

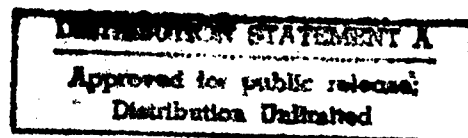
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2 February 1985

# China Report

ECONOMIC AFFAIRS



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2 February 1985

## CHINA REPORT

### ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

GUANGMING RIBAO ON OPENING UP NEW MARKET SPHERES

HK020845 Beijing GUANGMING RIBAO in Chinese 16 Dec 84 p 3

[Article by She Liren [3088 4539 0086]: "Open Up New Spheres of Broader Markets"]

[Text] The "Decision of the CPC Central Committee on Reform of the Economic Structure" explicitly affirms that the socialist planned economy is a planned commodity economy based on public ownership. This is a breakthrough in the socialist political economy.

With the effecting of this theoretical breakthrough, new trails have been appropriately blazed in practice. In recent years, people have found out that broad commodity relations do exist in various aspects of the national economy. In other words, commodity relations have extensively penetrated every corner of the national economy. All this is independent of the people's subjective will. Reality has urged people to admit the above-mentioned fact, and to promote its development on their own initiative. To develop socialist commodity economy, we should open up new spheres of broader markets to keep abreast with the general trends of the increasing deepening of the commodity relations. Certain economic activities, which were traditionally excluded from the scope of commodity economy, have manifested again the characteristics of commodities in varying degrees, or have worn the cloak of commodities in various colors. They need various kinds of new markets so that they can play their role. After judging and sizing up the situation, we believe that there are at least the following spheres of markets which are basically ripe for opening up:

1. We should open up a socialist market of the means of production. Under a socialist economic system, means of subsistence are commodities, and so are means of production. In future, we should further open up the market for means of production under directive guidance in the interest of circulation and production. In the meantime, those parts of the means of production turned over to the state according to plan should also be regarded as a transaction with value, and the previous habit of not regarding them as commodities should be discarded. Furthermore, it is necessary to gradually encourage producers and users to look

for their own business partners independently, and adopt the method of signing contracts in order to ensure the marketability of products and their adequate circulation. Means of production should hold up "half the sky" of the entire commodity market.

2. We should open up a socialist market for capital. Commodities and currency on the one hand, and material objects and capital on the other are like the shadow following the person. They cannot be separated from each other. In recent years, great changes have taken place in the movement of funds. Apart from continuing to regard finance and credits and the main channels of distribution and redistribution, there are a variety of ways and means for the circulation of funds. With the relative drop of the proportion of financial revenues in national income, and the amount of local funds not covered by budget, funds owned by enterprises and social funds have constantly increased. Under such circumstances, opening up a market for capital or a financial market will be greatly beneficial to effectively promoting the accumulation, swift turnover, and rational use of various kinds of funds. In addition, increasing the use of foreign capital and allowing foreign banks to carry out certain business in our country is also another channel for opening up our market for capital.

3. We should open up a socialist employment market. Under a socialist economic system the labor force is no longer a commodity. However, this does not mean that a fairly big employment market is not needed--a market for talented personnel in particular. In recent years, we have gradually implemented the system of employing contract workers, and encouraged the flow of talented personnel among similar units. A number of units have also implemented on a trial basis the systems of appointment, recruitment, and examination. Some areas and units cooperate with each other with regard to the use of talented personnel. It is obviously imperative to open up an employment market in a planned way, which is governed by the following principles: Individuals have freedom to choose their jobs. While assigning jobs, the units should, first of all, respect the desires of the persons concerned. Enterprises should have their own decision-making power to make use of personnel. They may select the best and abandon the worst through selection. Higher authorities and labor departments are not allowed to force the persons concerned to accept certain jobs. With the changes of situation, rational exchanges of talented personnel should be allowed among localities and units. The systems of life tenure and the "iron rice bowl" should be abolished. Proper arrangements should be made for those who are waiting for employment, army men transferred to civilian work, and those who have retired from office. In the meantime, we should implement the system of remuneration according to work, and more pay for more work. This means that talented personnel have their own value, and that better quality talented personnel have higher value. All this will have unprecedented bearing on the training and acceleration of the growth of talented personnel, on arousing their enthusiasm, and the prevention of stifling and wasting talented personnel.

4. We should open up a socialist market of technology. In recent years, due to the fact that we have realized the importance of technology and the urgent need for technical progress, technology is no longer regarded as a valueless thing. Instead it has been regarded as more and more valuable. A number of units have increased their investments in technology. They offer high prices for advanced technology and carry out technical cooperation. Technical shops, technical centers, technical associations, technical advisory bodies, and others have been established. The "patent law" has been enacted. Scientific research units have implemented the contract system based on royalties, which is another relevant method for promoting technical development. All these are technical markets in the making. It is necessary for us to develop and improve it more consciously. This market will promote the development of intellectual resources, the application of achievements in scientific research, technical reform and innovation of enterprises, and technical progress of the entire society and various departments.

5. We should open up a socialist information market. Under the condition of commodity economy, information has been promptly recognized as resources and wealth. At the beginning, some units picked up scraps of information in a disorganized way. After that, they bought and solicited information with an objective in mind. Eventually, special organizations doing the business of collecting, sorting, transmitting and supplying information have occurred. Advertising has increased, and newspapers and periodicals specialized in providing information have been published one after another. Information companies, information centers, and information consultative bodies have also been set up. All this has shown that the information market is a promising undertaking. With the rapid approach of the age of information, this market will increasingly demonstrate its particular value.

6. We should open up a socialist real estate market. The seriousness of the housing problem is inseparable from the "supply system" in the building and distribution of dwelling houses. In recent years, some localities have discussed and implemented on a trial basis the system of commercializing dwelling houses. Some other localities have gradually increased the number of commercialized dwelling houses, or calculated the rents of houses on the basis of building costs and rate of depreciation. All this shows the initial signs of a real estate market. Although some people have cast doubt on this matter, at present there are no better ways for solving the housing problem. Land in the urban areas belongs to the state, whereas land in the rural areas belongs to the collective. Since it cannot be bought and sold freely, it is not a typical commodity. However, under given conditions, the possibility of requisitioning and using land and transferring the power for the management and use of land on the basis of compensation should not be ruled out. A payment system should be followed in light of the differential land rents. All this will be beneficial to economizing on land, correcting the wrongdoing of occupying and using land indiscriminately, and to making use of land rationally so that our land can be fully and effectively used. All this

will also be beneficial to investing in land and promoting the expanded reproduction of land by intension. In this sense, we need a specific real estate market.

The purpose in opening up these new market spheres is to enliven the entire economy. Of course, this is a market of a socialist nature, which is greatly different from the capitalist market and capitalist market economy. On the basis of public ownership and under the prerequisite of correctly handling the relations between the state, the collective, and individuals, our market will fully arouse the enthusiasm of enterprises and workers. It consciously makes use of the law of value in a planned way rather than letting it play its own role spontaneously. However, our market is also governed by market law in general. For example, the main forms of its movement are exchanges and circulation rather than the so-called unified transfer and distribution. Under macrocontrol, the movement of our market is conducted in a dispersed and flexible way. It relies to a great extent on the automatic regulation of enterprises and laborers. It makes use of economic levers such as prices, production costs, profits, remuneration, and other things in order to cut down labor consumption and enhance economic results. In the final analysis, the purpose in opening up these markets is to most effectively integrate various essential factors of production with conditions for production, make full use of them, develop commodity economy, and promote socialist modernization. It can be expected that if we fail to open up or recognize such markets, it is impossible for our entire economy to have such great vigor and vitality. The enlivening of our economy will play an important role in promoting the development of the socialist commodity economy.

CSO: 4006/273

NATIONAL POLICY AND ISSUES

PRC LIKELY TO MEET 'QUADRUPLING' TARGET BY 2000

HK030711 Hong Kong TA KUNG PAO in English 3 Jan 85 p 1

[Article by Gerald Chen]

[Text] Things look pretty certain that China will exceed its target of quadrupling its national output by the year 2000.

For the year that has just passed, latest figures released by Beijing's State Statistics Bureau revealed that gross industrial and agricultural output hit a record high of RMB11,000 billion (U.S.\$360 billion), marking a growth of 11 percent over 1983. The surge pales the average rate of growth of the past 30 years of a fraction above 8 percent.

The modernization drive envisages a boost of the national output in the 20 years from 1981 to 2000 from RMB720 billion to RMB2,800 billion. To reach this target it is calculated that an average annual rate of growth of 9 percent would suffice.

According to plan, the annual growth rate for the initial 5 years was fixed at a cautious 4-5 percent. It is planned for this rate to be progressively quickened to reach 7.2 percent by 1990, and yet steeper rises in the final leg to 2000. The target of RMB2,800 billion by 2000 requires an average annual growth of 7.2 percent in the 20 years.

It is pointed out that [word indistinct] brilliant jump of 1 percent gives the initial 4 years an average headstart of 9 percent. "It can be stated with certainty that the target of quadrupling the national output by the year 2000 is within reach or can be reached ahead of time," a spokesman of the Statistics Bureau declared.

He went on to observe that two possibilities are in store for the runup to the year 2000 even if there were no further quickening of the pace of the average 9 percent growth rate for the first 4 years, i.e. only a 9 percent growth rate can be maintained for the remaining 16 years leading up to 2000.

One is by 2000 the national output will reach a staggering RMB1,000 billion over the targeted RMB28,000 billion by the year 2000.

A second possibility is the equally inspiring prospect of reaching the target of RMB2,800 billion 4 years ahead of schedule, i.e. 1996.

Important among factors leading to the impressive success of 1984 was the year's record harvest of 400 million tonnes. From now on, the stupendous task of feeding one billion mouths is no longer a serious problem in China.

Important breakthroughs were also made in the field of energy. In 1984, China produced [figure indistinct] million tonnes of crude oil, 8 million tonnes more than in [word indistinct] and 6 million tonnes over the year's plan.

It is recalled that for years the country's oil output had lingered at around the [number indistinct] million-tonnes mark.

Analysts point out that in [word indistinct] China produced 200 million tonnes of grain and 300 million tonnes in 1978. The recent jump of 100 tonnes took only 6 years as compared with the previous 100-tonnes jump which took as long as 20 years. [Sentence as published] The key lies in the new agricultural policies introduced since 1979.

On the difficulties in the economy, the spokesman mentioned the shortage of capital funds, energy, and transportation facilities. It is pointed out that they are still the chief obstacles in China's economy. It is believed, however, that with the gradual removal of these difficulties, the pace of economic growth can proceed at a still faster rate.

CSO: 4020/81

PROVINCIAL AFFAIRS

GUANGDONG INDUSTRIAL, AGRICULTURAL OUTPUT INCREASED

OW042240 Beijing XINHUA in English 1620 GMT 4 Jan 85

[Text] Guangzhou, 4 Jan (XINHUA)--The industrial and agricultural output value of Guangdong Province, south China, reached a record 52.2 billion yuan in 1984, according to local authorities.

This represents a 14.7 percent increase on 1983 figures, and means that the province's Sixth Five-Year Plan target has been topped a year ahead of schedule.

Industrial output increased in value by 17.1 percent and that of agriculture by 9.8 percent.

Compared with 1983, the output of refrigerators more than trebled and production of radios, tape recorders, chemical fibres and beer doubled. Minicalculators, vehicles, plate glass, cement, and washing and sewing machines experienced increases in output ranging from 10 to 60 percent.

Grain output was 50,000 tons more than the good harvest of 1983, even though the cultivated area was reduced by 165,000 hectares, increases were also registered in the output of sugar cane, jute, hemp, silk cocoons, peanuts, tea, aquatic products and meat.

Guangdong adopted an economic open-door policy in 1979 and since then the industrial and agricultural output value has increased at an average annual rate of 8.9 percent.

