livestock and animal by-products of commercial value in order to provide a large amount of meat, eggs, milk, and animal hides for the markets.

Based on these major points, we should rationally readjust the proportion of forestry, grassland, and farmland, actively build forest shelter belts in "northwest, north, and northeast China" and grassland, establish and improve the grassland responsibility system, actively develop man-made pastures, grass enclosures, and grass fields, and strive to raise the animal grazing capacity of grassland. Meanwhile, we should solve the existing problems of grazing over the capacity of grassland, and strengthen the protection of grass shoals. Such crops as naked oats, potatoes, flax, and beets should be developed in a planned way and in accordance with the given conditions.

In livestock production, we should vigorously develop cattle, sheep, hogs, chickens, rabbits, and poultry, and gradually increase the proportion of cattle and sheep. In order to reduce the burden of grassland, in the future, we should not just stress the number of animals in stock but also stress the number of animals slaughtered and the rate of animals sold as commodities. We should also increase the proportion of female animals and promote the method of breeding and fattening animals in different areas.

We should vigorously develop the leather, fur, meat, and milk processing industries, should voluntarily cooperate with such large and medium-sized cities as Beijing, Tianjin, Zhangjiakou, and Chengde, and should establish contacts with the Sulu, Dachang, Zaoqiang, and other traditional fur processing bases to run country markets and livestock markets well and to clear the circulation channel.

In conclusion, Comrade Li Feng touched on the major measures for developing mountainous, coastal, and upland areas. 1) We should extensively mobilize the masses to conduct an in-depth discussion. The provincial CPC Committee and the provincial People's Government have decided to launch a mass

discussion on "being based on the local natural resources, and having our eyes on the universal prosperity" in mountainous areas during this winter-spring period. We should conscientiously sum up the past experiences and lessons, make a specific analysis of local natural resources, select key development targets, and formulate the development plans for 1986 and for the Seventh 5-Year Plan period for each county and township. Meanwhile, we should mobilize the masses to seek ways to become prosperous from village to village and from household to household, and map out specific development measures.

2) We should further improve the output-related contracted responsibilities system. Now those counties and townships which have not yet contracted mountain, forest, beach, and water areas to households should quickly do so. Some mountains close by, fertile mountains, and plots with fewer trees should be designated to the masses for personal needs. The contract period for fruit trees should be extended from 30 to 50 years. Coastal beaches and undeveloped plots should also be designated to townships, villages, and households for utilization, and the rights to utilize these beaches and plots should remain unchanged for a long period. The forms of contract can be diversified and varied, such as the integrated contract, the individual household contract, establishing comprehensive production cooperatives to contract such areas, and comprehensively contracting a vast expanse of cultivated areas, grasslands, water areas, and forest areas.

3) We should actually strengthen the construction of the infrastructure of mountainous, coastal, and upland areas. The shortages of drinking water, electricity supply, and transport services and soil erosion are major obstacles to the economic development of mountainous, coastal, and upland areas, and all localities in these areas should give priority to building water and electricity supply facilities and to building roads. In terms of water conservancy projects, we should at present give prominence to solving the shortage of drinking water for the people and livestock in mountain areas. In building roads, we should focus on upland areas, remote old revolutionary base areas, mining areas, and tree and fruit-producing areas. In addition to strengthening the construction of roads, the coastal areas should build more small ports in order to vigorously develop sea transportation. Power industrial enterprises should emphatically support the development of the processing and mining industries. Meanwhile, assiduous and persevering efforts should be made to comprehensively develop small river valleys.

4) We should conscientiously apply science and technology to mountainous, coastal, and upland areas, and give comprehensive services to them. Professional departments and scientific and technological departments at all levels should organize scientists and technicians to serve mountainous, coastal, and upland areas, and these scientists and technicians should be trained at regular intervals on a rotating schedule. We should also popularize such ordinary technologies as pomocultural grafting; pruning; importing and breeding of good strains of crops, trees, and livestock; building nurseries of fry and shrimp eggs; mining of underground mines; and processing of those agricultural sideline products which are in short supply and can be quickly produced. Meanwhile, we should conduct joint research for some key scientific and technological problems. Medical personnel should also tour mountainous and upland areas to give medical treatment and professional training, to strengthen the cure and prevention of endemic diseases, and to promote sound childbearing practice.

5) We should vigorously develop the educational undertakings in mountainous, coastal, and upland areas, and

strive to foster more competent persons quickly. Universities and colleges in our province should increase their enrollment quotas for mountainous and upland areas. We should also vigorously run various kinds of technical schools and training classes to train graduates from junior and senior middle schools in mountain areas and to train demobilized servicemen and young and middle-aged skilled craftsmen in such areas, and should foster and develop those competent personnel who are urgently needed in the fields of agriculture, forestry, animal husbandry, mining industry, and medical units. Some regular middle schools should be changed to vocational middle schools specializing in pomuculture, forestry, animal husbandry, fishery, mining, or processing. Efforts should be made to run county normal schools well in order to train more teachers. 6) We should find more financial resources for developing the mountainous, coastal, and upland areas. The funds for developing these areas should be collected in line with the principle of collecting funds from the masses and speeding up the circulation of funds and through various ways and channels. The financial departments and banks should also give all necessary support. The special funds of the provincial forestry, animal husbandry, agriculture, water resources, geological and mining, and scientific and technological departments as well as other relevant departments should be mainly used for developing the mountainous, coastal, and upland areas, and be gradually allocated to the counties to be managed and used in a unified manner by the county authorities in line with the approved development plans. The province and various prefectures, cities, and counties should allocate a certain amount of funds for supporting the development of poverty-stricken areas and such funds should be allocated concentratedly in different stages and groups. Beginning from 1986, the remote old revolutionary bases and poverty-stricken mountainous areas will be exempted from the tasks of subscribing for state treasury bonds for 3 years. 7) We should open the door widely and absorb foreign funds and technology for cooperative development. We should encourage domestic and foreign enterprises, establishments and individuals, and those in and outside the province to invest in the mountainous, coastal, and upland areas, to transfer technology and equipment, to spread the product processing operation to other localities, and carry out diversified forms of cooperation and integrated operation. The commercial, supply and marketing, economic, and trading departments should render better services to the development of these areas, open up markets, organize people to promote sales, establish commodity production and foreign trade exported bases in these areas, and support them to develop diversified undertakings. 8) The profits gained by the state-run forest and livestock farms, reservoirs, power stations, and salt farms in the mountainous, coastal, and upland areas should be enjoyed by the people and civilians, and temporary workers should be mainly recruited from among the local labor forces. In the future, we should organize the people and the reservoir administrative departments to jointly manage the reservoirs and develop the various natural resources in the reservoir areas. The benefits should be proportionally shared among them. 9) We should vigorously develop economic and technological cooperation between the urban areas and the mountainous and upland areas. The technology and equipment of the urban areas should be transferred to the nearby mountainous and upland areas. The processing industry with raw materials supplied from the mountainous and upland areas should be gradually moved to these two areas. We should fully use the natural resources and manpower in these areas to speed up the

development of various natural resources. Some localities, if conditions permit, may carry out integrated businesses with the local collectives and the masses, operate dried and fresh fruits, animal by-products, and building materials industries as well as other processing industries, and gradually change the situation in which the raw materials producing areas and the processing of finished products are dislocated. 10) We should go deeply to the reality of life, change workstyle, and conscientiously sum up, and popularize advanced experiences. The relevant provincial departments, various trades and professions, and the relevant prefectural, city, and county governments should rapidly shift their work focus on comprehensively developing the mountainous and upland areas. The broad masses of party members, and cadres should promote the revolutionary spirit and the self-sacrifice spirit of "giving consideration to the whole situation, paying attention to unity, stressing actual results, and vying with each other in making contributions," go deeply to the reality, work hard, manage things in a down-to-earth manner, and better serve the people. Meanwhile, we should pay attention to discovering, summing up, and popularizing the advanced typical experiences. We should use the typical examples to guide our way, let the facts speak for themselves, and promote the development of the mountainous, coastal, and upland areas in a better manner.

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## ECONOMIC PLANNING

### LIAONING DECIDES TO HOLD CONGRESS SESSION IN MARCH

SK220539 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT  
21 Jan 86

[Text] On 21 January, the 18th Standing Committee meeting of the 6th provincial People's Congress held a plenary session at which, participating members unanimously approved the resolution on the convocation of the fifth session of the sixth provincial People's Congress, which will be held in Shenyang on 12 March this year.

The major items of the fifth session's agenda are to hear the work report given by the provincial People's Government, the report on the major tasks for implementing the Seventh 5-Year Plan, the report on the 1986 plans for the national economy and social development, the report on the implementation of the 1985 budget and on the 1986 draft budget, the work report given by the provincial People's Congress Standing Committee, and the work reports given by the provincial Higher People's Court and the provincial People's Procuratorate; and to examine and discuss the provincial draft provisions on making the 9-year compulsory education universal.

At the plenary session, participating members also heard the report given by Wang Ruofu, director of the provincial education department, who was entrusted by the provincial People's Government to give a detailed explanation on the draft provisions on making the 9-year compulsory education universal; the report given by (Qi Zheng), secretary general of the provincial People's Congress Standing Committee, with regard to giving a detailed explanation on the quota of supplementary deputies and to the disposition of the seven motions submitted at the third session of the sixth provincial People's Congress.

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## ECONOMIC PLANNING

### BRIEFS

HEILONGJIANG READJUSTS COMMODITIES STRUCTURE--During the Seventh 5-Year Plan period, the province will readjust the structure of the existing export commodities. The Foreign Economic Relations and Trade Department has stressed the necessity to fully take advantage of the province's natural resources and the favorable industrial conditions to develop 10 series of products, and to organically combine the economic construction with the 10 series of products in order to increase the source of export commodities and ensure the steady, sustained, and substantial increase in foreign trade. These 10 series of products include agricultural products, cash crops, local products, livestock products, machine tools, electrical products, textile industrial products, mineral products, chemical industrial products, and wooden products. We should make each series of such products have its own fist and key products. At present, various commissions, offices, and bureaus of the provincial People's Government are actively formulating their plans for supporting the development of such products, and are conscientiously organizing forces for implementing these plans. [Text]  
[Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 21 Jan 86 SK]  
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## AGGREGATE ECONOMIC DATA

### BRIEFS

GANSU DEVELOPS COMMERCE--The total amount of commodities purchased by the state-run commercial enterprises in Gansu Province in 1985 was 2 billion yuan, 33 percent more than in 1980. The average annual increase was 5.9 percent. The total amount of commodities sold in 1985 was 2.4 billion yuan and recorded an increase of 29 percent over 1980. The average annual increase was 5.3 percent. By 1985, 92.5 percent of the small enterprises had carried out rectification and correction and the majority of the 56 large and medium-sized retail enterprises had implemented the economic responsibility system. The profits made by the state-run commercial enterprises in 1985 were 82 million yuan and were 39.9 percent more than in 1980. The average annual increase was 6.9 percent. The number of commercial units in 1985 reached some 5,100 and was 12.7 percent more than in 1980. The commercial front in the province completed 195 projects of various kinds, of which 10 are cold storage warehouses. After technological transformation, the number of varieties of nonstaple food increased from some 500 in 1982 to some 1,600 in 1985. Of them, 14 won the provincial title of product of superior quality. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 12 Jan 86 HK] /12712

SHAANXI TOWNSHIP ENTERPRISES--The recent conference of directors of prefectural and city township enterprise bureaus in Shaanxi Province announced that the total output value of the province's township enterprises in 1985 exceeded 3.8 billion yuan, a rise of 42.91 percent over 1984. The enterprises recorded sustained development despite a shortage of capital. At the beginning of the year, various localities managed to raise capital through a variety of means to solve the problems of 3,000 capital-short enterprises. Good achievements were made in improving product quality. [Summary] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 16 Jan 86 HK] /12712

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## ECONOMIC MANAGEMENT

### XINJIANG TO STRENGTHEN CONTROLS OVER CAR IMPORTS

HK120405 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 11 Jan 86

[Text] The regional government's General Office recently issued a circular demanding that all areas and departments strengthen control over the import of cars. The circular pointed out that there has recently been a sharp increase in the number of cars purchased in Xinjiang not covered by the plans. In particular the proportion of passenger cars in the total is very large. Control has been lost to a certain degree.