The province earned 7.1 percent more revenue and enjoyed an increase of 14 percent in retail sales last year compared with 1983. Bank savings reached 11.33 billion yuan by the end of November of 1984--3.33 billion yuan more than in the same period of 1983.

CSO: 4020/68

PROVINCIAL AFFAIRS

FIFTH TRADE UNION CONGRESS OPENS 11 JANUARY

SK121046 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 11 Jan 85

[Excerpts] The Fifth Liaoning Provincial Trade Union Congress opened in Shenyang City this morning with the participation of more than 1,100 representatives from various fronts and localities throughout the province.

Attending the opening ceremony of the congress were Sun Weiben and Xu Shaofu, secretaries of the Provincial CPC Committee; Chen Suzhi Shen Xianhui, and Liu Dongfan, Standing Committee members of the Provincial CPC Committee; (Chen Yiguang) and Luo Dingfeng, Standing Committee members of the Provincial Advisory Commission; Zhang Zhengde, chairman of the Provincial People's Congress Standing Committee, Zhao Shi, Liu Wen, and Liu Zhengaho, vice chairmen of the Provincial People's Congress Standing Committee; Zhang Zhiyuan and Zuo Kun, vice governors of the province; Wang Kuncheng, Zhang Yan, and Liu Mingjiu, vice chairmen of the Provincial CPPCC Committee; and (Li Tiqing), secretary general of the Provincial CPC Committee.

On behalf of the Fourth Committee of the Provincial Trade Union Council, Chen Suzhi, Standing Committee member of the Provincial CPC Committee and chairman of the Provincial Trade Union Council, delivered a work report at the congress entitled "Carry Forward the Working Class Spirit of Being Masters and Conduct Reforms Successfully in Order To Strive To Make Liaoning Prosperous and the Country Wealthy."

During the congress, representatives will elect the new leading organs of the Fifth Committee of the Provincial Trade Union Council and commend the advanced units and individuals as well as activists emerging in the trade union work.

CSO: 4006/262



PROVINCIAL AFFAIRS

GOVERNOR ON GUANGDONG'S INDUSTRY, AGRICULTURE

OW141017 Beijing XINHUA in English 0733 GMT 14 Jan 85

[Text] Guangzhou, 14 Jan (XINHUA)--The Guangdong provincial industrial and agricultural output value reached 52.2 billion yuan in 1984, 14.7 percent more than in 1983, according to Governor Liang Lingguang.

The annual increase in the total output value averaged 11.3 percent in the 4 years between 1981 and 1984.

The governor attributed the achievement to the policies of further opening to the outside world, the overall economic reform and training of technical personnel.

He said that the current policy that the coastal open cities are acquired [as received] to support other parts of the country while opening wider to the outside world has given an impetus to Guangdong's economic development.

Guangdong plans to double its industrial and agricultural value in 1987 from 1980's 34.06 billion yuan. It will concentrate in energy and power generation including steam hydroelectric and nuclear power, and express highway and railway transport and telecommunications construction.

By 1990 all its key enterprises will be upgraded with technology and equipment meeting the world's level in the early 1980s.

The province expects to take the lead in the country in developing microcomputer, biological engineering, optical fiber communications and new materials, and make a rational use of the crude oil and gas in the South China Sea.

CSO: 4020/81

PROVINCIAL AFFAIRS

BRIEFS

JILIN COMMERCIAL, MARKETING COOPERATIVES--As of the end of November 1984, commercial and supply and marketing cooperatives in Jilin Province had netted 118.03 million yuan of profits, an increase of 79.9 percent over 1983. About 57 commercial enterprises each earned over 500,000 yuan of profits. About 48 money-losing enterprises ended deficits. [Summary] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 2 Jan 85]

GUIZHOU TAX COLLECTION--The amount of taxes collected in Guizhou Province in 1984 was 102.86 million yuan, 13.96 percent more than the quota for 1984 and 20.75 percent more than in 1983. [Summary] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 9 Jan 85]

GUO FENG VISITS GARMENT MARKET--This morning, Guo Feng, first secretary of the provincial CPC Committee, interestedly visited the (Xiliu) Garment Market in Haicheng County accompanied by Comrade Li Tieying, secretary of the provincial CPC Committee and secretary of the Haicheng County CPC Committee. The (Xiliu) Garment Market is one of our province's largest rural garment markets well-known inside and outside the province. At 1000, Guo Feng, Li Tieying, and other comrades arrived at the bustling garment market and asked garment specialized households about their production and sales. They praised the specialized households for their contributions to enlivening the market. After visiting the market, Guo Feng listened to a report by (Yan Hua), secretary of the CPC Committee of (Xiliu) Town. He said: Developing the commodity economy, we should rely on businesses in cities and towns. A garment market should also sell expensive goods such as TV sets in addition to clothings so that specialized households will become producers as well as buyers. In this way, we can better develop small towns. (Xiliu) has good communication facilities. It should make use of this favorable condition to develop commodity production. [Excerpts] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 10 Jan 85]

GANSU RARE EARTHS CONFERENCE--The Gansu Provincial Conference on Popularization and Application of Rare Earth Elements concluded in Lanzhou yesterday afternoon. The province abounds in rare earth resources and its production of rare earth elements ranks first in Asia. Over the past few years, provincial units concerned have achieved relatively outstanding economic results in exploitation and application of rare earths. Jia Zhijie, deputy secretary of the Provincial CPC Committee, spoke at the conference, hoping that departments concerned will closely cooperate with each other and will tackle key problems so as to make great progress in popularizing and applying rare earth elements. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 0430 GMT 9 Jan 85 HK]

BEIJING HOUSING SURVEY--Beijing, 7 Jan (XINHUA)--Beijing's first general housing survey got under way yesterday to help guide the city's long-term construction plans, according to today's BEIJING DAILY. Part of a nationwide investigation sponsored by the State Statistical Bureau and the Ministry of Urban and Rural Construction and Environmental Protection, the survey is expected to be completed by the end of this year. It will cover all housing in the Chinese capital's urban and rural districts, and will include information on residential floor space, housing inadequacies, property rights, and building structures, usage and age. The survey will begin with western Beijing District, Haidian District and rural Changping County. Haidian offers slightly better living conditions than other areas of the municipality, according to the municipal statistical bureau's officials. Sample surveys show residents of the northwest Beijing District each have 7.26 square meters of living space, against a citywide average of 6.16 square meters per person. About one-third of city's population still suffer from inadequate housing, they added. [Text] [Beijing XINHUA in English 0904 GMT 7 Jan 85]

CSO: 4020/82

## ECONOMIC DEVELOPMENT ZONES

### OPEN COASTAL CITIES USE MORE FOREIGN FUNDS

OWO21200 Beijing XINHUA in English 1145 GMT 2 Jan 85

[Text] Beijing, 2 January (XINHUA)--Agreements signed by China's 14 coastal open cities with foreign firms last year involved an amount of direct foreign investment surpassing the total of the previous 5 years, according to foreign economic relations and trade departments.

Since the State Council decided to open the 14 cities more fully to the outside world in April 1984, the cities have concluded more agreements with overseas firms in a month than they did in a year previously.

The 14 coastal cities are Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang and Beihai.

Guangzhou, which was the first big city to adopt flexible measures under the open policy, concluded one agreement every 4 days in 1984 for importing funds and technology.

In China's leading industrial city of Shanghai, direct foreign investment involved in agreements concluded last year was five times that of the preceding 5 years.

Tianjin last year signed four times as many agreements for joint ventures as in the period between 1979 and 1983.

Yantai, Lianyungang, Wenzhou, Zhanjiang, and Beihai, which never had overseas investment before, are receiving entrepreneurs and business people and bankers from abroad. The small port city of Beihai in South China, which is not yet accessible by rail, has drawn business people from the United States, the Federal Republic of Germany and France to discuss investment in harbor construction, air transport, ship building and oil refining.

During a Hong Kong investment symposium for China's open cities held last November, 43 contracts worth 250 million U.S. dollars were initialed as well as 149 agreements involving 2.2 billion U.S. dollars in investment. More than 1,100 Hong Kong, Macao and foreign firms attended the 10-day symposium sponsored by five Hong Kong companies.

ECONOMIC DEVELOPMENT ZONES

HAINAN REPORTS BRISK FOREIGN, HINTERLAND TRADE

HK070653 Haikou Hainan Island Service in Mandarin 0400 GMT 6 Jan 85

[Text] The district has encouraged the work of importing from outside and linking up with the hinterland. In 1984, the district has signed a total 117 agreements with foreign investors on joint venture, cooperation, and compensation trade. The number of signed agreements is equivalent to 2.4 times as many as the total of the district's agreements reached in the previous 4 years. Total investment has reached more than \$160 million, an increase of more than \$84 million over the total investment made in the previous 4 years. The total investment and the amount of foreign capital used have increased respectively by 6.7 times and 7.1 times compared with 1983.

In the meantime, the district's foreign economic relations committee, economic committee, and financial system last year signed 201 agreements with various provinces and cities, as well as units concerned inside the province, on joint ventures, which involve a total investment sum of 164-odd million yuan and \$141-odd million. Of this figure, the sum of 82.93 million yuan and \$128-odd million was imported from places other than the Hainan Island.

Last year, more and more foreign and Hong Kong businessmen came to the district to negotiate and sign contracts. In addition to the usual businessmen from a new Asian countries and Hong Kong, businessmen from 15 countries and regions, such as the United States, Canada, France, Australia, Italy, New Zealand, Romania, the Philippines and Denmark have also come to the island. Compared with the individual businessmen in the past, these businessmen are from large enterprises, large consortia, and some are international financiers. In linking up with the hinterland, the district has also expanded its operations from Guangdong Province to nationwide. With the exception of the Xizang and Nei Mongol autonomous regions, most of the provinces, cities, and autonomous regions have sent personnel to the district for inspection or cooperation.

In the past year, the district's projects of importing from outside and linking up with the hinterland mainly focused on agriculture, such as sea fishing, seawater and freshwater breeding, and tropical plant growing; industry, such as electronics, building materials, chemicals,

food and tailoring industries; communications, such as passenger transportation; as well as tourism, commerce and catering services. Among projects imported from outside, productive ones account for 74 percent, of which 67 percent are industrial items.

These project activities have been expanded from coastal to mountainous areas, and from the Han nationality area to the minority nationalities' areas. In the last year, various counties and cities of the Hainan Li-Miao Nationality Autonomous Prefecture have signed 14 agreements with such countries and regions as Thailand, Japan and Hong Kong. The total investment has reached over \$16 million, of which \$10.82 million is foreign capital. Moreover, they have reached 42 agreements on economic and technical cooperation with China's 23 prefectures, cities and counties, thereby importing more than 53 million yuan of capital from places other than Hainan Island and promoting the developmental undertakings of minority nationalities' areas.

The district's foreign trade has developed from a budgetary single-product economy to the diversified one in which budgetary and additional products are integrated. Therefore, the district has put an end to the situation under which there was for years an unfavorable balance of foreign trade. Last year, the foreign trade departments actively carried out such additional foreign trade activities as acting as agents in exportation, joint venture, and entrepot trade. Moreover, the departments adopted flexible measures whereby the exporter has responsibility for earning foreign exchange or making up the losses, thus mobilizing the initiative of various parties and invigorating foreign trade. In the last year, the district's total foreign exchange amount earned from export increased by 69 percent compared with the previous year.

CSO: 4006/273

## ECONOMIC DEVELOPMENT ZONES

### CONSTRUCTION INDUSTRY REFORMS IN ZHUHAI ZONE

HK140403 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 6 Jan 85

[Text] Nanshan industrial district of the Zhuhai Special Economic Zone has reformed construction management and work systems, with the result that construction has been carried out at high speed. Levelling of the land started in this district last May, and construction began in July. By the end of December over 80 percent of the planned construction work had been completed. By now a new industrial city, including factories, standard factory buildings, commodity housing, workers' housing, and shops, post offices, nurseries and so on has taken initial shape. It is estimated that the whole project can be completed in March.

Nanshan is one of the several industrial districts being built in the Zhuhai special zone. Total investment in the district is 70 million yuan. The planned construction area totals over 180,000 square meters. According to conventions, a vast office would have to be set up to handle a project on such a scale. However, the district only hired four expert engineers as advisers and added four logistics and accountancy personnel to form a small but effective project command. The city CPC committee and government gave the command full powers in handling major matters such as planning, design, land requisition, use of capital, and the organization of a construction force. When difficult problems were encountered in construction, they could directly approach the principal responsible persons of the city to discuss ways of solving them. This avoided the practice of having to write a large number of reports under official seal just to get something done, and greatly improved work efficiency.

During the construction work, they referred to the experiences of Shenzhen and Shekou and used new methods such as doing overlapping foundation and construction work in turn; they carried out levelling and construction work in strips before the completion of foundation work. This greatly shortened the construction cycle.

CS0: 4006/273

ECONOMIC DEVELOPMENT ZONES

COASTAL CITIES PREPARE FOR FOREIGN INVESTMENT

OW030846 Beijing XINHUA in English 0729 GMT 3 Jan 85

[Text] Beijing, 3 Jan (XINHUA)--Infra-structure projects are being built to prepare the 14 coastal cities, open to the outside world, for increased foreign investment, according to foreign trade and economic relations authorities here today.

By the end of this year, direct telecommunications links with foreign countries will be available in all the 14 cities. Direct dialing with Hong Kong, Macao and 39 foreign countries is now a reality in Fuzhou, capital of Fujian Province, which has pioneered the effort to improve international telecommunications.

Transport is also being improved. Dalian has expanded an international airport to take Boeing 747s.

Yantai in Shandong Province had no airlinks with the outside world until a new airport was opened last month. The trip from Beijing to the city takes about 1 hour, while the train takes more than 20 hours, "enough to travel between all major European cities," as some foreign business executives put it.

A trial hover craft service now links Shanghai and Nantong, an important port on the northern bank of the Yangtze River. Qinhuangdao, a major coal outlet, will open air services to Beijing and Shijiazhuang in April.

Modern hotels have sprung up in all the 14 cities, officials here said. And development has begun on special investment zones in Dalian, Ningbo, Tianjin and Guangzhou.

CSO: 4020/80



ECONOMIC DEVELOPMENT ZONES

BRIEFS

DALIAN'S INTERNATIONAL COOPERATION COMPANY--Dalian, 12 Jan (XINHUA)--A new company for overseas economic and technical cooperation has been established in Dalian, Liaoning Province. The company will contract for overseas engineering projects and provide consulting, design, survey and installation services, as well as construction equipment and materials. It will also offer labor and technical services to foreign firms, establish Sino-foreign joint ventures and undertake China's aid projects to other countries. Eighty-three workers sent by the company have arrived in Iraq for technical service in plastic bag weaving. Two chefs of Jiangsu and Shanghai flavors will leave soon for Brussels to work in a local restaurant. Three orthopaedists will work in Fukuoda, Japan. Dalian is one of the 14 coastal cities opened wider to foreign investment earlier last year. [Text] [Beijing XINHUA in English 1601 GMT 12 Jan 85]

CSO: 4020/80

AGGREGATE ECONOMIC DATA

BRIEFS

BEIJING APARTMENT SALES--Beijing, 18 Jan (XINHUA)--The first batch of 54 apartments up for sale in the Liujiayao residential area in southern Beijing have been sold and nearly half the buyers have moved into their new homes, today's BEIJING DAILY reports. All 47 purchases paid lump sums, except for one, who is to pay by installments over 5 years. These buyers, mostly newlyweds, young people about to marry and residents with poor housing conditions, bought their apartments for about 300 yuan per square meter of floor space. They paid about one-third in their own money, and the rest was subsidized by their work units, which constructed the flats. The apartments have one, two or three living rooms, and their prices vary according to floor space. On average, a single-room unit with a floor space of 42.75 square meters costs by buyer 4,275 yuan (about 1,530 U.S. dollars), and a three-room unit with a floor space of 75.67 square meters costs 7,567 yuan (about 2,700 U.S. dollars). According to a decision of the municipal government, business and government departments in Beijing started selling flats to their workers from 1 January this year. [Text] [Beijing XINHUA in English 0642 GMT 18 Jan 85]

BEIJING SURVEYS INCOME, PURCHASES--Beijing, 9 January (XINHUA)--One in every 10 Beijing households owned a refrigerator by mid-1984, according to the municipal Statistics Bureau. Bureau survey, conducted last July and made public today, also showed that there were 167 bicycles, 294 wristwatches, 91 televisions, 44 cassette recorders and 32 washing machines per 100 families in the Chinese capital. New sales in 1985 are expected to average out to 9 refrigerators, 8 washing machines, 5 recorders and 3 color televisions per 100 households, the survey said. Last year, 61.6 [percent] of Beijing's 5 million residents in the urban areas were employed at a per capita average of 55.74 yuan a month. Only 2.3 percent of the city's households have an average per capita income of less than 30 yuan per month, down from 39.3 percent in 1979. The average Beijing family consisted of 3.83 people, the survey added. [Text] [Beijing XINHUA in English 0908 GMT 9 Jan 85 OW]

CSO: 4020/74

ECONOMIC MANAGEMENT

NEW JILIN FINANCIAL SYSTEM TO GO INTO EFFECT IN 1985

SK180413 Changchun Jilin Provincial Service in Mandarin 2200 GMT 16 Jan 85

[Text] The provincial CPC Committee and the provincial people's government have decided to implement this year the new financial management system of determining the categories of taxes, fixing revenue and expenditure targets, different levels sharing revenue at a fixed ratio and holding this ratio unchanged for a 5-year period. This new financial system has been formulated on the basis of the experience gained from the institution of the revenue-sharing system in the past 5 years in line with the guidelines of the state financial reform, and in light of our province's specific situation. This new financial system upheld the principle of exercising unified leadership and different levels holding different responsibilities, further defined the powers and duties of financial departments at all levels, overcome the idea of eating from a common big pot, and mobilized the enthusiasm of financial departments at all levels. This new financial system allows and encourages certain cities and counties to become prosperous ahead of others, and supports and promotes the localities with poor economic situations in developing production and changing their economic situation. This system draws clear distinctions between revenue and expenditure. This system stipulates that the province should establish a production development fund to support poorly-developed localities.

To consider the needs of the minority nationalities' autonomous prefectures and counties in developing economic, cultural, and educational undertakings, the new financial system stipulates: In localities where revenue is more than expenditure, the quota of their financial difference should be [words indistinct], and this quota should remain unchanged for a 5-year period.

In localities where expenditure is more than revenue, the financial balance should be made up by provincial subsidies, and the amount of subsidy should increase at an average rate of 7 percent a year. The revenue and expenditure plan for Qianguo and Changbai Autonomous Counties should be separated from the provincial revenue and expenditure plan for Qianguo and Changbai Autonomous Counties should be separated from the provincial revenue and expenditure plan assigned to various other localities.

The new financial system also stipulates: To keep abreast of the administrative management system, financial departments should also implement the system of city administering counties, establish township-level financial departments, organize well the budgetary and extrabudgetary revenue and expenditure, and raise and distribute private funds of townships and towns.

ECONOMIC MANAGEMENT

ECONOMIC REFORM BOOSTS PRODUCTION IN SHENYANG

OW141133 Beijing XINHUA in English 0915 GMT 14 Jan 85

[Text] Shenyang, 14 Jan (XINHUA)--An overall reform of the economic system in Shenyang, capital of Liaoning Province, has boosted the production of northeast China's largest industrial city.

City industrial officials said Shenyang's industrial output last year was 13.3 billion yuan, 15.2 percent more than in 1983. Its growing speed was in the lead among the same cities in the country.

Shenyang was granted provincial status in economic affairs directly under the central government last July. It was the third city after Chongqing and Wuhan to enjoy such powers.

The city government has given its 3,400 industrial enterprises more decision-making power. Industrial organizations have been reshaped and production of quality product streamlined. The city has cooperated economically and technically with Dandong, Liaoyang, Anshan, Benxi, Fushun and Tieling cities in central Liaoning Province.

To revitalize its old enterprises, Shenyang last year concluded contracts to import more than 200 projects from foreign firms, costing more than U.S.\$110 million, more than twice the total between 1979 and 1983.

Collective industries are booming too, the officials said. Rural industrial output was 1.25 billion yuan last year, 74.7 percent more than in 1983, and that of urban collective industries rose 25.4 percent to 3.4 billion yuan.

CSO: 4020/81

ECONOMIC MANAGEMENT

ECONOMIC REFORM BENEFITS PRISON INMATES

OW280910 Beijing XINHUA in English 0859 GMT 28 Dec 84

[Text] Shanghai, 28 Dec (XINHUA)--The current economic reform in China has also benefited prisoners in reform-through-labor centers.

Many prisoners and other offenders in Shanghai labor reeducation and reform centers sent money to their families and relatives this year, instead of asking for it as usual.

In the past 11 months 224 prisoners in one reform-through-labor center remitted a total of 11,000 yuan.

This is the result of the adoption of the production responsibility system, a local official said here in an interview with XINHUA.

From the beginning of this year, all labor reform centers in the city had reformed their financial administration, giving cash bonuses to prisoners and other offenders who overfulfilled production targets, the same as to staff.

As a result the city's labor reform farms this year registered increases over last year of 31 percent in grain output as well as 10 and 20 percent in industrial output and profits.

Chen Pixian, member of the Secretariat of the Chinese Communist Party Central Committee and vice-chairman of the National People's Congress Standing Committee, urged all the reform- and reeducation-through-labor units to follow Shanghai's example.

CSO: 4020/81

FINANCE AND BANKING

REFORM OF ACCOUNT SETTLEMENT SYSTEM DISCUSSED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 9, 4 Sep 84 pp 55-56

[Article by Wang Boyan [3769 0130 1484]: "Initial Probe of Reform of the System for Settlement of Accounts"]

[Text] The system for accounts, the credit system and the cash control system alike are all important features of the banking administration system. The system for settling accounts that is used in our country is a Soviet model that has been carried on as before from the 1950's, the characteristics of which are that it is suitable for the unitary economy under public ownership and is applicable to mandatory planned management. It unilaterally stresses administrative supervision and the procedures involved in the settlement of accounts are overelaborate and complicated to the point of hampering the development of commodity circulation. Consequently, an important task facing banking reform is to reform systematically the accounts settlement system, unclog the channel of settlement in an all-round way, give further play to the role of the economic lever in currency settlement and promote the development of the urban and rural economy.

The settlement of accounts should serve to develop socialist commodity production and commodity exchange. The reform of the settlement system should be suitable to the reform of the economic system in our country, especially to the principles, policies and major contents relating to the reform of the circulation system. Through reform, a socialist settlement system with a Chinese character will be set up to ensure a flexible way of operation, simplified procedures, transfers with accuracy, speedy transmittals and safety in collection and payment. First of all, the reform of the settlement system must be compatible with the structure of the ownership of the means of production. Our country's economy at the present stage is an economy based on the public ownership of the state-operated economy and of the collective economy with the presence of a small number of individual economic enterprises and, within a specially designated scope, the presence of a capitalist economy with foreign capital and overseas Chinese capital and of a national capitalist economy with joint ventures of Chinese and foreign capital. Because of differences in ownership, the ownership of funds, the right of use and the right of distribution are also different and thus the

demands for a method of a settlement of accounts are not quite the same. Therefore, the settlement system must do away with the malpractice of purely favoring the economy under public ownership and must take into consideration the demands of the many economic forms. Second, the reform of the settlement system must be compatible with the form of diversified economies being implemented in the production and circulation links in our country. At present, the industrial, agricultural and commercial departments are organizing various forms of operations in line with the demands for specialization, cooperation and economic integration such as the agricultural-industrial-commercial integration entities, various types of industrial specialized corporations and different types of trade and goods and materials centers and so forth. Reform of the settlement system must take into full consideration the different needs of these corporations and enterprises. Third, in reforming the settlement system, it is also necessary to adhere to the principle of the leading role of the planned economy and the supplementary role of market regulation and change the tendency of laying particular stress on planned management and neglecting the needs of market regulation. At the same time, consideration should also be given to the needs of establishing markets of open commodity circulation with multiple channels and fewer links.