In order to strictly control the excessive growth in the number of cars, the circular reiterates that the standards and scope of cars of all sizes assigned to the different areas, departments, and units are still governed by the regional government's provisional regulations of 1981. Excessive purchases of cars, which may be due to exceptional circumstances, must be approved by the regional government. Prefectures and cities and departments are forbidden to arbitrarily spend the region's foreign exchange and the foreign exchange retained by the localities on buying imported cars at home or abroad. They are also forbidden to spend domestic capital on buying luxury cars.

Except for those vehicles allocated gratis, cars allocated to the region by the central authorities can only be brought in after obtaining permission from the regional Planning Commission and Tax and Profit Office. Otherwise, the examination and approval procedure will not be carried out. Cars donated by overseas Chinese and Hong Kong and Macao compatriots will be handled in a unified way by the regional Overseas Chinese Affairs Office, which will report to the regional government for examination and approval. Such vehicles are restricted to the units and individuals receiving them. They may not be resold or transferred.

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## ECONOMIC MANAGEMENT

### GUANGDONG HOLDS SUPPLY, MARKETING COOPERATIVES' WORK CONFERENCE

HK200843 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 14 Jan 86

[Text] Yesterday afternoon, at the provincial conference on supply and marketing cooperatives' work which was held in Shunde County Yang Deyuan, vice governor of Guangdong Province, said: Supply and marketing cooperatives must adhere to the correct orientation, gear their work to the needs of rural areas, and do everything to develop the rural economy.

Vice Governor Yang Deyuan said: Over the past few years, in the situation in opening up and reform, supply and marketing cooperatives in our province have withstood tests and steeling, strengthening their vitality, gained a firm foothold, become important economic forces to organize rural commodity production and circulation, and continued to give play to the role of a main channel.

Yang Deyuan said: This year, the supply and marketing cooperatives must carry out deepgoing reform, open up a new path, and forge ahead. They must change ownership by the whole people to collective ownership and running by the government to running by the people. They seriously turn themselves into comprehensive service centers in many forms, such as forms of helping production develop and organizing the procurement of products in rural areas, the processing of agricultural and sideline products, and the exchange of commodities.

The provincial conference on supply and marketing cooperatives' work was held in Shunde County from 8 to 14 January.

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## ECONOMIC MANAGEMENT

### HENAN LEADER SPEAKS ON ACHIEVEMENTS, PROBLEMS

HK200531 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 19 Jan 86

[Excerpts] The 18th meeting of the 6th provincial People's Congress Standing Committee opened in Zhengzhou on the morning of 19 January, Chairman Zhang Shude presiding. Vice Governor Zhang Zhigang delivered a report on dealing with suggestions, criticisms, and views raised by the delegates at the third session of the Sixth Provincial People's Congress. In the afternoon the meeting started panel discussions on the reports and examined the provincial draft regulations banning gambling.

Zhang Zhigang focused on six questions in his report: 1) on the shortage of credit and capital; 2) on market prices; 3) on transferring household registration from rural to non-rural areas; 4) on increasing spending on education and developing education; 5) on widening and improving roads; 6) on banning random imposition of fees and charges.

On market prices, Comrade Zhang Zhigang said: The reform of the price system is the key to the success or failure of the entire reform of the economic structure. In the course of carrying out price reforms, prices in the province have risen a bit more than they did in the past. However, the growth of people's incomes has exceeded the rises in prices. It is estimated that the wages of urban staff and workers in Henan in 1985 rose by about 20 percent over 1985 and that peasant incomes rose by 9.6 percent, while the increase in the retail price index is estimated at about 5 percent, at 3 percent in the rural areas and at about 9 percent in the urban areas. In short, we must take a correct view of the questions of prices and price reforms.

1. It is imperative to reform the existing price setup. Otherwise, economic relations in all aspects cannot be harmonized and the national economy cannot maintain long-term healthy development.
2. Although problems of various kinds have existed in our reforms in this field since the 3d Plenary Session of the 11th CPC Central Committee, basically the reforms have been successful.

Zhang Zhigang also explained to the meeting the reasons for the relatively large price rise last year and the measures already and still being taken to solve the problem.

On banning random imposition of fees and charges, Zhang Zhigang said that in order to solve this problem, the CPC Central Committee and State Council issued a circular last October on banning random fees and charges imposed on the peasants. The provincial CPC Committee and Government also issued their document No 48 of 1985 on the matter. On the basis of investigation and study and extensive gathering of people's views, the provincial government has submitted this question to the provincial rural work conference for discussion and decision.

At present there has been some improvement in the random imposition of fees and charges. However, hard work is still required to solve it completely.

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## ECONOMIC MANAGEMENT

### IMPROVEMENT OF RURAL ENTERPRISE PRODUCT QUALITY DISCUSSED

Beijing BEIJING ZHONGGUO XIANGZHENQIYE BAO in Chinese 20 Jul 85 p 1

[Commentary: "Improving Product Quality Is the Lifeline for Rural Enterprises"]

[Text] Currently, the problem of deteriorating quality of some industrial products has aroused popular discussion and criticism. Although this problem is present in the state-owned enterprises, it is more serious in some rural enterprises. We should be greatly concerned about this.

China is a socialist country. The fundamental principle of social production is to satisfy the continuously increasing needs of the people. Living standards in China still not high. Producing high-quality, durable products is equivalent to raising living standards. Manufacturing products in a rough and slipshod way, substituting fine with inferior quality and substituting real with false products to cheat the consumers are criminal acts against the people and are not permitted. Most of the staff members and workers of our rural enterprises are peasants who have just entered the realm of commodity production. In the past, when they purchased industrial products, they all hoped to purchase durable commodities and detested those commodities which were manufactured in a rough and slipshod way. Now that they have set up their own enterprises to provide all kinds of products for the people, how can they cheat the consumers with products manufactured in a rough and slipshod way! "Do not do unto others what you do not want others to do unto you." We must not harm others to benefit ourselves. We should establish correct business principles and must not forget righteousness while pursuing profit. We should establish a socialist business ethic, improve the ideological quality of the broad masses of cadres and staff members and workers, and promote the feeling of pride in making profit through improving quality and feeling ashamed of making profit through lowering quality.

With the development of commodity production, market competition has become increasingly acute. Most of our rural enterprises take part in competition primarily on the basis of market regulation. Under this circumstance, we will only prevail through improving product quality. Paying no regard to quality, we may obtain profit for a while but will ultimately be eliminated. From a long-term standpoint, to enable our enterprise to prosper, we can only win the trust of the customers through offering appealing and inexpensive products.

In this respect, improving product quality is the lifeline of the rural enterprises.

The key to improving product quality for the rural enterprises lies in their cadres and staff members and workers, who must forcefully promote "quality first." If all the staff members and workers of the enterprises adopt "quality first" as the criterion for their work, they will be able to formulate rules and regulations for guaranteeing quality and mobilize all the staff members and workers to implement these rules and regulations. Thus, the key to improving product quality lies in the frequent and continuous instruction in "quality first" with vivid and concrete facts. At the same time, we must conduct education on professional ethics and the legal system in order to improve staff and worker ideological quality and to make improvement of product quality a conscious act on the part of the broad masses of staff and workers.

The improvement of product quality requires inspection and supervision. The departments in charge of rural enterprises in various localities must abide by the notice concerning strengthening quality control over industrial products, issued by the rural enterprise bureau under the Ministry of Agriculture, Animal Husbandry and Fishery. On the one hand, they must institute in a planned manner the creation of outstanding products among the various trades and undertakings and carry out appraisal and comparison of these. On the other hand, they must carry out supervision and inspection. Through inspection, they can commend the good and criticize the inferior. Those products which do not meet the quality criteria should not be allowed to leave the factory. Damage to product quality and thus to the interests of the state or collective resulting from improper quality control should be handled strictly according to rules and regulations. Those people who fabricate products in violation of the law should be prosecuted and must absolutely not be accommodated or tolerated.

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CSO: 4006/929

## ECONOMIC MANAGEMENT

### CHANGING PRODUCT LINE UNACCEPTABLE RESPONSE TO REFORM

Beijing LIAOWANG [OUTLOOK] in Chinese No 29, 22 Jul 85 p 5

[Article in Current Affairs Column by Dai Guoqiang [2071 0948 1730] and Liu Kuihua [0491 5525 5478]: "We Must Not Turn Reform Into a Change of Product Line"]

[Text] Since the beginning of this year, after the market was opened for such fresh and live commodities as hogs, vegetables, eggs, and aquatic products, the state-owned commercial enterprises which have managed these commodities have been faced with a stern challenge. They generally feel that times are difficult and have voiced urgent concerns one after another:

--The procurement and sales volume of vegetables for most urban state-owned grocery stores has generally dropped. Net profit has dropped by a wide margin. A few grocery stores have also had difficulty meeting their payroll.

--The procurement and sales volume of pigs has dropped by a wide margin. Compared to the corresponding period last year, the procurement volume of pigs in some provinces and regions in the first quarter of this year has dropped by roughly 50 percent. The sales volume of pork of the state-owned butcher shops has generally dropped by more than 50 percent.

--Due to poor business, many state-owned food stores, vegetable markets and aquatic product retail stores have had surplus personnel with no work to do. There are 203 state-owned nonstaple foodstuff outlets in Shaoguan Prefecture, Guangdong. Only 20 outlets are able to meet their payroll. This constituted only 9.9 percent of the total. There are 113 outlets, constituting 55.7 percent of the total, which rely on loans to meet their payroll; 37 outlets, constituting 18.27 percent, are unable to meet their payroll; and 34 outlets, constituting 16.7 percent, have been dissolved, leaving their staff members and workers to seek employment on their own.

We have called for the reform of the state-owned channels of circulation for several years. However, not much has been done. Now that the market has been opened up and the situation of exclusive operation has been shattered, market monopoly has become market regulation. Reform is not only a necessity for the further development of a socialist commodity economy, it is closely linked with the fate of large numbers of state-owned commercial enterprises. If we

do not carry out reform conscientiously, the several hundreds of thousands of staff and workers of the state-owned vegetables system and more than one million staff and workers of the state-owned foodstuff system will be facing a predicament in maintaining their livelihood.

Faced with the challenge of an open market, the state-owned commercial units of many places are in a frantic rush. Although they all realize that the way out is to implement reform, many units have chosen another approach: changing their product lines. They have converted their grocery stores, butcher shops and aquatic product retail stores into hardware stores, department stores, clothing stores, restaurants and hotels. Some have simply leased their business location to others. In Guangdong's state-owned foodstuffs industry, more than 400 basic-level units have been converted to restaurants and hotels. The 108 vegetable markets under the Wuhan Municipal Vegetables Company have leased to foreign units half of the grounds in the busy urban areas where the state-owned vegetable markets used to be. These units have abandoned their former meat, poultry, egg, vegetable and fish operations, and have dealt with the challenge put forth by reform with a change of lines.

The comrades of the commercial sectors in Beijing and Tianjin municipalities have analyzed the primary reason for turning reform into a change in product lines as follows: The state-owned commercial enterprises have long been used to exclusive operation and state procurement and sales. Procurement meant the producers delivering goods to their doors; and sales actually involved distribution and dispatch with no worry over purchase or sales. Now, the open market has shattered this situation of exclusive operation. Competition from multiple channels has appeared. Many units under the state-owned vegetable and meat sector still embrace basically their previous business thinking, business style, business methods and business system, which are all unsuitable to the demands of market competition. Some units still drift along aimlessly in their "official businessmen" style. When they encounter difficulty and cannot get by, they think about changing lines. They have no plans and no confidence in adapting to the new situation of the development of commodity production and in continuing to play the role of primary channel in an open market.

After several months of probing, many state-owned vegetable companies, aquatic product companies and foodstuff companies have discovered some ways to deal with the commodity economy. They have understood more clearly that there are great prospects for the state-owned commercial enterprises to play the role of primary channel.

In a multichannel operation, the state-owned commercial enterprises play "the role of primary channel" not only by occupying a major position and handling the largest volume of commodities, but, more importantly, by bringing into play their role in regulating market surplus and shortages and in stabilizing prices for other circulation channels. Not long ago, the Tianjin Municipal Vegetable Company put forth the following four tasks of "bringing into play the role of primary channel" for the various state-owned branch companies, vegetable markets and grocery stores under the company: One, link the city and the countryside properly and establish direct ties between production and sales. Two, regulate surplus and shortage; in the slack season, we must try

our best to bring in vegetables from other places to ensure vegetable supplies to residents, and in the brisk season, we must try our best to sell vegetables to other places to ensure profits for the vegetable growers. Three, organize and arrange properly the market supply for the major holidays. Four, provide information and service for the producers and management.