Reform of the settlement system should not be carried out in a manner of treating the symptoms but not the disease, and it must be done in an all-round and systematic way.

1. The principles of reforming the settlement system. The current principle of settlement which stresses the payment of cash on goods delivered, safeguards the legitimate rights and interests of the buyers and sellers and prohibits banks from advancing money is hard to follow in practical work. For various reasons, the imbalance between production and marketing is absolute and the balance is relative. From time to time, goods that were in short supply and in heavy demand required an advanced deposit and advanced payment and goods that were in abundant supply but were slow to sell were either processed on credit or were delinquent in payment. At times, the banks were caught in a wrangle between the buyers and sellers arising from disputes in delinquent payments, non-payment and the withholding of the money for goods. To change this situation, the principle of a settlement of accounts must be altered as follows: (1) the ability to pay and the credit standing must be good. The settlement of accounts by transfer is based on the bank credit and the economic transactions are done in the form of transferring funds from the deposit accounts. Without surplus deposits or a credit target, it would be impossible to fulfill the obligation of paying and therefore the enterprise would not be qualified to handle the settlement of accounts. (2) Transferring funds as authorized by the depositors. The ownership of deposits belongs to the depositing units or the depositors (the ownership of deposits of enterprises under the ownership by the whole people belongs to the state), and the use of deposits should also be controlled by the depositors. The banks should transfer funds in accordance with the pertinent stipulations of the State Council and with the authorization by the depositors and should have no right arbitrarily to withhold loans, the payment for goods and taxes and other funds without going through the

depositors. (3) The banks are not allowed to advance money. The transformation from commodities into money is a process which, if the banks advance money as soon as the commodities are sent out or let the money be used without receiving payment in full, will, so it seems from the partial point of view, accelerate the turnover of funds and from the overall point of view will expand commercial credit and illegally use the banks' credit and result in issuing an additional amount of paper money outside of the plan. Thus, resolute measures must be taken to reject dishonored checks and impose penalties thereof; a deposit in security must be required as sinking funds for letters of credit, limited checks certified checks and bills of exchange. As an intermediary, banks handling the settlement of accounts by transfer absolutely cannot advance money to others.

2. Stipulations on reforming the settlement system. (1) Requirements for opening an account should be relaxed. As long as they have acquired the status of a legal person and a business license, they are acceptable. (2) The minimum amount for settlement should be adequately raised. The amount to be settled by checks may be raised to 100 yuan and the amount to be settled through exchange may be raised to 500 yuan. The amount of settlement through collection and honored payments has been raised to 1,000 yuan. (3) The valid period of presentation should be shortened. In light of the law governing the circulation and turnover of funds of industrial and commercial enterprises and the communications facilities in the country at present, the period of presentation for deferred payment by settlement through collection and honored payments may be 3 months, the valid period for money orders is 1 month and the valid period for checks is 3 days. (4) The proper order of withholding funds should be in line with the order of distribution of enterprise funds--adjustments should be made according to the principles of the state first, the collectives later and outside first and inside later. This means that money for tax, loans and goods comes first and funds, for wages, bonuses and major overhauls come next. In the meantime, there should be a time limit for drawing out funds under various categories, and in general, it is better to set it on a monthly basis.

3. Reform in the way of settlement. The way of settlement is the main body of the settlement system and the key lies in reforming the way of settlement.

According to statistics, Jilin Province handled a settlement of accounts in 1983 totaling nearly 300 billion yuan. The following indicate the various methods of settlement and the ratios in relation to the number of cases and the amounts involved:

Although there are many methods of settlement employed at present, settlement between different places mostly concentrates on two kinds, that is, collection and honored payment, and exchange, whereas settlement within the same city is focused on checks. Even though socialist economic activities are highly complicated and the forms of commodity transactions are numerous, the methods of settlement altogether are only two, that is, collection and payment by the banks as authorized. The reform of the methods of settlement should be done in keeping with the principle of fewer, simpler and quicker steps.



	Methods of Settlement	No of Cases (%)	Amount (%)
Settlement between different places	Collection and honored payment	36.7	40.1
	Authorized collection	10.6	5.5
	Exchange	46.7	53.1
	Letters of credit	0.3	0.3
	Inner-provincial limit	5.6	1.0
	Total	100	100
Settlement within the same city	Checks	70.7	45.7
	Letters of authorization for payment	4.7	4.8
	Collection of non-payment	4.5	1.7
	Collection and honored payment	0.5	1.2
	Others	19.6	46.5
	Total	100	100

Two methods, authorized collection and exchange, may be preserved in settling accounts between different places. Both collection and honored payment and authorized collection belong to the type of settlement by the sellers with delivery of goods first and receipt of payment later, and only the responsibilities assumed by the banks are different. Henceforth, if the banks do not assume the responsibilities for checking up on non-payment and the withholding of the money for goods, the two methods of settlement may be combined. Although no differentiation is made as to which system of ownership the entrusting units belong, their commodity transactions are confined to allocation under the mandatory plan and to regular and fixed economic cooperation. If the banks handle only collection but not payment, the method of having the goods that selling and buying units mail in evidence for collection should be adopted so as to correct the malpractice of using collection as a means to promote the sale of overstocked commodities, of buying goods on credit and of getting behind in payments over a long period of time. Letters of credit, limit checks and exchanges all come under the type of settlement by the buyers by paying for the goods first and taking delivery later. In such cases it is better to retain the exchange. The use of demand drafts should be popularized as they can be used for account transfers and for payments in cash; moreover, they can be accepted in full value and also used to make change for the balance and arrears. At the same time, steps may be taken to handle bills of exchange with salable goods and materials as a pledge.

In a settlement within the same city, two methods, checks and the collection of non-payment, should be retained. Letters of authorization for payments and checks may be combined, and if the receiving units have any doubt, there is no harm in settling the accounts first before the goods are delivered. Individual households with a fairly good credit standing should be treated equally without discrimination by allowing them to use checks. To satisfy the needs of specialized contract households and individual households in the urban and rural areas in purchasing and marketing, steps may be taken to start limit-certified checks with different face values which can be used for purchasing commodities, repaying loans and paying taxes.

At the same time, the use of acceptance bills and discounted notes should be developed so as to guide commercial credit toward bank credit, change "charge credit" into "bill notes credit" and transform arrears of indefinite duration into settlements within a prescribed period of time to invigorate the use of funds.

4. The techniques of reforming the settlement system. The time limit for settlement between different places is 5-7 days and for settlement within the same city is 1-2 days at present. By the end of March this year, the amount of money involved in the settlement nationwide totaled 17 billion yuan, a sizable sum. Efforts should be made to do the job quickly, accurately and safely and to look toward the extensive use of electronic computers for a solution.

5. Legislation on the reform of the settlement system should be introduced. The numerous problems that cropped up in settlement work at present are related to the lack of a law for adherence. Internationally, there have long been examples of laws relating to negotiable instruments, for example, Britain's "Bills Law" of 1882, the "Unified Circulating Securities Law" of 1896 in the United States and the six laws relating to negotiable instruments and conventions governing checks signed in Geneva by the special commission of the League of Nations in 1930 and 1931. We should draw something beneficial from them and formulate the "Banking Law" and "Law Governing Negotiable Instruments" as soon as possible so that the settlement work will have a law to comply with and act according to the law to change rapidly the confused situation facing settlement work at present.

12662

CSO: 4006/132

FINANCE AND BANKING

CHEN LEI SPEAKS AT FINANCIAL WORK CONFERENCE

SK110633 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 10 Jan 85

[Text] At the Provincial Financial Work Conference held on 10 January, Governor Chen Lei pointed out: Beginning this year, our province will implement the new financial system which divides taxes into different categories, fixes the revenue and expenditure quotas, and assigns quotas to different levels. This is a great progress in reforming the financial system, contributing to economic development and the reform of the economic structure.

Governor Chen Lei said: Since the implementation of the financial contracting system in 1980, our province's local revenue rose from 1.4 billion yuan to 2.13 billion yuan, a net increase of some 700 million yuan, an average annual increase of some 10 percent, exceeding the growth rate of the industrial and agricultural production of the corresponding period as well as that of the national revenue. The Sixth Enlarged Plenary Session of the Fourth Provincial CPC Committee held in 1982 pointed out that in the future, the financial revenue should increase at an annual rate of 7 or 8 percent. We have attained this target. In addition, we succeeded in achieving balance in revenue and expenditures and with a small surplus in 5 successive years. In the next 5 years, we should strive to increase financial revenue from the annual increase of 7 to 8 percent in the past 5 years to the annual increase of 9 to 10 percent. In order to achieve this target, we should exert greater efforts. All localities and departments, from now on, should practice economy, make careful calculations and strict budgeting, and reduce unnecessary expenditures. It is necessary to broaden the sources of income and stress production and economic results.

Financial departments should focus their work in enlivening the economy and developing the socialist productive forces, and should use financial reform to promote economic reform and economic development to stimulate financial development.

Governor Chen Lei said: We should observe financial and economic discipline. Financial and economic discipline should be strengthened in order to reform the economic system and to enliven enterprises. We should stress three aspects of work: 1. Solve the problem of arbitrarily giving additional fees to enterprises, and alleviating their unnecessary burdens. 2. Resolution check enterprises' unhealthy trend of practicing fraud.

CSO: 4006/262

FINANCE AND BANKING

HENAN URBAN, RURAL SAVINGS DEPOSITS INCREASE

HK170312 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 13 Jan 85

[Text] Last year, urban and rural savings deposits in our province greatly and continuously increased. According to statistics by the end of December last year, the urban and rural savings deposits totaled 6,435,030,000 yuan, a sharp increase of 1,876,810,000 yuan over 1983. Of this, urban savings deposits reached 179 percent of the quota for the whole year. Per capita savings deposits throughout the province increased from 60 yuan in 1983 to 84 yuan. Per capita savings deposits of workers increased from 495 yuan in 1983 to 694 yuan, a record in history.

There were four characteristics of the increase in the savings deposits last year:

1. The amount of fixed deposits was more than the amount of other savings deposits. Of the savings deposits with all industrial and commercial banks throughout the province, 77 percent were fixed deposits.
2. There were more long-term savings deposits. Of the fixed deposits, 64.7 percent were long-term fixed deposits for 3-, 5-, and 8-year periods.
3. The number of peasants depositing money in urban areas increased. According to a sample survey, peasants' savings deposits accounted for 61.2 percent of the total.
4. The number of large savings deposits belonging to peasants increased. According to a sample survey, 42.3 percent of fixed deposits of over 1,000 yuan belonged to peasants as well as 71.4 percent of fixed deposits of over 2,000 yuan.

The great increase in savings deposits reflects the excellent situation in the continuous increase in the national economy and in the gradual improvement of state finances. The masses have full confidence in our country's increasingly consolidated political situation of stability and unity. The monetary income of urban and rural residents has increased and their living standards have been raised. The amounts of famous brand and high-grade consumer goods they demand, have increased. More and more people want to buy these goods.