Some Commerce Ministry comrades maintain that the relevant state-owned commercial units should play a leading role in developing the processing industries for fresh and live commodities. A comrade recently back from a visit to Japan said: We only sell unprocessed vegetables, roots and all, on our vegetable markets. In Japan, all the fresh vegetables, greens, and melons and fruits are not only washed but are wrapped separately according to color and freshness. The consumers can eat or cook the vegetables without additional work. Moreover, vegetable juice manufacture has already become a new undertaking in the world market. For instance, cabbage juice and carrot juice are inexpensive and nutritious. This is an opportunity that we should exploit.

The reform has created a challenge as well as an opportunity for the state-owned commercial enterprises, which have their particular strengths. The key lies in whether they will use new concepts to understand the major trend of the development of commodity production and grasp the great opportunity presented by the reform. Changing production lines, on the other hand, is an escape, a declaration of defeat. The state-owned vegetables and meat sector should not and need not avoid competition; they should take part and assume leadership in it instead. There is much to be done.

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CSO: 4006/929



## FINANCE AND BANKING

### STATE COUNCIL ISSUES BANK MANAGEMENT RULES

OW171014 Beijing XINHUA in English 0757 GMT 17 Jan 86

[Text] Beijing, January 17 (XINHUA)--Non-financial organizations and individuals may not handle banking business, according to the interim regulations on bank management issued by the State Council January 7.

The regulations, which came into force the same day, say that individuals may not set up banks or other financial organizations and local governments at all levels are not allowed to establish banks.

Under the regulations, China's central bank, specialized banks and other financial organizations must carry out state financial policies and see to it that their business helps promote the country's economic growth and stabilize its currency.

A commentary in today's PEOPLE'S DAILY, which carries the full text of the 63-article regulations, describes the regulations as a "legal guarantee" for ensuring the regulatory role of banks in the economy.

The state protects personal savings deposits and keeps them confidential, the regulations say.

Specialized banks, such as the Bank of China, the Agricultural Bank of China and the Construction Bank of China, enjoy decision-making powers on extending loans and bear responsibility for risks involved in loans they extend.

No unit or individual may arbitrarily order these banks to issue loans or obstruct them in recovering them without State Council approval, no unit can have loans remitted, the regulations stress.

Bank employees using loans for personal gain will be penalized according to law and their illegal earnings will be confiscated.

The regulations do not apply to Sino-foreign joint financial ventures or financial organizations with sole foreign investment in China.

The People's Bank of China, which is responsible for explaining the regulations, will formulate supplementary rules concerning management of branches of China's specialized banks and other financial organizations in the four special economic zones.

## FINANCE AND BANKING

### INSURANCE BUSINESS GROWING THROUGHOUT COUNTRY

OW181427 Beijing XINHUA in English 0640 GMT 18 Jan 86

[Text] Beijing, January 18 (XINHUA)--More than 70 percent of the public-sector enterprises have insured property worth a total of 700 billion yuan, Qin Daofu, president of the Chinese People's Insurance Company, said here in a recent interview with XINHUA.

And two out of three motor vehicles are now covered by third-party policies, he said.

Qin gave these as examples of the development of the country's insurance business during the Sixth 5-Year Plan period (1981-1985) which has just ended.

China now has 2,300 insurance agencies and they offer more than 130 kinds of policies, including 80 for foreign clients, Qin said.

Insurance has extended to the countryside from its traditional market in the cities. Rural insurance payments now account for 25 percent of the total.

The clientele has also become more varied, taking in collective and individually-run enterprises, urban and rural families. Seventy percent of these live in the countryside.

Qin said his company paid out compensation in the spirit of active, swift, accurate and reasonable service to clients suffering losses.

Serious floods in Liaoning, Heilongjiang, Jinlin and Shandong provinces last year resulted in big losses of property, and the company has paid out 200 million yuan to clients in the flooded areas.

Qin said that his company planned to develop more forms of insurance, expand the scope of its service, lower insurance rates and simplify procedures to boost business further in the next 5 years.

In the 6 years from 1980 to 1985, domestic and foreign insurance returns brought in 8.5 billion yuan, compensation payments totaled 3.3 billion yuan, while 1.88 billion yuan was paid to the state in the form of tax. A large amount was set aside to cover possible claims.

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## MINERAL RESOURCES

### BRIEFS

JIANGSU PEARLITE DEPOSIT--Nanjing, 13 Jan (XINHUA)--A pearlite deposit with proven reserves of more than 9 million tons was verified recently in Dantu County, Jiangsu Province, according to the provincial geological department. The deposit is near the surface and is easy to mine, the department said. Pearlite is a heat-insulating nonferrous metal widely used in the chemical, petroleum, metallurgical, aeronautical, and space industries. [Text] [Beijing XINHUA in English 0853 GMT 13 Jan 86 OW]/12766

NEW MINERAL FOUND--Hohhot, January 22 (XINHUA)--Erlianite, a new mineral found by Chinese geologists in the Inner Mongolia autonomous region has been registered with the International Mineralogical Associated Commission on new minerals and mineral names. Erlianite is a ferri-silicate mineral containing vanadine and first found in Erenhot, a border city in northern Inner Mongolia. Dark brown in color, it contains silica dioxide, ironstone, magnesium, calcium, manganese, titanium, and a number of other chemical elements. The discovery of erlianite is of great significance in the study of mineralogy and tectonics, especially slab structure, according to the geologists. [Text] [Beijing XINHUA in English 1936 GMT 22 Jan 86 OW]/12766

CSO: 4020/186

## INDUSTRY

### DEFENSE INDUSTRY PRODUCES GOODS FOR CIVILIAN USE

OW211321 Beijing XINHUA Domestic Service in Chinese 1135 GMT 19 Jan 86

[By reporter Chen Zhiqiang]

[Text] Beijing, 19 Jan (XINHUA)--Through readjustment and reform, our science, technology, and national defense industries, have made remarkable achievements in implementing the principle of turning out products for both military and civilian use during the Sixth 5-Year Plan period. Thus, coordinated development of defense and economic construction has been brought about, expressed in the following aspects.

In guiding ideology, the defense industry has changed from producing products solely for military use to also turning out products for civilian use while ensuring production of the necessary military products. As pointed out by an enlarged meeting of the Central Military Commission, our defense science, technology, and industry have freed themselves from the state of war in guiding ideology and put the development of products for and the transfer of military technology to civilian use on a par with the production of goods for military use. Conscientiously taking national construction into account, the defense industry has thus put on its agenda the production of goods for and the transfer of military technology to civilian use. Defense industry departments have made vigorous efforts to develop nuclear technology for peaceful use, new motor vehicles for civilian use, and aircraft and satellites. They have also taken an active part in the country's peaceful construction.

While reforming its structure on a trial basis, the defense industry has changed its appropriation system into a contract system. After several years of exploration, the defense industry has done a lot of work in invigorating scientific research, implementing the contract system, and instituting and improving the system of responsibility by institute directors. Thus, a new measure for the reform of defense science and technology management has been set forth, with the focus on reforming the system of appropriation through administrative channels and trial-implementation of the contract system and the system of units being responsible for their surpluses or deficits, the National Defense Science, Technology, and Industry Commission, in coordination with other state departments concerned, has worked out measures and regulations concerning

the reform of funding in accordance with the requirements for the development of a planned commodity economy and the commercialization of technological achievements. This is aimed at gradually putting our defense science, technology, and industry on the course of peacetime national economic construction in structure, policy, planning, and funding.

Management by administrative means is changed to management by economic means, with the stress on economic accounting. Various defense departments have effected quality and quantity management one after another, have worked out measures for cost accounting in scientific research, and exercised quota control over and made quantitative analyses of funds, workloads, economic results, and product quality. Thus, responsibility, rights, and profit are organically combined, the past practice of paying little attention to economic results has been changed, and management has been considerably improved. The 1985 value of products turned out for civilian use by the four defense industry departments of ordnance, aeronautics, astronautics, and nuclear industry tripled that of 1980.

Various new systems for the development of products for civilian use have come into being in our national defense science, technology, and industry, such as economic, technological establishments, the products contracting system, and the system of development through international cooperation. The production of products for civilian use is developing toward technology-intensive production of high-quality, precision, and sophisticated products and toward mass production in designated places. By 1985, more than 170 varieties of products turned out by defense industry departments for civilian use had been included in the state plan, and such departments had recently built over 400 major lines for producing goods for civilian use. The value of products for civilian use increased from 18 percent in 1980 to 41.8 percent of the defense industry departments' total value in 1985. Now the defense industry has become an important force in the country's economic construction.

Military industrial technology is being extensively transferred to civilian use. Defense industry departments have set up intersecting technology- and product-marketing networks. Electronic, laser, infrared, telemetry, remote control, and remote sensing technologies for military use, as well as special technologies and materials and isotope technology, have begun to be used in agriculture, light and textile industries, chemical industry, building materials industry, oil industry, medicine, coal industry, and in geological and oceanographic fields. The number of projects transferred from military to civilian use in 1985 doubled that of 1984.

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CSO: 4006/602

## INDUSTRY

### GU MU ADDRESSES NATIONAL TOURISM CONFERENCE

OW221131 Beijing XINHUA Domestic Service in Chinese 1516 GMT 21 Jan 86

[By reporters Ji Naifu and Chen Yi]

[Text] Beijing, 21 Jan (XINHUA)--At a national conference on tourism in Beijing today, State Councillor Gu Mu stressed that all localities should strengthen leadership over tourism and that the whole country should support tourism in order to promote China's tourism industry in a faster and better way.

Gu Mu said: The Party Central Committee and the State Council have paid keen attention to developing tourism. The State Council has included the plan for developing tourism in the state's "Seventh 5-Year" Plan. We should lay a good foundation during the period of the "Seventh 5-Year" Plan, make great progress in the next 5 years, and turn our country into a relatively developed country in tourism by the end of this century.

Gu Mu said: We must have a new understanding of the political and economic importance of developing tourism. He pointed out that there are many favorable conditions for developing tourism in our country. He said: Our country has very abundant resources for developing tourism because of its unique natural beauty and historical relics. Our country's policy of opening to the outside world provides an important guarantee for developing tourism. Since the convocation of the 3d Plenary Session of the 11th CPC Central Committee, we have made relatively great development in tourism while implementing the policy of activating the economy at home and opening to the outside world. However, taking the whole situation into consideration, our country's tourism industry is still quite underdeveloped and does not match the first-rate attractions it claims to have. Investment in tourism allows a quick turnover of funds and can create a lot of foreign exchange. It does not require vast quantities of equipment and raw materials such as shaped steel and does not consume our country's natural resources. In addition, it can provide jobs for many people, promote the building of communications, civil aviation, airports, and other basic facilities, and stimulate the development of handicraft, light and textile industry, and food processing and service industry. It can also promote the building of spiritual civilization. Therefore, we must firmly support the development of the tourism industry.

Gu Mu said: In order to promote tourism, we must first raise our understanding of the importance of the work and unify our thinking. The development of tourism is not merely the work of tourism departments but an important task for the whole country. It is a joint task for everyone. All localities and departments concerned should take the interest of the whole country into consideration, make coordinated efforts, and foster the concept that supporting the tourism industry means supporting the development of economy and supporting the building of the "four modernizations." So long as we make concerted and coordinated efforts, we can surely achieve our goal of developing tourism.

Gu Mu said: The state has decided to appropriate funds for the development of the tourism industry. The money appropriated by the state for the "Seventh 5-Year" period will be mainly spent on the development of scenic spots and the construction of hotels in major tourist cities and regions such as Beijing, Shanghai, Xian, Guilin, Hangzhou, Jiangsu, Guangzhou, and Hainan Dao. Tourism-related facilities to be built by the various localities and departments should be included in the development plans and budgets of the various localities and departments. For instance, the expansion of airports in major tourist cities should be included in the development plan for civil aviation, and the building of highways should be included in the development plans of the Ministry of Communications and the communications departments of the various localities. We should adhere to the policy that the state, the various localities and departments, and collectives and individuals should all take part in the work of developing tourism. In order to strengthen leadership over the development of tourism and coordinate efforts in solving major problems, the State Council has decided to set up a coordination group for tourism. The various provinces, autonomous regions, and municipalities should also strengthen their leadership over the work, improve the management system in tourism, do a good job in building tourist facilities, and promptly solve all problems that emerge in the course of developing tourism.

In conclusion, Gu Mu asked the various tourism departments to pay attention to improvement and reform work, strengthen the training of personnel, and raise service quality in order to meet the need of developing tourism.

Han Kehua, director general of the National Tourism Administration, explained the plan for developing tourism and spoke on how to implement the plan.

The purpose of the current conference on tourism is mainly to study how to specifically implement plans and make arrangements for this year's tourism work in order to achieve solid development in the first year of the "Seventh 5-Year" period.

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## INDUSTRY

### ORDNANCE INDUSTRY TO MAKE MORE CIVILIAN PRODUCTS

OW222345 Beijing XINHUA Domestic Service in Chinese 0120 GMT 21 Jan 86

[By reporter Li Anding]

[Excerpts] Beijing, 21 Jan (XINHUA)--The Ministry of Ordnance Industry has decided to turn the industry by and large into a new military-civilian undertaking in 5 years. While supplying the PLA with advanced and high-quality weapons and accessories in sufficient quantities, it will go all out to develop production of civilian goods, with the aim of bringing the proportion of the civilian production value in the total production value of its subordinate enterprises from the present 36 percent to 67 percent.

Speaking at a meeting of leading cadres of the Ministry of Ordnance Industry, Minister Zou Jiahua pointed out: Currently the ordnance industry has more than 200 civilian goods production lines, which churn out 16 categories of products, including motorcycles, electric refrigerators, cameras, hydraulic-controlled stands, and equipment for the petroleum industry. In the days to come, while ensuring good work in promoting scientific research on military products and in developing their production, we should make all-out efforts to increase production of goods for civilian use, and do well in transferring the technical know-how of military industry for use by civilian industries.

Zhou Jiahua said: Going all out to develop the manufacture of civilian products is a significant part of our work of building the new military-civilian industry. Currently, the military production task of a number of enterprises has been reduced, and they are making a relatively sharp turn in planning their production. Under these circumstances, they should "not mind the numerous varieties and small value" of the products they are going to make, but fully exploit their capabilities and favorable conditions to manufacture goods to meet civilian needs and, after 2 or 3 years of effort, select the best ones with their own characteristics and suiting the market demands as their pillar products. All enterprises should look to themselves to develop their own potential instead of waiting for, and depending on, outside assistance. They should give full play to their own favorable conditions and make self-development in such a way as to "roll a snowball" so that it will gather material as it rolls.

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## INDUSTRY

### NINGXIA INDUSTRIAL ENTERPRISES REPORT GOOD RESULTS

Yinchuan NINGXIA RIBAO in Chinese 18 Jul 85 p 1

[Report by Jin Xun [0093 6598]]

[Text] Ningxia's industrial enterprises have persevered in the policy of reform, relaxation and revitalization, and have strengthened business management and vigorously emphasized the conversion of loss to profit. Heartening increases in profits and taxes have exceeded the extent of growth in output value. The gross value of industrial output for the first 6 months constitutes 54.9 percent of the plan for the entire year, with an increase of 23.9 percent over the corresponding period last year. Profits and taxes--including the profits and taxes delivered to the state-- realized by the 186 industrial enterprises within the budget throughout the Region increased by 47.8 percent and 35.98 percent respectively over the corresponding period last year.

Since the beginning of this year, the various industrial departments and the leaders of the various enterprises in Ningxia have further established a correct professional guiding ideology and have changed from paying attention to speed in the past to paying attention to results. Because of price increases for certain raw materials, many enterprises have relied on technological progress to improve product quality and lower production cost. They adequately handled the price increase of raw materials within the enterprise and achieved relatively good economic results. In the first half of this year, the Changcheng Lathe Manufacturing Plant reduced the cast iron rejects by 353 tons compared to the corresponding period last year, lowered the reject rate from 15.83 percent to 6.03 percent, and increased profit by 320,000 yuan. Statistics show that in the first 6 months, the industrial enterprises within the budget throughout Ningxia have lowered their comparable production costs by 2.96 percent compared to the corresponding period last year. The industrial enterprises throughout the Region have also popularized and applied 24 new technologies. The compound mineralizing agent popularized and applied by the small cement factories have upgraded 55 percent of the cement to grade 425, thereby increasing monthly income by 520,000 yuan.

In the reform of the economic system, the industrial enterprises have further improved the economic responsibility system internally, mobilized the enthusiasm of the enterprises and staff members and workers in business and

production, and improved economic results. In the first 6 months, the number of deficit enterprises within the budget throughout the region was reduced by 59.6 percent compared to the corresponding period last year, and the amount of deficit has been reduced by 52.8 percent. The Ningxia heavy industry department and the Pharmaceutical and Construction Materials General Company are operating zero-deficit enterprises. Since the beginning of this year, definite progress has been made in the dissemination of industrial products. Some component and spare parts of such products as coal machinery, ball bearings, meters, lathes, cranes and tractors have been distributed to over 20 enterprises in 5 cities and counties. This has increased the output of the marketable products and the fine-quality name-brand products. The Yinchuan Walking Tractor Plant has distributed the production of 80 percent of its small four-wheel tractor parts to other enterprises. In the first half of this year, the output of small four-wheel tractors has increased from 294 sets last year to 1,265 sets, realizing a profit of 1.34 million yuan and fulfilling the profit plan for the entire year.

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## INDUSTRY

### BRIEFS

HUBEI RICE PROCESSING PRODUCTION--During the Sixth 5-Year Plan period, Hubei's grain departments expedited the pace of technological transformation of the cereals and oils industry, thereby improving the supply and processing output of polished rice, polished flour, and refined oils. In 1985, the processing output of first grade polished rice increased by over 70 percent, and that of first grade polished flour increased by over 75 percent. The number of new items of processed foodstuffs totaled more than 700. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 15 Jan 86 HK] 12624

GUANGXI REDUCES LOSSES--According to statistics the loss incurred by those state-run industrial enterprises which ran at a loss and which were covered by the 1985 budget, decreased by 39.9 percent over 1984. This overfulfilled the state's target for loss reduction by 5.9 percent. The number of incurring a loss enterprises in 1985 decreased by 55 over 1984. These enterprises accounted for 22.7 percent of all the enterprises in 1985, compared with 25.5 percent in 1984. [Summary] [Nanning Service in Mandarin 1100 GMT 14 Jan 86 HK] 12624

HENAN INDUSTRIAL PRODUCTION DEVELOPS--According to statistics, Henan Province's industrial output value in 1985 was 31,848 million yuan, an increase of some 19 percent over 1984. The province overfulfilled its annual quota for industrial production by 98 percent. The province's heavy industrial output value in 1985 was some 16 percent more than in 1984. The province overfulfilled its annual quotas for the production of raw coal, rolled steel, and electricity output. The province's gross light industrial output value in 1985 recorded an increase of some 21 percent over 1984. The province also fulfilled its annual quotas for the production of daily-use goods such as cloth, woolen yarn, and cigarettes. Output by bicycles, clocks, watches, television sets, recorders, and cameras also increased to different degrees. The gross industrial output value of the enterprises under ownership by the whole people in our province in 1985 was 14.8 percent more than in 1984. The gross industrial output value of the collective enterprises increased by some 35 percent. [Summary] [Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 16 Jan 86 HK] 12624

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## CONSTRUCTION

### BEIJING, TIANJIN CUT BACK ON CAPITAL CONSTRUCTION

#### 255 Projects in Beijing Deferred

Beijing JINGJI RIBAO in Chinese 24 Aug 85 p 1

[Report by Guo Zhongyi [6753 0112 5030]]

[Text] The Capital Development Planning Commission, which consists of related ministries and commissions and the Beijing Municipal People's Government, made a decision on 23 August to defer the construction of 255 projects to reduce the scale of capital construction, strictly controlling the total investment to below the limit set by the state this year. Of the postponed projects, 190 fell under the jurisdiction of units of the central authorities.

Up to the end of July, capital construction investments approved by central or municipal authorities in Beijing totalled 7.35 billion yuan, which doubled last year's investment. If the projects meet with the requirements for construction of the various central and local units, the construction area this year will be more than 30 million square meters. This is beyond the state's current financial and material capabilities as well as that of the urban infrastructures. This will create a shortage of construction materials and lack of turnover housing for relocation. The construction cycle of some projects may be lengthened and the quality of some projects may suffer. Urgent construction projects will not be completed on time.

In accordance with the guiding spirit of State Council leading comrades, the Capital Development Planning Commission has decided to adopt the following measures: We must strictly examine new projects and no longer approve additional construction projects submitted in the latter half year. We must strictly control new construction projects. In principle, no more projects will be planned this year with the exception of those residential quarters, hospitals, schools, foreign affairs facilities, joint ventures with signed contracts, and municipal or public facilities that have begun preparations for construction. We must vigorously promote the contract bidding system in order to choose the best construction units. Those projects without bidding are banned from construction. We must concentrate our effort on emphasizing the completion of construction and strengthening the construction of municipal and public complementary facilities in order that the completed projects are made available for use. Without the approval of the municipal construction

committee, no units should employ construction teams from other provinces and cities. Checking and consolidation of the active construction teams from other provinces and cities must be carried out. Those teams with below-standard technical capabilities and improper organization must leave Beijing gradually.

### Capital Construction Slashed in Tianjin

Beijing JINGJI RIBAO in Chinese 24 Aug 85 p 1

[Report by Guo Maosheng [6753 5399 3932]]

[Text] Proceeding from realities, the Tianjin Municipal People's Government has reduced capital construction investment by adopting the policy of combining postponement, reduction, cancellation, adjustment and guarantee, significantly shortening the municipal capital construction front and stepping up construction of key projects.

The total investment in fixed assets planned for the entire municipality this year is 5.4 billion yuan, of which capital construction investment totals 2.97 billion yuan. In order to reduce capital construction investment and avoid making a clean cut in total disregard of realities, the municipal people's government has organized relevant departments to investigate the projects involving investments in fixed assets, classify them and deal with each project individually. The plans for necessary long-term projects which cannot be started at present should not be cancelled, but should be deferred this year. For the large-scale projects which require too much capital investment, the less urgent components should be cancelled. The office buildings, halls, hotels or guesthouses which are not closely related to the development of production and to the people's life should be resolutely cut. The idle workshops and equipment of those enterprises which have closed down, stopped production, merged, and shifted production should be transferred to those units which urgently need these facilities. The construction of key projects that can accelerate progress in energy, communications, and technology should be guaranteed in every possible way.

Because the guiding ideology is clear and the method is feasible, investment in the local fixed assets throughout the municipality has been reduced to 3.8 billion yuan, which is 1.6 billion yuan less than the planned investment at the beginning of this year. Of this, capital construction investment has been reduced to 2.23 billion yuan, 0.74 billion yuan less than the planned capital construction investment at the beginning of this year. A total of 279 projects involving more than 0.8 million square meters of floor space have been deferred, reduced or cancelled. The municipal people's government was the first to axe the plan for rebuilding its two halls. According to the above method, 945 projects that have submitted their application for construction in the first half of the year are delayed until the fourth quarter, pending the rigorous examination and approval by the departments in charge.

Meanwhile, the Tianjin Municipal People's Government has concentrated financial and material resources as well as manpower to speed up the construction of 123 necessary key projects. Of the 37 key technological

transformation projects, 35 have begun construction one after another. It is estimated that 32 of these projects will be completed this year. Currently, 3.15 million square meters of the 3.2 million square meters of residential housing quarters, which make up the principal part of the project, have been completed. It is estimated that the project will be completed ahead of schedule.

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CSO: 4006/932

## CONSTRUCTION

### NEW PHASE OF CHINA'S CONSTRUCTION BUSINESS REPORTED

Beijing JINGJI RIBAO in Chinese 12 Sep 85 p 1

[Report by Gong Jiao [7895 8032]]

[Text] In recent years the construction industry throughout China has developed rapidly in the course of the reform. According to data offered by relevant departments, during the Sixth 5-Year Plan period, the entire construction industry expects to fulfil over 320 billion yuan in construction output value, 153 percent over the plan; and expects to complete 920 million square meters of floor space for various types of houses, 132 percent over the plan. Besides shouldering the tasks of domestic capital construction, updating and transformation, the construction industry has vigorously developed the business for foreign contract projects. It has successively signed contracts in construction and labor cooperation with over 60 countries and regions, worth more than \$42 billion.