CSO: 4006/290

FINANCE AND BANKING

CONSTRUCTION BANKS TO SERVE ECONOMIC DEVELOPMENT

OWL30051 Beijing XINHUA Domestic Service in Chinese 1239 GMT 12 Dec 84

[By RENMIN RIBAO reporter Lu Mu and XINHUA reporter Chen Naijin]

[Text] Beijing, 12 Dec (XINHUA)--A national meeting which opened today of branch office directors of the Construction Bank of China [Jianshe Yinhang 1696 6080 6892 5887], pointed out that construction banks at all levels should learn and master how to use credit loans as a lever to regulate money in society and, in the course of practice, open up new banking work areas to serve the needs of economic construction still better.

A leading comrade of the State Council pointed out recently: To function as investment banks, construction banks should make conscientious investigations and studies of each and every project for which a loan is requested and seriously consider its benefits to the enterprise concerned and the whole society before they decided whether or not the loan should be extended.

According to opinions expressed at the meeting, for many years the banks have been unable to play their role to the full due to the centralized management of revenues and expenditures. Also, they are not adept at making full use of credit loans as an economic means to regulate the national economy. With the gradual development of the work of reforming the urban economic structure, especially the change in the way of handling construction funds from requiring no repayment to requiring repayment, the major task of the construction banks will switch from the management of appropriations to the management of credit loan funds. This requires the construction banks to make a drastic change in the method of managing funds. They should strengthen investigations and studies, understand the economic trends, do well in exchanging information, and make a success of the work of feasibility studies and value appraisals for those projects for which credit loans are requested. They should make further efforts to collect investment information, gather extensive technical and economic materials as well as information on market supplies and demands, and forecast the trends of development in the future so as to provide themselves with a basis for granting loans to selected applicants. In addition, they should build a contingent of professional information workers and form an information network capable of disseminating messages and receiving responses in an expeditious manner.

The meeting called on construction banks at all levels to know the importance of good operations and management and the need for economic accounting so as to raise the level of management of their loan funds. They should boldly promote to the leading positions those young and middle-aged cadres who know the modern methods of economic and technical management, have good knowledge in certain specialized fields, are versed in operations and management, and are capable of opening up new situations. They should also gradually include chief engineers, chief accountants, and chief economists in their staffs. To sum up, construction banks should make more efforts to build themselves organizationally so that they will become economic organizations full of vigor and vitality.

CSO: 4006/290

## FINANCE AND BANKING

### AGRICULTURAL BANK TO SUPPORT RURAL PRODUCTION

OW161429 Beijing XINHUA in English 1208 GMT 16 Jan 85

[Text] Beijing, 16 Jan (XINHUA)--China's state-run agriculture bank will intensify its support for diversified, specialized production to make the rural economy more responsive to market demand.

While continuing aid to grain production, a bank official said, greater efforts will be made to promote collectively-run industries, animal husbandry, forestry, fisheries, and mining in the countryside.

Loans issued to township and village enterprises last year came to 47.5 billion yuan, accounting for 45 percent of the total agricultural loans committed by the agricultural bank and rural credit cooperatives last year, the official said.

The official declined to reveal the exact figure for this year but assured that the percentage earmarked for rural economic diversification would be in no way less than last year.

Rural enterprises are growing in number, spurred on by the government's effort to further liberate rural productive forces and invigorate the rural economy; the result has been increased production and income. According to the bank official, the more than 1.47 million industrial establishments operating in rural China turned out 150 billion-yuan-worth of machinery, textiles, paper, building materials, food, animal feed, chemicals and other products last year, an increase of 23 percent over 1983.

To accommodate to the new situation, the official said, the bank is shifting its efforts to planned, large-scale commodity production from the traditional subsistence economy.

The bank will encourage these enterprises to develop the food, animal feed processing, construction, building materials and energy exploration industries, and help them bring in new technology and equipment to improve quality and increase the variety of products.

The official predicted a bigger boom in specialized production in rural areas. There are now 25.59 million specialized households working under the contract responsibility system, making up 14 percent of the peasant household total. "We'll help more peasants to start specialized enterprises and try to guide them to produce according to market demands," he added.

A total of 415 billion yuan in loans was issued last year by the agricultural bank and rural credit cooperatives, three-fourths of which were for commercial purposes. More than 80 percent of the loans have already been recovered.

FINANCE AND BANKING

AGRICULTURAL BANK, CREDIT COOPERATIVES LOAN MORE

OWL21107 Beijing XINHUA in English 0704 GMT 12 Jan 85

[Text] Beijing, 12 Jan (XINHUA)--The Agricultural Bank of China and rural credit cooperatives loaned 415.14 billion yuan in 1984 to spur the burgeoning rural commodity production.

This was 82.7 billion yuan more than in 1983, the bank said.

The money was mainly used to help commercial departments purchase farm and sideline produce, and boost grain production. It also fostered rural resources exploration undertaken by state farms, collectives and peasant households, and encouraged the growth of rural industries, the bank said.

Loans totaling 36.7 billion yuan were provided from January to December to specialized individual households, with priority given to those engaged in scientific consultation, crop protection, mechanized farming, fodder processing, long-distance transport and marketing, as well as service trades.

The bank and credit cooperatives issued 412 million yuan in development loans--339 million yuan more than in 1983--to help peasants open up desolate mountain areas and start fish farming and breeding of aquatic products in natural lakes and shallow waters along the coasts.

Loans to township and village industrial establishments last year came to 47.52 billion yuan, more than double the 1983 figure, the bank said. The bulk of this went to farm and sideline produce processing, food and fodder processing, the building construction and building materials industries, and rural energy resource development schemes.

CSO: 4020/82



FINANCE AND BANKING

INDUSTRIAL, COMMERCIAL BANK EXPANDS SERVICES

OW141811 Beijing XINHUA in English 1618 GMT 14 Jan 85

[Text] Beijing, 14 Jan (XINHUA)--The Industrial and Commercial Bank of China will expand its foreign exchange services and gear up to support urban private businesses and house-buying programs to aid China's international and domestic economics, bank officials said here.

The bank now operates foreign exchange services in three of the country's special economic zones. Deposits of over \$US10 million were reported in the Shenzhen special economic zone from 20 December to 4 January, according to the officials.

The bank has applied for permission to extend these services to the 14 coastal cities opened to overseas investors early last year as well as Hainan Island to help bring in more foreign funds for imports of advanced technology and equipment, the officials added.

The Industrial and Commercial Bank--one of the four specialized banks in China--accepts savings deposits from urban residents, enterprises and government organizations, issues loans to state and urban collective and individual industrial and commercial establishments, and offers leasing and consulting services.

The other three specialized banks are the Bank of China, the Agricultural Bank of China and the People's Construction Bank of China.

Last year, the Industrial and Commercial Bank issued 400 million yuan in loans to urban family-run businesses in industry, marketing, repair services, catering, transportation, tourism and scientific consultation. It also encouraged peasants to open factories or shops in cities and helped urban residents do the same in rural areas.

In 1984, the bank granted real estate loans of 179 million yuan--11 times more than in 1983--to help government organizations, collectives and urban dwellers build, purchase and repair houses.

Under the new home purchase program, prospective buyers pay only one-third of the cost. The balance is covered by their work units and local governments. Those who want to borrow from the bank to cover their share of the cost must deposit at least one-third of the borrowed amount before securing a loan.

The bank has also entered joint ventures and cooperative agreements with other departments and specialized banks to finance real estate deals in the Zhuhai Special Economic Zone in Guangdong, Qinhuangdao in Hebei Province, and Hefei in Anhui Province.

FINANCE AND BANKING

BRIEFS

URBAN SAVINGS RISE--Beijing, 29 December (XINHUA)--China's urban residents now have savings deposits amounting to more than 67 billion yuan, averaging 279 yuan per person, according to the Industrial and Commercial Bank of China. This is nearly 17 billion yuan more than a year ago, said a bank spokesman today. This year's figure does not include savings deposits made by residents of rural towns in the Agricultural Bank of China, the industrial and commercial bank spokesman said. The increases testify to fast income growth and people's confidence in renminbi, the Chinese currency, the spokesman said. The bank now offers housing purchase and repairs loans to depositors. Such loans amount to 145 million yuan this year. The industrial and commercial bank has also started foreign exchange services in Shenzhen, Zhuhai and Xiamen special economic zones to promote the open policy. [Text] [Beijing XINHUA in English 1324 GMT 29 Dec 84 OW]

BANKING PROGRAM TELEVISED--Beijing, 31 December (XINHUA)--The Bank of China and the China Central Television (CCTV) will start a television program as from 1 January 1985 to provide international banking information. Named the "Window of the World Economy," the program will be on every Tuesday, Thursday and Saturday evening. The Bank of China, which specializes in handling foreign exchanges, will provide banking and economic information, such as Hong Kong financial flashes, exchange quotations and gold prices at the London financial market, comments on the gold and foreign currency market developments, and the related knowledge on international banking. Under an open-door policy, more and more Chinese enterprises and households engaged in specialized production have become increasingly keen to international finance and economy. [Text] [Beijing XINHUA in English 1440 GMT 31 Dec 84 OW]

1984 TREASURY BOND QUOTA--Beijing, 12 Dec (XINHUA)--The 1984 national treasury bond quota has been overfulfilled, the Ministry of Finance announced today. By the end of last month, government and public organizations and individual citizens throughout China had purchased more than 4.11 billion yuan's (about \$US1.48 billion) worth of treasury bonds, outstripping the planned target by 2.9 percent. The annual interest rate is 8 percent on treasury bonds bought by individuals and 4 percent on those bought by units. The sale of treasury bonds valued at 4 billion yuan a year from 1981 through 1985 is aimed at supplementing state revenues to fund China's modernization. Bond quotas for 1981, 1982 and 1983 were fulfilled ahead of schedule. [Text] [Beijing XINHUA in English 1506 GMT 12 Dec 84]

**QINGHAI RURAL SAVINGS**--The savings in the rural and pastoral areas in Qinghai Province in 1984 increased relatively greatly. According to statistics compiled by banks in the province, the total amount of savings in the rural and pastoral areas throughout the province by the end of last year reached some 180 million yuan, and was 22 percent more than in 1983. The average savings of a peasant or a herdsman household were 376 yuan, and the per-capita savings were 65.4 yuan, a record. Of the total amount of savings in the rural and pastoral areas, 69.2 percent were fixed deposits. [Summary] [Xining Qinghai Provincial Service in Mandarin 1100 GMT 10 Jan 85]

**URBAN HOUSING CONSTRUCTION**--Beijing, 12 Jan (XINHUA)--The Chinese Government appropriated a fund of 86.5 billion yuan between 1979 and 1984 for urban housing construction, according to the Vice Minister of Urban and Rural Construction and Environmental Protection Lian Zhong. Some 580 million square meters of housing have been built, and 40 million urban households have moved into new houses over the past 5 years. Houses in China's cities have been provided by the government as welfare at very low rent which barely covers the cost of maintenance and repair. Now, the Chinese Government encourages individuals or collectives to buy apartments to ease the acute housing problem. The individual buyer only pays one-third of the cost and the rest is covered by the unit where the person works. An apartment of 50 square meters is priced at 9,000 yuan. The vice-minister said that better housing designs were being studied to suit the modern way of life. [Text] [Beijing XINHUA in English 1456 GMT 12 Jan 85]

**CONSUMER SPENDING ENCOURAGED**--Greater efforts should be made to encourage consumer spending to help withdraw money from circulation. Bank saving is one way of the withdrawal. But withdrawal of currency through the sale of commercial goods is more essential. Thus a steep rise in bank savings is a trend that must be altered, says a signed article in ECONOMIC INFORMATION. Bank savings went up from 13.6 percent of the total money in circulation in 1979 to 17.4 percent in 1983. This rose to 20.4 percent by end of September 1984, a total of 110 billion yuan. This pattern is the result of a short supply of consumer goods and higher interest rates for savings. More consumption is needed to stimulate investment in production. It is reported that stockpiled goods are valued at 200 billion yuan. But 80 percent of these goods have a ready market so commercial departments should promote sales. [Text] [Beijing CHINA DAILY in English 17 Jan 85 p 4]