Currently, there are 9,400 state-owned and urban collective construction units throughout the country, with more than 8 million workers, 20 percent more than 1980. The major construction machines, such as the excavator, bulldozer, scraper and crane, have increased. The extent of technological equipment and the mechanization in construction have continuously improved. The technical competence in design and construction has also improved markedly. Many large-scale and technologically-complex construction projects which could not be undertaken in the past, such as an iron and steel joint enterprise with an annual production capacity of 3 million tons, or a large-scale coal mine with an annual production capacity of 4 to 5 million tons, can now be successfully completed.

The overall reform of management in the construction industry has provided a guarantee for the fulfillment of construction tasks. Last year the Central Committee and the State Council approved a series of important policies on accelerating the reform of the construction industry's system of organization, which enabled the industry to enter into a new phase of development. The outlook of the entire industry has changed in the following respects:

#### Various Forms of the System of Contract Responsibility Have Been Implemented

Statistics show that by the end of June the state-owned construction units have instituted over 70,000 projects through various forms of contract

responsibility, involving over 100 million square meters of floor space, 83 percent of the total construction floor space. With establishment of the economic responsibility system within an enterprise, the income of the enterprise and its staff members and workers was directly linked with the final products of labor, hence mobilizing the enthusiasm of the staff members and workers in labor.

#### Reform of the System of Employment in the Construction Industry Has Stimulated Initial Changes in the Composition of the Rank and File

The proportion of permanent staff in the state-owned construction industry has dropped from 81 percent in 1980 to 77 percent in 1985, while the proportion of contract workers and temporary workers has increased commensurately. The rural construction teams have developed rapidly, with the employment of nearly 8 million people. They have become an important force in the nation's urban and rural construction.

#### The Administrative Organs Have Gradually Been Perfected and the Reform in Design Has Been Instituted on a Broad Scale

Engineering quality control stations have been established in 130 cities throughout China. Urban comprehensive development companies and engineering contracting companies also have been successively set up in various prefectures and sectors. Most of the state-owned prospecting and design institutions have implemented management in the form of an enterprise and have instituted the contract responsibility system inside the enterprises.

#### Economic Results Have Been Improved and Initial Success Has Been Scored in Contract Through Bidding

In 1985 the labor productivity of the state-owned construction industry is expected to improve by more than 60 percent compared to 1980, with an average annual growth of nearly 10 percent. The reduction rate of engineering costs in the past 4 years has been between 6 and 8 percent each year. Initial success in reducing costs and shortening the construction cycle has been scored by those projects which have implemented contract through bidding. In light of the projects contracted through bidding in Dalian, Tianjin, Guangzhou, Xi'an and other cities, the construction cost is generally about 8 percent lower than the estimate, and the construction cycle is roughly 20 percent shorter than the schedule.

The current major problems in reforming the construction industry system of management of the are: The development of the various localities is still unbalanced, the scope of the system of contract through bidding is still limited, the contract responsibility system awaits further refinement, and quality of construction still needs to be significantly improved.

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## CONSTRUCTION

### BRIEFS

URUMQI FERTILIZER PLANT COMPLETED--The construction of the chemical fertilizer plant at the Urumqi Petrochemical General Plant, one of the country's 70 large and medium-sized key construction projects, was completed yesterday, and trial operation was successful. This plant is the largest modernized chemical industrial plant constructed in Xinjiang since liberation. It consists of a synthetic ammonia installation and a urea installation with an annual production capacity of 300,000 tons, a bag weaving installation with an annual production capacity of 17 million bags, and corresponding systems engineering, involving a total investment of over 580 million yuan. Annual production of this chemical fertilizer plant will be 520,000 tons of urea, equivalent to the gross volume currently required in Xinjiang every year. [Text] [Haikou HAINAN RIBAO in Chinese 2 Aug 85 p 4] 9335

CSO: 4006/932

## FOREIGN TRADE AND INVESTMENT

### OVERSEAS INVESTMENT IN OFFSHORE OIL DESCRIBED

HK270909 Beijing CHINA DAILY in English 27 Dec 85 p 1<sup>h</sup>

[Article by Xu Yuanchao]

[Text] More than \$1.7 billion has been invested in oil and gas exploration on China's vast continental shelf since 1979.

Funds have come directly from foreign oil companies as well as bank loans from international financial organizations, said Qin Wencai, president of the China National Offshore Oil Corporation (CNOOC).

He told a press conference yesterday that Chinese sub-contractors had received \$800 million for services to foreign oil companies operating in the offshore areas.

As of November, Qin said, 110 exploratory wells had been struck, 41 of which had hit oil and gas. Six of those wells are set to produce more than 1,000 tons of crude a day.

The drilling of 60 production wells in the Chengbei oil field of the Bohai Sea has been completed and commercial production started this year. A major oil field is also being developed in the Beibu Gulf of the South China Sea by Total Chine of France. Named Wei 10-3, the oil field was expected to go into operation late next year, Qin said.

The Yacheng 13-1 gas field in the South China Sea, discovered by Atlantic Richfield Corporation (ARCO) of the United States, is also to be commercially developed.

Its 90 billion cubic metres of gas reserves will be sold to coastal cities in South China's Guangdong Province for domestic and industrial fuel and to generate electricity.

Qin said that the BZ 28-1 oil-bearing structure in the Sino-Japanese co-operation zone of the Bohai Sea has to be developed and that feasibility studies for the other six oil-bearing structures were under way. They include the Huizhou 21-1 discovered by ACT group. Xijiang 24-3 found by Philips of the United States, Wenchang 19-1 structure by Esso of the United States, and BZ 34

in the Sino-Japanese co-operation zone of the Bohai Sea, and two major structures discovered independently by the Chinese.

The second round of bidding started in November last year when the oil prices in the international market were declining. But some large oil companies looking at the oil situation from a strategic point of view have pinned their hopes on China's continental shelf.

He said: "They hope to increase their oil reserves, so do we. Of course we will let them make some profits."

So far there are four contracts signed in the second round of bidding. Qin predicted that six of seven contracts would be signed in the first half of next year.

Some foreign oil companies have given up on China after drilling a few dry wells. "They think it is hopeless to look for large oil fields in China. This isn't logical but can be understood because they didn't find any in their own contract blocks," Qin said.

China has so far signed 28 contracts with 39 oil companies from 12 countries. Some leading oil companies who failed in the first round of bidding now expect to participate in the second round, he said.

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CSO: 4010/2005

## LABOR AND WAGES

### LIAONING TO EXPAND LABOR SERVICES ABROAD

OW161018 Beijing XINHUA in English 0740 GMT 16 Jan 86

[Text] Shenyang, January 16 (XINHUA)--Northeast China's Liaoning Province expects to sign overseas construction and labor service contracts worth 200 million U.S. dollars in the next 5 years, it was reported here today.

This will double the value of such deals struck by the Liaoning International Cooperation Company--the firm offering the services--since its inauguration in 1981, said Deputy General Manager Zhang Yongxin.

He also foresaw the possibility of sending 10,000 workers from his firm to carry out contract commitments abroad between 1986 and 1990--2.5 times as many as the total in the previous 5 years.

The company has undertaken 47 projects involving construction of factories, roads, bridges, hotels, apartment buildings and sports facilities in 30 countries, mainly in the Middle East, North Africa and Southeast Asia.

It has also sent 3,900 technicians, managers, doctors, teachers, chefs, seamen and skilled workers on overseas jobs, Zhang said.

In addition to undertaking construction projects, the corporation will set up joint ventures and cooperative businesses to develop fisheries and animal husbandry in other countries during the 1986-90 period, he said.

It will also offer foreign firms services such as technical consultancy, feasibility studies, project survey and designing, raw material supplies, equipment installation and personnel training.

Zhang said his firm now employs 65,000 technicians and workers, and is backed by 200 million yuan in capital.

Last year, the corporation sent eight bidding groups to Egypt, Jordan, Nigeria, Pakistan, the Philippines, Thailand and Tunisia.

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CSO: 4020/186

## LABOR AND WAGES

### ZHEJIANG DOUBLES SERVICE INDUSTRY MANPOWER

OW171150 Beijing XINHUA in English 1125 GMT 17 Jan 86

[Text] Hangzhou, January 17 (XINHUA)--Zhejiang Province in eastern China has over 3 million people working in the service industry, nearly double the figure for 1979, according to a provincial official.

Feng Renyi, from the provincial Statistics Bureau, said Zhejiang's service industry involves communications, posts, telecommunications, commerce, storage, catering, tourism, finance, technical consultancy, culture, education, scientific research and other public services.

A big development has taken place in the province's urban and rural retail, catering and service trades. It now has 600,000 shops and restaurants, an increase of seven times since 1979.

Zhejiang Province now has 100,000 township factories and 250,000 household workshops. They need material supply and product sales services, and this is another factor that has inspired the development of the province's service industry, the official said.

According to the provincial Statistics Bureau, more than 1.56 million peasants have joined the service industry, mainly in commerce and commodity circulation.

They have set up 489 single-product markets and 2,000 agricultural and native produce markets throughout the province.

They have also set up "Zhejiang Streets" to sell their products in some cities in northwestern and southwestern China.

The bureau said half the province's rural labor force--about 8.6 million peasants--are engaged in industry, commerce, transportation and processing industry.

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CSO: 4020/186

## LABOR AND WAGES

### LABOR TRANSFER ANALYZED

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS], in Chinese, No 5, 20 May 85 pp 5-8

[Article by Liu Xuanli [0491 6693 0448]: "On the Question of Labor Transfer in the Reform of the Economic Structure"]

[Text] Since the 3d Plenum of the 11th CPC Central Committee and with the relaxation of the economic policy and the gradual eradication of leftist ideology, rapid changes have taken place in the internal industrial structure of the national economy, and the transfer of labor forces among the various enterprises has become invigorated.

In the rural areas, implementation of the output-related responsibility system fully aroused the masses enthusiasm for production. The past exclusive engagement in grain production has been eliminated and replaced by all-round development of agriculture, forestry, animal husbandry, sideline production and fishery. In addition, large numbers of laborers have been freed from the land and have engaged in various trades and undertakings other than agriculture. Commune and production brigade enterprises, joint enterprises as well as individual enterprises are rapidly developing. The rural workforce is being redistributed according to the new ratio among the various industrial sectors in the rural areas. In the urban areas, the onesided emphasis on heavy industry and neglect of light industry and service trades of the past are now changing. After restructuring, not only has light industry developed to a relatively great extent, but heavy industry has also changed its direction of service, with a drop in the percentage of self-service. Hence, labor transfer has taken place inside industry also.

The question of labor transfer is a major issue urgently awaiting study. This article will explore some basic aspects.

#### I. The Reason for and Direction of Labor Transfer

A. Labor transfer is not an accident but a necessary trend and the inevitable result of the development of science and technology, changes in the industrial structure, and improvements in labor productivity of the various sectors.

First, with respect to consumption, Marx once said that, in order to obtain the consumer products which they need, men must distribute the labor forces of the entire society proportionately among the various sectors of social production. However, consumption changes tremendously in both its quantitative

structure and qualitative structure over time. Men must therefore readjust the structure of their investment in labor in order to meet the needs of consumption.

Second, with respect to obsolete sectors, with the development of production and progress in science and technology, the following two circumstances will appear: (1) Division of labor will become more elaborate. Any link in the process of production of the past will gradually be expanded into a huge subsector. (2) With the development of science and technology, the organic structure of an old-fashioned production sector will continue to improve, and the average means of production expedited by each worker will rapidly increase, thereby reducing the relative need for labor force. To a certain extent, the need will even be absolutely reduced in that sector.

Third, with the development of human society and the application of advanced science and technology, new production sectors will emerge one after another. These new sectors often represent men's future trend of consumption and demand for modernized large-scale production. The rise and development of these sectors will inevitably bring about a transfer of large numbers of laborers to them.

Thus it is obvious that labor transfer has its profound economic source. It represents the level of the productive forces and the extent of a nation's civilization.

#### B. The form of labor transfer.

Labor transfer is a complex movement. In this process, there is quantitative transfer as well as qualitative change. Quantitative transfer can be summarized in the following two forms.

1. Relative transfer: This refers to the distribution in a different proportion from that of the past of society's newly-increased labor forces among the various sectors. This results in a relative proportional change in the labor forces of the various sectors. This type of relative transfer is based on the different situations in the organic composition of the various sectors. The percentage of newly-increased labor force is oftentimes smaller than in the past for those sectors with a high rate of improvement in their organic composition, and larger for those sectors with a low rate.

2. Absolute transfer: This refers to the withdrawal of laborers from their former production undertaking and the entry into a different undertaking. This is the result of the development of productive forces, which results in the absolute reduction of the need for labor in a certain undertaking. This absolute flow can again be classified into the following two forms: (1) Flow within an industry. This is primarily based upon the division of labor and specialization inside an industry. In agriculture, labor transfer involves a transfer from cultivation to animal husbandry, forestry, or fishery. In industry, the labor transfer is from heavy industry to light industry, or from a self-serving industry to a consumer goods industry. Currently, many heavy-type machinery plants in China have switched to the production of electric fans, wristwatches, bicycles, radios and other consumer products. This

reflects an objective trend of development. (2) Transfer among industries: This type of transfer is based intrinsically on the unbalanced development of the various industries. There are two basic forms. First, the transfer among productive sectors, which is concretely manifested in the transfer from the primary industries to the secondary industries. This is currently widespread in China's rural areas. There are diverse forms, such as leaving the land but not the home village, leaving the land and leaving the home village, becoming contractors of state-owned or local state-owned enterprises, or seeking employment in collective, joint or private enterprises. Second, the transfer from productive to nonproductive sectors; that is, the transfer from the primary and secondary industries to the tertiary industries. This type of transfer is escalating in the developed countries. This recently has been noted with importance in our country, where a trend toward transfer has appeared.

Quantitative transfer of labor force indicates that this type of transfer involves relative transfer and absolute transfer. What requires further explanation is that quantitative transfer is accompanied by qualitative transfer, the process of which can be summarized as follows: Simple manual labor-->skilled labor-->technical labor-->creative labor. In the course of transfer from simple to complex labor, with the emphasis on education, the newly-increased labor force undoubtedly will embrace a higher level of knowledge than that of the past. At the same time, with the development of all kinds of vocational schools, evening universities and television universities, the level of knowledge and technical ability of the in-service personnel will gradually improve.

## II. The Sequential Nature of Labor Transfer

Superficially, labor transfer appears disorderly and unsystematic. However, a close analysis will show that there is a certain regularity and order inside it.

The first stage is the arrangement for newly-increased labor forces. This is the foremost problem to be solved in the course of labor transfer. Generally speaking, the level of knowledge of these laborers is higher than their predecessors. They are young and strong, with great flexibility. Society can easily carry out directional training on them in accordance with the changing structure. If these people can enter the realm of production without delay and take up duty at the moment when their knowledge is comprehensive and their technology is skilled, they can create more material and spiritual wealth for society. Conversely, if their employment is delayed, or when they become high-level laborers in their old age, then they will have fewer opportunities to render contributions to society.

The second stage is the internal transfer of labor force in agriculture. In the past, under the interference of the leftist ideology, agriculture was turned into a single-crop undertaking and a single-grain endeavor. Men's daily needs, however, are multifaceted. They not only must eat grain, they must also eat meat, eggs, and fish, and drink milk. To beautify the living environment, men also need trees. From the ecological standpoint, agriculture, forestry and animal husbandry depend upon and promote one another. After the food



problem has been resolved, the labor forces will inevitably turn toward forestry, animal husbandry, sideline occupations and fishery. This not only satisfies the people's basic livelihood needs, but also obeys the law of natural ecology.

The third stage is labor transfer from the agricultural sector to the industrial sector. This can roughly be regarded as labor transfer from the primary industries to the secondary industries. This transfer will inspire a leap in the productive forces, and mankind's ability to overcome nature will increase considerably.

The fourth stage is labor transfer inside industry. The normal path of this transfer is from light to heavy then back to light industry. After light industry has developed to a definite extent, it will exert urgent demands for the development of heavy industry. The highly-developed heavy industry will in turn inevitably stimulate the more rapid development of light industry in order to satisfy various human needs. A transfer from heavy industry to light industry for civilian use has recently appeared in China. However, this is not the second stage which involves the normal transfer within industry, but rather is a correction of the order which in the past was reversed in the first stage. This is entirely necessary.

The fifth stage is labor transfer from agriculture and industry to the tertiary industries. After industrial production has developed to a certain extent, it will repel its own surplus labor force. At the same time, due to the support for agriculture during the stage of high-level development of industry, agricultural labor productivity advances by leaps and bounds, resulting again in a surplus in labor forces. Under such circumstances, the labor forces of the two major industries will flow toward the tertiary industries. Obviously, the rapid inflation of the tertiary industries is the result of the high-level development of the primary and secondary industries. Without this it will be impossible to rapidly increase the employment volume of the tertiary industries. This is because: (1) Only with the high-level development of the primary and secondary industries will there be highly-developed credit and commercial operations that go hand in hand with the various links within the primary and secondary industries, among these industries, and between these industries and their consumers. (2) The clothing, food, lodging and transportation of tertiary industry workers must be provided by the primary and secondary industries. Without the material guarantee from these two sectors, these people will not be able to perform their work. (3) Precisely with the high-level development of the primary and secondary industries, men are making new and higher demands on consumption, especially with respect to labor services and spiritual needs.

In short, labor flow and transfer is a complex process. But transfers at the various stages proceed in this fashion, temporally one after another and spatially one on top of another. We should emphasize the predominant position of the various stages. In this way, the sequential nature of labor transfer will become obvious.

The order of labor transfer which the advanced capitalist countries have traversed is basically the same as analyzed above.

Table: Employment Characteristics of the Three Major Industries in the Major Capitalist Countries

Unit: 10,000 people

Industry Year	U.S.			Japan			F.R.G.			U.K.		
	第(1) 产业	第(2) 产业	第(3) 产业	第(1) 产业	第(2) 产业	第(3) 产业	第(1) 产业	第(2) 产业	第(3) 产业	第(1) 产业	第(2) 产业	第(3) 产业
1950	751	2,217	2,247	1,853	945	858						
1955	673	2,417	2,580	1,768	1,129	1,212	92	978	643	107	1,194	864
1960	572	2,440	2,983	1,449	1,483	1,529	362	1,274	938	62	1,121	1,017
1965	459	2,586	3,458	1,212	1,805	1,728	288	1,331	1,024	49	1,155	1,112
1970	346	2,901	4,291	704	1,958	2,595	226	1,291	1,100	78	1,091	1,267
1975	338	2,705	4,948	661	1,871	2,690	182	1,162	1,159	68	1,046	1,358

Key:

1. Primary industry
2. Secondary industry
3. Tertiary industry

From the above table, we can see that: (1) Primary industry reached its peak in labor investment much earlier than secondary industry. While the labor forces of the secondary industries were on the ascent, those of primary industry were on the descent. The experience of capitalist countries shows that the decrease in agricultural labor forces was first manifested in the proportionate increase of the flow of the newly-increased laborers to the city. Later on, it was manifested in the abandonment of agriculture by the agricultural laborers for industry and commerce. (2) Employment within secondary industry has followed a wave pattern. In the United States, employment in secondary industries reached its highest point in 1970; in Japan, 1973; in West Germany, 1965; and in the United Kingdom, 1955. After reaching their peaks, employment figures began to drop. (3) Employment in the tertiary industries is rapidly increasing. Its speed is accompanied by the steady decline of the primary industry labor force and the early stages of decline in secondary industry.

At present China is essentially in transition from primary to secondary industry. Thus, although one approach we should take is to arrange definite labor forces for the service trades, we should observe a definite quantitative limit and must not disregard China's realities and compare ourselves with the advanced capitalist countries by investing large numbers of laborers in the tertiary industries and converting them in effect into relief agencies. The situation at home is different from that of the capitalist countries. The

extent of development of our primary and secondary industries is still far from sufficient; we cannot measure up to foreign standards. To be sure, we have abundant labor resources, but at present we are unable to sufficiently place everyone in the realm of production. In order to reduce society's burden and avoid an excessive decline in production efficiency, we should deploy more labor forces in the tertiary industries at the same income level. This proportion, however, will continue to be far smaller than that of the advanced countries, a proportion that we at this point cannot attain, and must not arbitrarily try to attain.

### III. The Prerequisites for Labor Transfer

There are preconditions for labor transfer among industries and within each industry itself without which the transfer cannot begin spontaneously. An arbitrary transfer by men may also bring about a backflow of temporary transfers, which are meaningless and devoid of economic results. The preconditions for labor transfer can be viewed in the following two respects. From the individual worker's standpoint, the following are necessary before he can change his profession: (1) The sector from which he transfers has either long working hours or low income. (2) The sector to which he transfers has either shorter working hours or higher income. (3) The sector to which he transfers is superior to the sector from which he comes in terms of working conditions and cultural livelihood. (4) The laborer possesses the ability to handle the work in the sector to which he transfers. Given these factors, the worker often is willing to transfer his labor force.

From society's standpoint: (1) In terms of the sector from which one transfers, the condition  $\Delta C \leq \Delta V + \Delta M$  must be satisfied. Then, if the laborer who is replaced obtains employment opportunity in another sector, the national income will increase, with the amount of increase equal to  $\Delta V + \Delta M - \Delta C$ . If  $\Delta C = \Delta V + \Delta M$ , then the national income will remain unchanged (the labor transfer under this circumstance is meaningful to readjusting an irrational industrial structure and accelerating the production of products in short supply). A third situation is:  $\Delta C > \Delta V + \Delta M$ . Under this circumstance, the labor transfer will bring about a reduction of national income, which will not be meaningful (this circumstance, however, is meaningful during war years, since we can substitute manpower with our previous accumulation, rapidly mobilize all forms of manpower, and enable more men to join the war and defend their country). (2) In terms of the sector to which one transfers, its labor productivity should be higher or at least equivalent to the labor productivity of the sector from which one transfers. Also, this kind of transfer is only necessary when labor forces truly need to be supplemented.

The above are the general preconditions for labor transfer. In actuality, the preconditions for transfer in different countries often are not entirely the same. In the economically developed countries, the outflow of agricultural labor force only needs to satisfy  $\Delta C \leq \Delta V + \Delta M$ . However, in a poor and backward country,  $\Delta C \leq \Delta V + \Delta M$  is not enough. The following two preconditions must also be satisfied: (1) The outflow of labor force will not cause land productivity to drop, nor will it hinder its normal rate of growth. (2) The profit rate of funds must increase, or at least not decline.

Having satisfied the above two additional preconditions, the transfer will not only improve economic results, but neither will it affect such indicators as gross output. China falls into this latter category. In labor transfer, we must take into consideration the two additional preconditions.

Formerly we did not take economic results into consideration when implementing rural mechanization. The use of large-scale machinery in large quantities basically corresponded to  $\Delta C > \Delta V + \Delta M$ . Since implementation of the responsibility system, these high-cost large-scale machines have been eliminated readily and replaced by inexpensive small multipurpose machines, which very soon became predominant in the rural areas. This is inevitable. In light of our country's situation, even with  $\Delta C \leq \Delta V + \Delta M$ , we must not transfer labor forces blindly and must pay attention to its effect on unit output. We should also pay attention to whether or not there is an appropriate sector to transfer to. Labor force is a mobile resource. Without the corresponding means of production, it will disappear. Thus whereas conditions may correspond to  $\Delta C \leq \Delta V + \Delta M$ ,  $\Delta V + \Delta M$  will fail to materialize as value and will be wasted if the labor force that is transferred is unemployed. This means that the  $\Delta C$  which replaces it is wasted, and is obviously not worthwhile. Thus, in labor transfer, we do not simply transfer when we say so. There must be definite objective factors which will make labor transfer effective and worthwhile, one which will ultimately be realized.

In sum, labor transfer is a new problem that we are currently encountering. Rural laborers are joining the transferring ranks on a daily increasing basis. We must conscientiously study this phenomenon without delay, enhance correct guidance over it, enable the structure of our country's rural and urban labor forces to become more rational, and revive our national economy in the midst of this transfer.