**JILIN SAVINGS DEPOSITS**--In 1984, the urban and rural savings deposits of Jilin Province reached more than 3.36 billion yuan, an increase of 93 million yuan over 1983. In 1984, the per capita cash income of the staff members and workers in the province increased by 107 yuan over 1983 figures. The per capita savings deposits of the staff members and workers was 561 yuan, an increase of 105 yuan over 1983. The rural savings deposits of the province surpassed 1.1 billion yuan, an increase of 280 million yuan over 1983. [Summary] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 8 Jan 85 SK]

SHANDONG CREDIT COOPERATIVE ACHIEVEMENTS--The credit cooperatives throughout Shandong Province have made great progress in deposit and loan transactions in 1984. As of the end of November, the province's rural deposits surpassed the figure of the corresponding period of 1983 by 35.5 percent and its loans for agricultural production were also higher than the figure for the same period of 1983 by 53.8 percent. [Excerpts] [Jinan DAZHONG RIBAO in Chinese 18 Dec 84 p 1 SK]

CSO: 4006/262

MINERAL RESOURCES

BRIEFS

JIANGXI QUARTZ DEPOSIT--Nanchang, 16 Jan (XINHUA)--Quartz reserves of more than 10 million tons have been found by geologists in western Jiangxi Province, east China. The 20-meter-thick deposit is a few meters to several dozen meters below the surface, and stretches across Anfu, Lianhua, Fenyi, Yichun, Shanggao and Pingxiang Counties. The quartz is of fine quality. Its grains are finer than flour, can be removed easily and can be directly used in metallurgy without processing. Its content of silicon dioxide is of high purity and the impurities iron and manganese, content are low. [sentence as received] Quartz is used as a raw material in the production of glass, ceramics, cement, refractory material, pesticides and rubber. [Text] [Beijing XINHUA in English 0655 GMT 16 Jan 85]

SHANDONG GOLD PRODUCTION--Shandong Province has achieved prosperous development in gold production. During the period from early 1978 to the end of November 1984, the province set up 12 production units, producing 10,000 liang of gold output annually, including the 4 mines run by Zhaoyuan, Rushan, and Huangxian counties and by Weifang City; the 3 mines run by Luoshan and Fushan townships and by Canzhuang town in Zhaoyuan County; 2 other mines in Zhaoyuan and Rushan counties; the mine run by Yinan County; and the 2 mines run by Jiaojia and Xincheng Towns. [Excerpt] [Jinan DAZHONG RIBAO in Chinese 20 Dec 84 p 1 SK]

CSO: 4006/262

INDUSTRY

SHANGHAI INDUSTRIAL PRODUCTION RISES SHARPLY

HK030725 Hong Kong TA KUNG PAO in English 3 Jan 85 p 5

[Text] The policy of encouraging a market-oriented economy caused the sharp increase in Shanghai's industrial production in 1984, according to Sun Xinkang, a senior official at the city's planning commission.

The city, which met its 1984 production plan 3 weeks ahead of schedule, achieved a 9 percent increase in industrial output value over 1983. Industrial production rose by 6.6 percent in 1983, 4.5 percent in 1982 and 3.6 percent in 1981.

Production of refrigerators was up 130 percent in the first 11 months of 1984 over the same period in 1983. The increase was 90 percent and 54 percent respectively for washing machines and cassette recorders. Other durable goods now in large demand include colour televisions, motorcycles and cameras.

Since the beginning of 1984, 115 products produced by the city have been awarded state gold or silver medals for good quality, as against less than 60 in 1983.

"Shanghai continues to lead the nation in the number of varieties of top-quality products," Sun said.

The rate of industrial increase is expected to hit 7 percent in 1985, led by boosts for consumer and high-technology goods. Production of colour televisions, refrigerators, washing machines and micro-computers is set to rise by 60 to 200 percent.

Also responsible for the industrial increase in 1984 are experiments in increasing the autonomy of selected factories for better economic performances. "The results are remarkable in 80 percent of the 200 factories--including 58 key factories--involved in the experiments," Sun said.

The number of key enterprises experimenting with new managerial systems will increase to 200 this year, while 150 smaller state-owned factories will be run on a cooperative basis.

In 1984 Shanghai handled 100 million tonnes of cargo, making Shanghai one of the world's 10 greatest ports which handle at least that much yearly, said a spokesman for the port administration.

The biggest in China, the Shanghai port has 96 berths, including 45 for 10,000-ton class ships. An annual average of 22,000 foreign ships arrive in the port for loading and unloading, the spokesman said.

The state has allocated 320 million yuan retooling the port since 1979.

CSO: 4020/81

INDUSTRY

SHENYANG TO BOOST MINI-TRUCK PRODUCTION

OWL51956 Beijing XINHUA in English 1436 GMT 15 Jan 85

[Text] Shenyang, 15 Jan (XINHUA)--Shenyang will double its mini-bus and pickup production to 20,000 this year, according to He Zhongbin, deputy manager of the Shenyang Automotive Industry Company.

The Liaoning provincial capital built more than 10,000 motor vehicles in 1984, a 47 percent increase over the previous year.

The Shenyang company earned profits of 74 million yuan last year--92 percent more than in 1983.

The current government policy of encouraging state, collective and private road transport companies, particularly in rural areas, has sparked a new boom for China's automotive industry, he said.

Its output rose 27 percent in 1984 to 300,000 units, but motor vehicles are still in short supply throughout China, he added.

Shenyang's auto factories will get 650 million yuan from the city government between 1986 and 1990 to upgrade their technology and equipment. Production is expected to rise to 60,000 units annually by 1990.

Twelve of the Shenyang company's subsidiary factories imported advanced technology last year, and more will be brought in during 1985, He Zhongbin said.

The company has been listed a key enterprise with top priority for retooling this year. It will get 9.57 million yuan in state investment to carry out the plan.

A number of measures including tax remission and increase of workers' wages and benefits have been adopted by the city authorities to boost the growth of the Shenyang Auto Company.

CSO: 4020/81



INDUSTRY

BRIEFS

SHANGHAI FOOD INDUSTRY PRODUCTION--Shanghai, 11 Jan (XINHUA)--Shanghai plans to boost production of beer, canned and ready-to-service food and beverages from 11.4 percent to 30 percent annually during the seventh 5-year plan (1986-1990). The other foods included on the list are soya bean products, sterilized milk, cooked meat, packed staple food and chocolates. According to a food fair opened here today, the beer output will shoot up to 300,000 tons in 1990 from 90,000 tons this year. The canned food output will double the present figure to 120,000 tons, while the sterilized milk will reach 2.5 million bottles in 1990 as against 800,000 this year. The varieties of ready-to-service food, soya bean products and staple food in small packages will be increased and more snack bars and factories will be opened. The city imported 73 items of foreign equipment, including a Japanese fish mincing line, in the past 2 years to improve its food industry. [Text] [Beijing XINHUA in English 1617 GMT 11 Jan 85]

JIANGSU'S INDUSTRIAL OUTPUT VALUE--Nanjing, 11 Jan (XINHUA)--Jiangsu Province recorded a total industrial output value of 67.7 billion yuan in 1984, 19 percent more than in 1983 and more than double the 1978 figure. Provincial officials attributed this achievement to the current economic reform in China. The planning and administration systems in Jiangsu have been readjusted, and more power has been given to enterprises. Emphasis was given to the production of goods in particularly short supply last year. The output of domestic electrical appliances, woolen fabrics, chemical fibers, and furniture--all articles in short supply--went up by 30 percent over 1983. [Text] [Beijing XINHUA in English 0735 GMT 11 Jan 85]

CSO: 4020/81

## CONSTRUCTION

### JINGJI RIBAO URGES PUTTING CONSTRUCTION FIRST

HK120514 Beijing JINGJI RIBAO in Chinese 6 Dec 84 p 1

[Commentator's article: "Put Construction First"]

[Text] In the economic reform, it is necessary to handle well the relationship between destruction and construction. We should attach particular importance to construction by putting construction first.

During the war years, not having seized state power, the party and the people were confronted with powerful enemies. Without wiping out the reactionaries, overthrowing the three big mountains, and abolishing the reactionary regime, it would have been impossible to found new China in which the people are the masters. It was correct at that time to place destruction before construction. After the founding of the PRC, particularly after the accomplishment of the social transformation of the means of production, we had all the conditions and the strength to create a new situation in all endeavors of socialist construction. With the establishment of the new, the old ideas, habits, and practice will gradually change. The principle of "putting destruction first" is no longer suited to this situation. It will be wrong if we again engage in "putting destruction first."

However, for a long time in the past we have failed to handle well the relationship between destruction and construction. Always acting in accordance with the principle of "putting destruction first," we "took class struggle as the key link," centering the work of all departments on class struggle. At every turn we waged the "struggle of line" and the "struggle against deviation." The result was that political campaigns were launched one after another. This brought extremely great harm to socialist construction. After things were set to right, great changes occurred. However, our comrades should not underestimate the influence of the erroneous idea of "taking class struggle as the key link." In all our work we should pay attention to eliminating the influence of this idea. We should no longer engage in any "mass criticism" nor should we regard ideological work as "ideological struggle."

Carrying out reform is by no means "putting destruction first." Since the 3d Plenary Session of the 11th CPC Central Committee, we have instituted in the rural areas the system of contracted responsibilities with payment linked to output. The result is that tremendous changes have taken place in the rural areas.

The series of urban reform measures defined by the 3d Plenary Session of the 12th CPC Central Committee make it imperative for us to further emancipate our minds in line with the principles of integrating the basic tenets of Marxism with the reality in China and of adopting the correct approach toward foreign experience, follow our own path, establish a socialist economic system with Chinese characteristics which is full of vigor and vitality, and promote the development of social productive forces. All this represents construction. Only by establishing good theories, line, principles, policies, and corresponding measures can we reform all things which are not suited to the development of the situation and objective needs. Since the urban reform is much more complicated than the rural one, it is all the more necessary for us to act with care. The "decision" of the 3d Plenary Session of the 12th CPC Central Committee has drawn up a construction blueprint for us. As long as we put construction first and thoroughly eliminate all the influence of "taking class struggle as the key link," we shall be able to do our work more satisfactorily and our undertakings will further grow and flourish.

CSO: 4006/290

CONSTRUCTION

HAINAN STARTS LARGE-SCALE EXPLOITATION, CONSTRUCTION

HK141328 Guangzhou NANFANG RIBAO in Chinese 10 Jan 85 p 1

[Report by reporter Wang Zhanghu [3769 2222 6233]: "Large-Scale Development and Construction Projects Start Successively in Hainan Island, Capital Accumulation Scored Pleasing Results, and Local State Revenue Doubled in 5 Years"]

[Text] Last year every construction project on Hainan Island scored pleasing results. Block after block of new buildings and row after row of new streets and roads are now unfolding before the people's eyes with a new look, proclaiming to the people that the prelude to large-scale exploitation of resources and construction has started.