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CSO: 4006/878

## LABOR AND WAGES

### BRIEFS

BUS DRIVERS STAGE WORK SLOWDOWNS--Beijing, Jan 9 (AFP)--Bus drivers in Shanghai have mounted wildcat work slowdowns demanding higher wages, a reliable source said today. The drivers, angry because their pay rises were lower than those given office staff in the city transportation department, were skipping stops and making lengthy stops at public toilets, leaving disgruntled passengers to wait in the crowded buses, said the source who visited Shanghai recently. Officials in the eastern metropolis could not immediately be reached for comment on the slowdown, which was continuing when the source left Shanghai late last week. The protest followed a slowdown by bus drivers and ticket sellers in Beijing last month. Beijing transport workers complained that their wages were only a fraction of the money earned by taxi drivers, who enjoy a more comfortable working environment. Chinese public transport workers earn about 100 yuan (\$33) a month for a 6-day week, compared with nearly four times as much for some taxi drivers. China's overcrowded and slow public transport systems have been further strained by increased movement of goods and people resulting from reforms enlivening the Chinese economy. A popular short story titled "Bus Aria" and describing difficulties encountered by transport workers and passengers and urging patience recently won a top Chinese literary award. [Text] [Hong Kong AFP in English 0908 GMT 9 Jan 86 HK]/12766

CSO: 4020/186

## TRANSPORTATION

### HONG KONG AIRLINES WILL NOT GET REQUESTED CHINA ROUTES

HK230726 Hong Kong AFP in English 0629 GMT 23 Dec 85

[Text] Hong Kong, Dec 23 (AFP)--Hong Kong's fledgling airline, Dragonair, today lost its battle to fly two coveted China routes.

The airline had applied to run scheduled flights to 10 Chinese destinations, but the Air Transport Licensing Authority (ATLA) granted only eight.

A Dragonair spokesman said the airline was disappointed over ATLA's refusal to give it wings to fly to the coveted Beijing and Shanghai routes.

The airline had said the routes were vital to guarantee its operating viability.

Hong Kong's traditional airline, Cathay Pacific, which already had Beijing and Shanghai in its network, had contended at a recent ATLA hearing here that to have another airline on the same routes would set the two "on a collision course."

Under ATLA's ruling, Dragonair now has permission to operate scheduled runs to such Chinese destinations as Guangzhou, Nanjing and Shenzhen, which is the Special Economic Zone in southern China, adjacent to Hong Kong.

Details of the new flights have yet to be mapped out between the Hong Kong and Chinese aviation authorities.

Dragonair was formed here earlier this year, reportedly with Beijing's backing, but currently it has only one hired Boeing 737 jet.

It is chaired by local magnate sir Y.K. Pao -- described by official Chinese press as a "patriotic businessman" -- after a recent reshuffle in ownership.

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CSO: 4020/184

## TRANSPORTATION

### FUJIAN REPORTS SUCCESS IN ROAD, SEA TRANSPORT

OW140842 Beijing XINHUA in English 0752 GMT 14 Jan 86

[Text] Fuzhou, January 14 (XINHUA)--Fujian Province, now improving infrastructure facilities to better carry out the open policy, has built 3,480 km of rural roads, and widened or asphalted 3,900 kilometers since 1981.

The province, now open to foreign investment, has a 36,000-km road system, said Zhang Jinhua, director of the Provincial Transport Bureau, here today.

Improvements during the Sixth Five-Year Plan period (81-85) were "especially marked" in Fuzhou, the provincial capital and one of China's 14 open coastal cities, and the Xiamen Special Economic Zone which faces Taiwan across the Taiwan straits.

The port of Mawei in Fuzhou handled 3.44 million tons of cargo last year, a 65 percent increase over 1980.

Zhang attributed this to two new berths for 10,000 dwt ships and another two for 5,000 dwt ones built during the past five years.

Also during the last plan period, Dongdu Port in the Xiamen Special Economic Zone added four berths for 10,000 to 50,000 dwt ships, increasing its annual cargo handling capacity by 60 percent to 2.65 million tons.

There are 20 government-owned international shipping companies in Fujian, Zhang said. They own 110 ships with a combined capacity of 100,000 tons.

Since 1981, Fujian has opened shipping routes to 38 ports in eight countries including Japan, Singapore, the Philippines and Thailand, as well as scheduled passenger and cargo services to Hong Kong.

In Fujian, individuals own 75,700 motor vehicles and 7,000 freighters -- about one-third the province's total.

"The government wants to see individuals in the transport business," Zhang said. "They supplement government efforts to expand facilities."

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CSO: 4020/184

## TRANSPORTATION

### REGULATIONS ON AVIATION MANAGEMENT ISSUED

OW200227 Beijing XINHUA Domestic Service in Chinese 0903 GMT 15 Jan 86

[Text] Beijing, 15 Jan (XINHUA)--The State Council issued provisional regulations on general aviation management on 8 January.

The regulations say: In order to promote the healthy development of general aviation, to maintain the public interest, and to ensure flight safety, all flight activities utilizing civil aircraft to engage in production for industry, agriculture, forestry, animal husbandry and fishery; operational flights for national construction; flights involving medical and sanitary work, rescue and natural disaster relief work, oceanic and environmental monitoring and surveying work, scientific experiments, educational training, cultural and sporting activities and touring activities (all under the term of general aviation) will fall under the administration of the Civil Aviation Administration of China (or Civil Aviation Administration).

The regulations point out: Units or individuals that engage in general aviation and enterprises that operate in the business of general aviation should all go through the procedures of application and approval in accordance with the regulations. The Civil Aviation Administration will review and approve applications and issue general aviation permits when the application concerned is for operating inter-provincial general aviation. The regional civil aviation administrations will review and approve applications and issue general aviation permits if the application concerned is for operating general aviation within a province, an autonomous region, or a municipality. The regional civil aviation administrations will notify the Civil Aviation Administration of such applications.

The regulations point out: Those who apply for general aviation permits should meet the following conditions required for general aviation: Completion of aircraft inspection and certification by the Civil Aviation Administration, completion of aircraft registration, presentation of the flight-worthiness certificate of an aircraft, and, if an aircraft is leased from a foreign country, the lease contract should be presented. Other related certificates include licences of flight personnel, aircraft maintenance personnel, and flight dispatchers, approved and issued by the Civil Aviation Administration. Airfields and conditions for mechanical maintenance should ensure normal flight and operation.



The regulations say: Enterprises engaging in general aviation should present a general aviation permit for the registration procedure in accordance with the "Regulations on the Administration of Registration of Industrial and Commercial Enterprises." Only after having received a business license can the enterprises begin business operations. Units, individuals, and enterprises engaging in general aviation should buy insurance policies for aircraft and for third party responsibility risk from the Chinese People's Insurance Company. If approved by the Civil Aviation Administration, enterprises engaging in the business of general aviation may engage in general aviation business outside of China.

The regulations point out: When units, individuals, and enterprises make general aviation flights, they should adopt effective measures to protect the environment. The noise level and emission of harmful substances should be within state's stipulated standards. Units, individuals, and enterprises engaging in general aviation should abide by the state's laws and administrative laws and regulations, accept supervision and inspection of departments concerned, observe the regulations of civil aviation, and accept the investigation and handling of flight accidents by the Civil Aviation Administration. The Civil Aviation Administrations should support the development of general aviation and coordinate and supervise the business activities of general aviation enterprises.

The regulations conclude: The regulations come into effect on the day of issuance. Those units, individuals, and enterprises that have already been in the business of general aviation before the issuance of the present regulations should, within 3 months, go through the procedures of application and approval in accordance with the present regulations. Those who fail to do so within the time limit will not be allowed to engage in general aviation business.

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CSO: 4006/599

## TRANSPORTATION

### SICHUAN HOLDS CEREMONY FOR INAUGURAL FLIGHT OF BOEING 737

HK180345 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 17 Jan 86

[Text] The Chengdu Civil Aviation Bureau and the preparatory group for the Southwest Airline Company held a ceremony on 17 January to mark the inaugural flight of the Boeing 737-300. This aircraft is the first of four purchased from the American Boeing Corporation as a joint venture by the Civil Aviation Administration and by Sichuan and Guizhou Provinces.

Vice Governor Gu Jinchi spoke at the ceremony. He said: In implementing the principle of opening up to the world and invigorating the domestic economy, the southwest region particularly needs increased air transport capacity. Putting these aircraft into operation is bound to play a stimulating role in the development of air transport in the southwest and in promoting Sino-U.S. friendship.

(Liu Zhiyi), a representative of the Civil Aviation Administration; Mr (Wayger), a representative of the Boeing Corporation, and Mr (Mackidder), a representative of the U.S. General Electric Company, spoke at the ceremony. Gu Jinchi and (Wayger) cut the ribbon. The ceremony was attended by responsible comrades of the provincial CPC Committee, people's Congress Standing Committee, government, and CPPCC, responsible persons of provincial and city departments concerned, and representatives of Guizhou Province.

Chengdu Civil Aviation Bureau and the preparatory group for the Southwest Airline Company held a cocktail party in the Jinjiang Hotel in the evening to mark the inaugural flight. The aircraft will make its first flight, to Kunming, on the morning of 18 January.

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CS0: 4006/599

## TRANSPORTATION

### QINHUANGDAO HARBOR DEVELOPS, RANKS SECOND IN CARGO TRANSPORT

HK200814 Beijing CHINA DAILY in English 20 Jan 86 p 2

[Text] Qinhuangdao Harbor in Hebei Province, an ice-free port in north China's Bohai Bay, has become the country's second largest harbor in terms of annual cargo capacity, according to the INTERNATIONAL BUSINESS journal.

In 1985, the harbor handled 44.19 million tons of cargo, mainly coal and other exports. It ranks second only after Shanghai Harbor.

During the Sixth Five-Year Plan period, China placed great emphasis on developing the Zinhuangdao Harbor. Five new berths with modern facilities were built, expanding the harbor's capacity to 60.55 million tons a year. The harbor is also the largest center for energy exports.

To date, Zinhuangdao boasts 15 berths, with 700,000 square meters of warehouses and cargo wharves. It has short and long distance navigation routes to Japan, Korea, the Philippines, Malaysia, the U.S., Canada, Soviet Union, West Germany, Hong Kong and Macao.

Oil from Daqing oilfield, coal from Shanxi, Shaanxi, Hebei provinces and Ningxia Hui and inner Mongolian Autonomous regions, and agricultural produce from Heilongjiang, Liaoning and Hebei provinces are shipped to more than 75 countries and regions from this port.

Coal and cargo wharves, with an annual handling capacity of 30 million tons and 8 million tons respectively, are currently under construction.

By 1997, when the Datong-Qinhuangdao Railway is electrified, the Qinhuangdao Harbor will handle 100 million tons of cargo a year and become the world's largest coal export harbor.

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CSO: 4020/184

## TRANSPORTATION

### CONSTRUCTION OF FOUR LOCAL RAILWAYS IN HEILONGJIANG PREPARED

Harbin HEILONGJIANG RIBAO in Chinese 23 Jul 85 p 1

[Article by Bing Yingnian [6728 6601 1628] and Wang Zengxiang [3769 1073 4382]]

[Text] Heilongjiang Province has decided to construct local railways. The preliminary design of the 60-km section of the Dongning Railway has been completed and recently passed examination and appraisal. The early preparation for the construction of several other railways is underway.

Though Heilongjiang ranks first in the country in the total railway mileage, it still fails to meet the needs of provincial economic development. In recent years, large quantities of coal, timber and other goods and materials for production and livelihood have been stockpiled. In particular, in the remote areas, due to inadequate railway transport capability, the coal, timber and other important mineral ores have either failed to be transported out after they have been mined, or have not been mined at all. In order to improve transport capability rapidly, the provincial people's government has decided to set up the Heilongjiang Local Railway Company, which has begun operation. Preliminary plans have been made to construct the Dongning Railway (from the Hexi Station on the Harbin-Suihua Line through Dongning Township to Laoheishan), the Nenjiang-Heibaoshan Railway, the Bei'an-Heihe Railway, and the Hongxinglong-Baoqing Railway beginning this year. The trunklines of the four railways will total 613 km.

The Dongning Railway, the Nenjiang-Heibaoshan Railway, and the Beian-Heihe Railway, were constructed in the period under the puppet government of Japan, but were torn up afterwards. However, the majority of roadbed was present or was used by highways, so there was still a definite foundation for reconstruction. Due to a shortage of state funds, it was decided, upon further study, that funds would be raised through state subsidy, as well as collective investment and joint operation by the coal, forestry and railway undertakings and the localities. After the four railways are completed, the initial freight volume will total more than 7.8 million tons, and projected freight volume will increase to more than 14 million tons. They will play a tremendous role in promoting the provincial economy and in developing and utilizing Heilongjiang's abundant natural resources.

The reconstruction of the Bei'an-Heihe Railway, which the people of northern Heilongjiang have longed for, will soon materialize. On 18 July, the provincial planning and economic committee held a demonstration and examination conference at Heihe authorized by the State Planning Commission. The summary passed at the conference pointed out the significance of the reconstruction of this railway to the development of resources of northern Heilongjiang and to the enhancement of the economic development of the border region, and pointed out the necessity to speed up construction.

The Bei'an-Heihe Railway was originally constructed in 1933, and was demolished in 1946. In 1962, the state reconstructed the section from Bei'an to Longzhen. For a variety of reasons, the remaining section to Heihe, totaling 241 km, was abandoned for almost 40 years. The Heihe Prefectural Party Committee and the Heihe Prefectural People's Government, with the support of the relevant departments of the state, the Provincial Party Committee, and the Provincial People's Government, decided to reconstruct this local railway. In 3 months, the Chinese Local Railway Association completed the feasibility report on the reconstruction. Over 60 people, including leaders, experts and engineers from the concerned departments of the state and province, and delegates from the beneficiary units conducted an on-the-spot survey of key sectors, bridges and stations from 15 to 18 July. They have studied and verified the project.

Reconstruction of the railway is supported by concerned sectors in the areas of technology, investment, manpower and material resources.

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## TRANSPORTATION

### BRIEFS

YINGKOU PORT INCREASES TRADE--Shenyang, January 7 (XINHUA)--Yingkou Port, located in northeast China's Liaoning Province, has been revived by the increase in China's foreign trade. A provincial official noted here today that the port handled 890,000 tons of cargo and earned 6.5 million yuan of profit in 1985, more than four times the profit earned in 1984. The 120-year-old port, which formerly handled only several dozen Chinese freighters a year, served about 170 foreign cargo ships during the past year, the official said. The port was opened for foreign ships in October of 1984. Yingkou port has three 3,000-ton berths but the shallow channels prohibit it from receiving ships over 10,000 tons. To enlarge its handling capacity, the port received more small freighters, extended its opening period, and made full use of the piers. The port built two storehouses in the past year and is also planning to build another two 3,000-ton berths this year, the official added. [Text] [Beijing XINHUA in English 1505 GMT 7 Jan 86 OW] 12624

RAILROAD PLAN TARGETS MET--Beijing, January 10 (XINHUA)--China's railways, the weakest link in the national economy, is going full steam ahead, with annual transport volume, locomotive production and railway construction hitting all time highs. According to an official from the Ministry of Railways, all the targets including passenger and freight transport volume set in the Sixth Five-Year Plan were met ahead of schedule. He said passenger and freight turnover had reached a record 1,000 billion ton-kilometers in 1985. A railway construction team set a world record by driving 316.8 meters of tunnel for a double-track railway line in a month, he added. In the past year, China produced more diesel and electric locomotives than steam locomotives, marking a new stage of development in locomotive production. The official said China manufactured 384 diesel and electric locomotives last year, more than half the total number of new locomotives. The average carrying capacity per train increased to 2,210 tons, 79 tons more than in 1984. The coal trains running on the new electrified Beijing-Qinhuangdao double-track line each carried 7,400 tons. [Text] [Beijing XINHUA in English 1448 GMT 10 Jan 86 OW] 12624

CAAC TAKES OVER COUNTRY'S AIRLINES--Beijing, Jan 16 (AFP)--The Civil Aviation Administration of China (CAAC) has taken control of the administration of all the country's airlines to ensure flight safety, the PEOPLE'S DAILY said today. All airline companies and individuals flying civil aircraft must have CAAC authorization, according to a provisional State Council regulation published

in the newspaper. Aircraft used for any purposes, including commercial, industrial, agricultural and medical flights, will have to be registered with, inspected and approved by CAAC, while companies leasing planes from abroad will have to submit the contracts to the organization. Beijing has authorized the creation of some dozen regional airlines independent of CAAC since the announcement of an end to the CAAC monopoly of China's airways in October 1984. It has remained unclear however what degree of independence is enjoyed by the new companies. [Text] [Hong Kong AFP in English 1445 GMT 16 Jan 86 HK] 12624

GUANGXI MOUNTAIN ROAD CONSTRUCTION--Nanning, 17 Jan (XINHUA)--China's State Council and the Government of the Guangxi Zhuang Autonomous Region have offered 170 million yuan-worth of assistance to construct roads in 48 underdeveloped mountainous counties in the region, a local official said here today. Some 650 km of rural roads, 1,469 km of tractor paths, and 696 km of horse-carried mail routes have been built in the counties in the past year. The official noted that, with the governmental assistance, the counties are now building another 2,800 km of rural roads, 1,117 km of tractor paths, and 92 km of horse-carried mail routes. The 48 counties have a population of 13.54 million, most of whom belong to minority nationalities. [Text] [Beijing XINHUA in English 1044 GMT 17 Jan 86 OW] 12624

SPRING FESTIVAL PLANNED--Beijing, January 17 (XINHUA)--The Communications Ministry today estimated that 652 million passengers would travel by road in China around the spring festival, which falls on February 9 this year. This figure over the whole holiday period -- starting on Monday and running until March 10 -- would be 13 percent higher than last year. To cope with the increase, road transport offices throughout China plan to run 4,350 extra buses on regular routes so that more than 13 million people a day can use them. Many Chinese people travel to see friends and relatives at spring festival. [Text] [Beijing XINHUA in English 1842 GMT 17 Jan 86 OW] 12624

TRAIN TRANSPORTATION CAPACITY INCREASED--Beijing, January 19 (XINHUA)--China's Railways moved more goods through container traffic over the past year, the latest issue of newspaper PEOPLE'S RAILWAYS reported. The railways moved 32 million tons of goods by using containers, 30 percent more than in 1984, the paper said. As the container transport may raise the train's carrying capacity, it means a saving of more than 7,000 trains, a cut of 900,000 hours in loading and unloading time and a saving of 80 million yuan worth of losses and packaging materials. Goods carried by containers were mainly cement, diesel oil for farm use, non-ferrous metals and other goods that are easily lost and hard to load and unload. According to the Beijing Railway Bureau, containers increased the loading capacity for diesel engines from 120 a train to 270 a train and each train saved 10.8 cubic meters of packaging timber. The Shanghai Railway Bureau was reported to have reduced the losses of cement from 10 percent to 1.5 percent by using containers. The railways also extended the container service to cover fruit, eggs and glass. [Text] [Beijing XINHUA in English 1440 GMT 19 Jan 86 OW] 12624

PRC'S LARGEST SHIPPING FLEET--Fuzhou, January 20 (XINHUA)--Coastal Fujian Province has built up China's largest ocean-going fleet since 1979, the general manager of the Provincial Shipping Company said here today. To meet the needs of China's policy of opening to the rest of the world, the company has bought 13 bulk, general and container cargo freighters and three passenger liners with the aid of bank loans. The whole fleet can now carry 100,000 tons, compared with 28,000 tons before 1979. More than 80 percent of the province's exports are handled by the company. In the past, most export goods were shipped by freighters rented from abroad. The company operates regular sailings to Hong Kong, Japan, the Philippines, Singapore, Sri Lanka and Thailand. Up to the end of 1985, it had earned 52,680,000 U.S. dollars in hard currencies. It expects to pay back all loans with interest by 1988. [Text] [Beijing XINHUA in English 1035 GMT 20 Jan 86 OW] 12624

CHINA'S CONTAINER VOLUME INCREASED--Beijing, January 20 (XINHUA)--China's container freight volume last year topped 15,700,000 tons, three and a half times more than in 1980, today's ECONOMIC DAILY reported. Total volume during the Sixth Five-Year Plan (1981-1985) came to more than 46,500,000 tons, the newspaper said. China has 26 shipping lines handling containers for international trade, and more than 260 railway stations can now handle container freight. [Text] [Beijing XINHUA in English 0844 GMT 20 Jan 86 OW] 12624

SECRETARY MEETS TRANSPORTATION WORKERS--"You comrades have worked hard! We wish you a happy new year." On the afternoon of 30 December Li Ximing, secretary of the municipal CPC Committee, extended greetings to the municipal representatives of the national advanced public transportation collectives and model laborers. These representatives were invited to the conference room of the municipal CPC Committee by the municipal CPC Committee and government. Leading persons held cordial talks with them in an unconstrained atmosphere. Li Ximing and Chen Xitong, secretaries of the municipal CPC Committee, and Xu Weicheng, deputy secretary of the municipal CPC Committee, said: Public transportation is the main artery of the capital. If passengers spend less time waiting for buses, they can create more wealth for the state. Human relations can be shown on the buses. Therefore, staff members and workers of public transportation departments should not only make contributions to the building of material civilization but also should exert influence on the entire social conduct with their own labor and promote spiritual civilization. [Excerpts] [Beijing BEIJING RIBAO in Chinese 31 Dec 85 p 1 SK] /12712

MAYOR SPEAKS AT TRANSPORTATION MEETING--The Shanghai Municipal Public Utilities Bureau held a meeting yesterday afternoon to mobilize all staff members and workers of the entire bureau to be prepared for the peak transportation period during the coming Spring Festival. Mayor Jiang Zemin attended and spoke at the meeting. He extended his respects and greetings to the over 60,000 staff members and workers of the public transportation and taxi departments, who must work hard in order to ensure the city's economic construction and meet the needs of the people. He called on the public transportation staffs and workers to shoulder the pressure, ensure transportation safety, give quality service, and ensure smooth transportation during the Spring Festival period. It is understood that during this year's Spring Festival the number of passengers during the peak day will reach 15.8 million. [Text] [Shanghai City Service in Mandarin 0100 GMT 15 Jan 86 OW] /12712



NANJING PORT OPEN TO FOREIGN VESSELS--Beijing, 20 Jan (XINHUA)--Resolution of the NPC Standing Committee on Approving the Opening of the Port of Nanjing on the Changjiang to Foreign Vessels (adopted on 20 January 1986). The 14th Session of the 6th NPC Standing Committee, after considering a proposal made by the State Council and the Central Military Commission on opening the Port of Nanjing to foreign vessels, decided to approve the opening of the Port of Nanjing on the Changjiang to foreign vessels. From now on, the State Council is authorized to consider and approve the opening of any other ports between the Port of Nanjing and the estuary of the Changjiang to foreign vessels, if necessary. [Text] [Beijing XINHUA Domestic Service in Chinese 0958 GMT 20 Jan 86 OW] /12712

TIANJIN HARBOR TONNAGE--As of 30 December, Tianjin Harbor handled 18.5 million tons of cargo, a 15 percent increase over the corresponding period last year, and netted 240 million yuan in profits. Its efficiency increased by a margin much wider than the handling capacity. [Text] [Tianjin City Service in Mandarin 0030 GMT 31 Dec 85 SK] /12712

TIANJIN CONTAINER WHARF--The Sigangchi container wharf of the Tianjin Harbor, so far the largest container wharf of China, passed the state's acceptance test on 12 December and was officially put into operation. With a total length of 895 meters, this wharf can accommodate three large container liners simultaneously. Its designed annual cargo handling capacity is 300,000 standard containers. [Summary] [Tianjin TIANJIN RIBAO in Chinese 13 Dec 85 p 1 SK] /12712

GUANGDONG BUILDS MORE HIGHWAYS--A responsible person of the provincial communications department revealed at a press conference that during the Seventh 5-Year Plan, Guangdong will invest 3.3 billion yuan in building 182 kilometers of highways, 15 kilometers of main roads, 1,300 kilometers of trunk roads, 5,000 kilometers of roads in mountainous and old areas as well as counties and districts, and 20 overpasses. The key projects include the improvement of traffic conditions in Guangzhou, the construction of 120 kilometers of the Guangzhou-Shenzhen highway, and the allocation of 100 million yuan for road construction in counties and districts. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 8 Jan 86 HK] /12712

CONFERENCE ON SPRING FESTIVAL TRANSPORT--In order to fulfill the transport task safely and well during this year's Spring Festival, the provincial planning committee and economic committee held a telephone conference this morning on transport work during this year's Spring Festival. In accordance with the spirit of the telephone conference jointly held by 15 ministries and commissions, including the State Economic Commission, on transport work during the Spring Festival, provincial Vice Governor Qin Kecai made specific arrangements for this work. Qin Kecai demanded that all prefectural administrative offices and all city people's governments seriously strengthen their leadership over transport work during the Spring Festival. Economic committees, communications, public security, railway, urban construction, and industrial and commercial administration departments in all areas must closely cooperate with each other and make joint efforts to successfully fulfill transport tasks during the Spring Festival. [Excerpt] [Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 13 Jan 86 HK] /12712