The natural conditions on Hainan Island are excellent, but the facilities for transportation, energy resources, and communications and so forth are not suited to the needs of exploitation. In 1984, the regional CPC Committee and regional people's government devoted their main energy to the preparatory work of 24 key infrastructure projects. By now, not including four construction projects like Yangpu Harbor which are still undergoing preparatory work for the first-phase construction, 20 key projects have already started construction at a speed faster than people expected. The Nandu Jiang Bridge and Haikou Brewery have already been completed ahead of schedule and put into use; the expansion work at Haikou Airport and Sanya Airport are nearly finished, and these two airports are expected to receive large passenger planes to and from Hong Kong within a few months; one of the two 10,000-kilowatt power stations for railway use has been put into use and the other is being completed; the microwave communication line connecting the west of the island and Haikou has been completed; some hotels and tourist facilities are under construction and some high-grade air-conditioned houses have started receiving guests. Lei Yu, the principal responsible person of the Hainan Regional People's Government, told this reporter that in view of the foundation laid down in 1984, the objective requested by leading comrades of the central authorities to make the total industrial and agricultural output value of Hainan Island in 1985 double over 1980 is attainable.

The exploitation and construction of Hainan Island requires enormous capital. In the aspect of capital accumulation also, pleasing results have been achieved. Early last year the regional CPC Committee and

regional people's government transferred within the whole region nearly 400 cadres who know economics and are good at management to engage in the work of enterprise consolidation and making up deficits and increasing surpluses, with the result that the long-term deficits in industrial production have turned into synchronous increases in output values, taxes, and profits. By last November, the regional industrial net profit for 1984 reached 114.9 million yuan, equal to 3 times that of previous year. In 1984 the total industrial and agricultural output value of the whole region reached 3.15 billion yuan, a 15 percent increase over the previous year and a 62 percent increase over 1980; the local state revenue was 230 million yuan, double that of 1980. While fully tapping the internal potentials, they carried out the principle of promoting exploitation of resources by adopting the open-door policy and earnestly did a good job of strengthening economic exchanges and cooperation with other provinces and regions and promoting the introduction of foreign capital and technologies. Since 1984, 180 agreements and contracts with other provinces and cities involving a total investment of 120 million yuan have been signed; and more than 110 joint-capital contracts with foreign businessmen involving a total investment of \$142 million, an increase of 800 percent over the previous year, have been signed.

CSO: 4006/280

CONSTRUCTION

BRIEFS

JIANGSU DAM COMPLETED--Nanjing, 14 Jan (XINHUA)--A 500-meter-long dam across a channel of the Yangtze River near Nanjing, Jiangsu Province, was completed on Sunday. It has been built to divert the flow to another river channel, where industrial docks, an oil refinery and a chemical fiber plant on the banks were threatened by lowering water. A large shoal divides the river here into the northern and southern channels, and provincial authorities decided to build two dams across the northern channel to direct all the water to the southern. Work started in October, and the second dam will be built soon to complete the project. The space between the two dams will be used as dumping ground for the power plants in the vicinity. The scheme will provide vital information and experience in controlling the 799-kilometer sector of the Yangtze in its middle and lower reaches, which is divided into separate channels by shoals and constantly changing course. [Text] [Beijing XINHUA in English 1202 GMT 14 Jan 85]

HEILONGJIANG UNDERGROUND WATER DEVELOPMENT--Harbin City, Heilongjiang Province, has completed construction of the suburban Jiancaoling water supply project. It put the project into trial operation on 12 December. From this day on, the city will have a 20-percent increase in daily water supply, which will relieve its water shortage temporarily. The project will cost the province more than 18.9 million yuan. The project, which began in June 1981, includes 32 deep pump wells, a water supply pipeline totaling 16 km in length, a pipeline connecting various wells totaling 11 km in length, and a power transmission line totaling more than 40 km in length. [Summary] [Harbin HEILONGJIANG RIBAO in Chinese 13 Dec 84 p 1 SK]

CSO: 4006/262

DOMESTIC TRADE

1984 BUYING BOOM LEADS TO RECORD SALES

OWO21634 Beijing XINHUA in English 1621 GMT 2 Jan 85

[Text] Beijing, 2 January (XINHUA)--Retail sales in China's urban and rural areas hit a record 300 billion yuan in 1984, and are expected to soar even higher this year, the Commerce Ministry said here today.

The figure was 17 percent more than in 1983 or twice as much as in 1978, a ministry official said.

Food sales increased by 18 percent, clothing 16 percent, and general household goods 20 percent. Sales of agricultural production equipment were up 12 percent.

The year witnessed a big growth in collective and private businesses, whose retail sales exceeded those of state shops, the ministry said.

While retail sales by state shops increased by only 8 percent in the year, collectives improved their retail trade by 14 percent and private businesses nearly doubled theirs.

The ministry said 42,800 small state shops were contracted to individuals or collectives during 1984, and 1,007 urban trading centers, where factory agents take orders for goods, were set up.

The business volume of peasant markets increased by more than 45 billion yuan.

The ministry predicted that retail sales would increase to more than 380 billion yuan in 1985.

Sales of the means of agricultural production are expected to increase about 12 percent to 53 billion yuan, accounting for about 13 to 14 percent of the national retail sales.

Sales for farm machines, vehicles, motorcycles, and pumping equipment and machines for rural industries are expected to be up.

The ministry said sales of food were expected to increase by 17 percent this year. The demand for low-fat, high protein food would continue to increase sharply. Tonics, medications and fast food would continue to be in big demand.

Clothing sales would increase by more than 10 percent, accounting for 18.3 percent of total retail sales.

Household electrical appliances would remain in hot demand, said the ministry. An increase of 19 percent was expected. The demand for refrigerators could double to 2.5 million, while demand for televisions would increase by 50 percent.

The ministry said the rural house building boom would continue and the demand for building materials would at least double. However, as these materials were in short supply, sales were expected to increase by over 25 percent. More city dwellers would buy their own homes this year.

The ministry said that 19.5 billion yuan of the 1985 retail sales would be realized in urban and rural peasant markets, which would represent a 22 percent increase. Rural retail sales would account for 53.5 percent and urban markets 46.5 percent.

A buying peak is expected in the first quarter of this year, as there is a longer period between the new year and the traditional spring festival, the ministry said. Sales during this period are expected to soar more than 20 percent above the same period in 1984.

CSO: 4020/71



DOMESTIC TRADE

02  
05

RETAIL MARKET FORECAST FOR 1985 REPORTED

OW240724 Beijing XINHUA in English 0650 GMT 24 Dec 84

[Text] Beijing, 24 December (XINHUA)--China's market will be stable in 1985 because of an ample supply of daily necessities such as grain, cotton, oil, sugar and cloth, the ECONOMIC DAILY reported today.

"A basic balance between total commodity supply and increasing purchases can be obtained," the paper quotes an official of the State Planning Commission as saying.

The official said that commodities in short supply will be fine rice and flour, lean pork, beef, mutton, aquatic products, quality cigarettes and liquor, some household electrical appliances, high-grade woolen piecegoods, silks and brocades, pure polyester and woolen western-style suits.

Production of refrigerators and color television sets will more than double, while that of washing machiens will rise 40 percent, he added. These goods are now in short supply.

"The 1984 market is better than expected," he said. "Between January and November, retail sales rose an unprecedented 16 percent compared with the same period of 1983."

Big increases were registered for sales of woolen piecegoods, silks and brocades, television sets, refrigerators, washing machiens, quality cigarettes and liquor.

The proportion of retail sales by collective and individual concerns went up from 48 percent to 50 percent.

CSO: 4020/71

DOMESTIC TRADE

BRIEFS

CONSUMERS ASSOCIATION INAUGURATED--The China Consumers Association, organized by Chinese consumers themselves, was inaugurated in Beijing on 26 December. The association is primarily concerned with supervising commodities and services, safeguarding consumer interests, and promoting the socialist commodity economy. Wang Renzhong, vice chairman of the NPC Standing Committee, was elected honorary president of the association at a plenary session of council members, while (Li Yuanshou), deputy director of the State Administration for Industry and Commerce, was elected president. Xu Deheng, Zhu Xuefan, Bainqen Erdini Qoigyi Gyaincain, Liu Lantao, Xiao Hua, Xue Muqiao, and Xu Dixin wrote inscriptions greeting the inauguration of the China Consumers Association. [Text] [Beijing Domestic Service in Mandarin 1200 GMT 26 Dec 84]

CSO: 4006/273

## FOREIGN TRADE AND INVESTMENT

### CHINA'S USE OF FOREIGN FUNDS PRAISED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 5, 27 May 84 pp 13-16

[Article by Hu Yongkuan [2073 3057 1401]: "Initial Successes in China's Use of Foreign Funds"]

[Text] After the 3d Plenum of the 11th CPC Central Committee, the Central Committee put forth important policy decisions regarding the use of foreign capital in order to speed up China's socialist modernization. For the past few years, under the correct guidance of the Central Committee and the State Council, and through the mutual efforts of the relevant departments and localities, our work regarding the use of foreign capital has already made some distinct advances and achieved some definite results.

From 1979 to 1983, China's actual use of foreign capital grew to a total of \$14.55 billion. Of this, loans amounted to \$11.93 billion. China's actual absorption of direct investment amounted to \$2.62 billion, of which joint ventures made up \$1.77 billion, cooperative management enterprises made up \$768 million, offshore oil joint exploration and development made up \$782 million, compensation trade made up \$563 million and enterprises set up solely by foreign investors for processing and assembly made up \$310 million. In 1983 in particular, there was a relatively large increase in the development of Sino-foreign joint venture enterprises. According to preliminary statistics, a total of 105 new Sino-foreign joint ventures was approved nationwide. The projects call for a total investment of \$515 million, of which \$200 million are in Sino-foreign mutual investment terms. Whether in terms of numbers of projects or in terms of the total amount of mutual investment agreed upon by the Chinese and foreign parties, both exceeded the totals attained in the previous 4 years. To date, foreign governments and international financial institutions that have provided China with funds for construction projects include Japan, Kuwait, Denmark, Belgium, Italy, the World Bank and the International Agricultural Development Fund. Those that came previously to invest directly in China include businesspersons from over 10 countries and regions, including the United States, Japan, Great Britain, France, West Germany, Switzerland, Sweden, Denmark, Australia, Norway, Thailand, the Philippines, Singapore, Hong Kong and Macao.

To date, our results in using foreign capital have been favorable, and they have already played an important initial role in the readjustment and construction of the people's economy.

1. We Have Strengthened Energy Development, Transportation and Construction in the Weaker Areas of the People's Economy and Have Revived the Construction of a Group of Large-scale Projects.

For example, Baoshan and seven coal mines that used construction loans from the Japan Export-Import Bank will enable the scope of China's coal mining during the period of the Sixth 5-year Plan to increase annual production capacity from 54 million metric tons to 75 million metric tons, an expansion of 40 percent. The second phase of the Qinhuangdao coal mine shaft construction, for which we used construction loans from the Japan Overseas Economic Cooperation and Development Fund, will be completed in 1984, with an annual loading capacity of 20 million metric tons. Shandong's Shijiasuo port will be completed in 1985, adding an additional loading capacity of 15 million metric tons. These projects will all play a definite role in easing the tight situation that currently exists with respect to China's ports. After the tracks have been completed on the rail lines between Beijing and Qinhuangdao and between Shandong's Changzhou and Shijiasuo, we will have an additional freight capacity of 62 million metric tons, which will do a great deal to help the freight situation in the northeast and north. In recent years, China's use of loans for the construction of its petroleum sector has also been substantial, and this has played a definite role in maintaining an annual crude oil production capacity of 100 million tons. For example, two oil exploration projects using loans from the World Bank are the Daqing oil platform and the Zhongyuan Wenlin oil field, the construction of which will increase petroleum output by nearly 5 million metric tons. In particular, we have achieved favorable results in our cooperation with foreign oil companies in offshore oil exploration. We have already discovered a group of natural gas structures. There are quite a few production wells that have exceeded a daily production capacity of 1,000 tons in test drilling and, moreover, have obtained a large amount of material. This provides an even more scientific basis for a relatively favorable long-term appraisal of conditions for the production of oil and storage facilities and lays a foundation for the development of offshore oil exploration. China has also made use of World Bank funds to carry out the upgrading and construction of approximately 3 million mu of salt mines and irrigated fields in nine counties in the three provinces of Shandong, Henan and Anhui. Moreover, in Heilongjiang Province's Sanjiang Plain, 3 million mu of previously uncultivated land have been developed, and a group of grain production bases has been constructed. Undoubtedly, this has played a substantial role in the development and construction of the agricultural sector. Simultaneously, we have also used funds to revive a group of construction projects essential to the development of the people's economy that were halted due to insufficient domestic funds. For example, for the first stage of construction of the Baoshan Steel Plant in Shanghai and the Daqing oil project, we used Japanese mixed loans, thereby resolving the problem of insufficient matching domestic funds and allowing the resumption of construction. Also, for the Ningguo Cement Plant (production of 1.5 metric tons a year) in Anhui Province and the Urumqi Chemical Fertilizer Plant (production of 300,000 metric tons of ammonia and 520,000 metric tons of carbamide a year) in Xinjiang Province, which were aborted due to insufficient funding, we used foreign funds from Kuwait in order to resume

construction. In the above-mentioned projects, for which we used foreign funds to facilitate construction, we compensated a definite amount for the insufficient portion of domestic construction funds.

It should be made clear that the 22 large-scale whole-plant projects that were imported in 1978 did not belong to the group of projects for which we used foreign funds. Moreover, because the scope of the cash contracts for the importation of complete sets of equipment was overextended, it exceeded the state's actual ability to make payments. In order to fulfill the contracts, we were forced to borrow over \$5 billion, which by now we have paid back in full.

## 2. Import Appropriate Advanced Technology and Equipment and Advance the Upgrading of Current Products.

Most of the technology and product quality in the Sino-foreign joint ventures that have already been started up in China is better than in domestic enterprises of the same nature. For example, the China High-speed Elevator Corporation imports elevator transport technology from the Swiss High-speed Elevator Corporation. In just 3 years it has been able to manufacture 2.5 meter per second combination first- and second-generation products such as alternating-current two-speed elevators and alternating-current adjustable-speed elevators. The result has been that we have brought to an end our longstanding difficulties with respect to upgrading elevators. At present, this corporation is test-manufacturing contemporary 4 meter per second high-speed elevators. In the past, China has to import automatic instruments from overseas each year, with the greatest amount reaching \$100 million a year. But in 1982 Shanghai entered into a joint venture with the American Foxboro Corporation and brought in automatic instrument-manufacturing technology. Before 2 years were up, this corporation had already begun to provide products for the domestic market. The product quality was stable and reliable and, moreover, the joint venture's products are already being used in the Liaoyang Chemical Plant in Liaoning Province. The Hubei-Parker Hermetic Seal Factory imported airtight seal-manufacturing technology from the American company Parker-Hannifin Corporation, thereby resolving China's longstanding technological difficulties with airtight-seal quality. At present, this factory has already accepted domestic orders for 5 million "O"-ring hermetic seals. Tianjin's Sino-France Winemaking Corporation imported chilled winemaking technology, equipment and fungi from France, shortening China's former 3-year winemaking process to 2 to 3 months. The China Dynasty [Zhongguo Wangchao 0022 0948 3769 2600] brand wine it produces has received favorable criticism on the international market. At present, the blown-glass production technology being imported from England by the Pi-er-jin-dun [phonetic 4122 1422 6855 7319] Corporation now being constructed in Shanghai, the distance-control telephone equipment and large-scale integrated circuit telephone lines imported by the Shanghai-Bell Telephone Corporation and the jeep-manufacturing technology now being imported from the United States by the Beijing Jeep Corporation are all examples of the manufacturing technology that China needs in order to make more advanced products.

### 3. We Have Speeded up the Technological Transformation of Existing Old Enterprises and Have Improved Economic Results.

At present, among the industrial joint ventures that have already been approved, the majority have transformed existing old enterprises. Our side contributes primarily old factories and old equipment and land, while the foreign side invests technology and equipment. This joint-venture method of realizing the technical transformation of existing enterprises is characterized by small investments and quick results. For example, for the Shanghai Joint Wool and Textile Corporation, our side contributed a sack-making plant to be transformed, and it took only a little more than 6 months to begin production after the contract was signed. The factory's four Yanglin carding machines and spindle advance machines are characterized by a high level of precision, an extensive carding capability and a high textile quality and are extremely suitable for the manufacture of high-quality knitted and wool-spun rabbit fur. At present, this factory's wool products top-quality rate has reached over 95 percent. When the Fujian-Erli Television Manufacturing Corporation was transformed from a television factory whose equipment was old and whose technology was outdated, the transformation process took just 5 months. The original factory's highest annual output was 28,000 black and white, 12-inch screen television sets. But after the technological transformation, the factory's annual output capacity reached 380,000 sets, among which were 200,000 color sets. The color television sets produced can run an average of 10,000 hours without breaking, equivalent to advanced international levels. This factory has already produced over 200,000 television sets in 1983. Its gross value of production is now 15 times what it was before the joint venture, and its profits are 4 times what they were before the joint venture. The Jilin New China Candy Factory, which used loans from the Danish government for technological transformation, began production in October 1983. Through expansion and technological upgrading, the candy factory has exceeded last year's capacity of 30,000 tons and has increased production capacity to 60,000 tons. It will save 7,500 tons of coal a year and will be able to recover 480 tons of granulated sugar through the reduction of sugar losses. It will be able to conserve at least 1 million yuan a year. For the past 4 years, Guangdong Province's Foshan City has used foreign funds to carry out the technological transformation of 44 percent of its old enterprises. The pace of its economic construction has quickened a great deal each year. Its gross value of industrial and agricultural output and its financial revenue for the first 10 months of 1983 increased 18.9 percent and 10.2 percent, respectively, over the same period in 1982, and it revived over 500 enterprises--20 percent of the city's enterprises. Beijing's Bureau of Electronic Instruments used foreign funds and imported technology in order to carry out varying degrees of technological transformation in more than 30 enterprises, increasing export products from 8 kinds to more than 40 kinds since 1978 and increasing the total amount of exports over 9 times.

#### 4. We Expanded Exports and Increased our Foreign Exchange Earnings.

At present, there is a definite ratio of mandatory exports for each joint venture entered into with foreign partners. For some joint ventures, the total number of products must be exported. Joint-management enterprises must also export the greater part of their output. This has naturally increased the number of our new export products. For example, the worker protection shoes produced by the China Nantong Liwang Corporation--a Sino-Japanese joint venture--to be worn by Japanese workers were all exported. Also, 90 percent of the 300,000 bottles of China Dynasty-Brand wine produced by the Sino-French Winemaking Corporation in Tianjin (this figure of 300,000 bottles represents an increase of 3 times over 1982) were exported. The Dalian Municipal Clothing Corporation used various kinds of foreign funds and imported nearly 4,000 sets of equipment, turning its low-quality products into high-quality ones. It switched from being a domestic producer to being mostly an exporter. Since just 1978 it has earned over \$9 million from its exports, and its profits were 2.5 times what they were in 1978. Through using foreign funds and importing advanced technology, Guangdong Province's Nantian County expanded its foreign trade export earnings. In the past, this county provided just 200,000 articles of clothing for export each year, but in 1982 this figure increased to 1 million pieces. The factory's products were gradually developed into higher-quality ones, and the product variety also increased.

#### 5. We Have Drawn upon the Experiences of Foreigners To Improve Our Enterprise Management.

Because the quality of joint-venture products has naturally had an influence on our ability to export and to earn foreign exchange. However, the quality of enterprise management also has a direct impact on the basic benefits to both investing parties. If there are profits, everyone benefits, while if there are losses, everyone suffers. Therefore, absorbing advanced management experiences from overseas is a natural part of eliminating the old method of everyone "eating out of the same pot." For example, in improving its management, the Shanghai Elevator Factory of the China High-speed Elevator Corporation laid out 10 assessment standards, carried out the integration of rewards and punishments, carried out political work, strengthened its economic responsibility system, mobilized the initiative of its staff and workers and raised its product quality from standard to superior. At the same time, it carried out industry negotiations, technical consulting, the whole range of marketing services from signing contracts to installation and transportation, shortened the production process from 210 days to 165 days, raised average output by 26 percent and raised labor productivity by 7.5 percent. The Jianguo Hotel invited in foreign managers and directors and a number of department directors and formulated a complete set of management methods and management principles based on "the customer is supreme, and service comes first." Its average annual room rental rate has reached 80 percent, and in 1 year of operation it earned profits in excess of 1 million yuan. Because it formulated a system of regulations, the

the Beijing Airline Food Products Corporation saw marked improvements in the areas of food processing technology, food product variety, quality of service and economic results and increased the number of foreign airlines, it serviced from 2 to 13. Because it formulated a new management system, the Guangzhou "White Cloud" Taxicab Corporation's service improved dramatically. In Changzhou, "wave your hand and a cab will stop" has already become a popular saying, facilitating a great turnaround from last year's difficult situation with respect to taxicabs and earning the company a great deal of praise from domestic and foreign customers.

#### 6. We Have Developed Our Tourist Industry.

China's scenery and places of historic interest have a strong appeal among tourists from around the world, but because our tourist infrastructure has been deficient, relatively few Hong Kong and Macao compatriots, overseas Chinese and foreign tourists have visited China. In the past few years, in order to develop our tourist industry, each region has begun to absorb foreign funds in order to construct and improve quite a few hotels and the corresponding infrastructure in accordance with their own individual characteristics. For example, in the past few years, in order to develop the tourist industry, Guangdong Province has used foreign funds to construct and improve a total of 70 hotels, tourist centers, resort villages and visitor centers. Guangzhou City's Dongfang Hotel's predecessor was the Yangcheng Hotel, where although its status was good, its equipment was simple and crude, and its service was poor. But after undergoing renovation, it entered the ranks of superior hotels worldwide, with a variety of restaurants, stores and entertainment centers in it. There has been a marked improvement in the quality of its management and quality. Because the tourist infrastructure has continually improved the White Swan Hotel, the China Hotel, the Zhongshan Hot Springs Hotel, the Xili Dam Resort Village and the Shijingshan Tourist Center that were subsequently built have allowed for increases in the number of tourists coming to China.

Simultaneously, in the course of working on projects using foreign funds, a large number of people have increased their horizons and increased their talents. In particular, those cadres, workers and technical personnel who have worked in joint ventures and in joint management ventures have been able to learn at first hand about advanced technology and advanced management techniques. Aside from this, we have had an increase in employment as a result of our use of foreign funds. In using foreign funds over the past few years, Guangdong Province has been able to increase employment in its raw material processing industry to 310,000 persons.

Thus it is clear that using foreign funds is of great benefit to the speeding up of China's socialist modernization, and the CPC Central Committee's policy with respect to using foreign funds is completely correct. At present, China's use of foreign funds is not yet very great, and breakthroughs have yet to be made. From this day forward, we must make an effort to utilize medium- and low-interest as well as medium- and long-term loans from a number of governments



and international financial institutions and to speed up the construction of key projects and basic infrastructures. Only then will we be able to attract a greater amount of direct foreign investment and lay a solid foundation for speeding up China's economic development.

12582

CSO: 4006/19

FOREIGN TRADE AND INVESTMENT

MEETING ON FOREIGN ECONOMIC ACTIVITIES ENDS

OW251535 Beijing XINHUA in English 1431 GMT 25 Dec 84

[Text] Shenzhen, 25 December (XINHUA)--Chinese economists and law experts have called for strengthening of legislation on foreign economic activities and the research of international economic laws.

Participants attending the national conference on legal aspects concerning foreign economic activities in China's special economic zones and coastal open cities that ended here today held that some important laws such as enterprise law, the investment law and bankruptcy law should be promulgated as early as possible, to keep pace with China's increasing involvement in international economic activities and trade.

Experts on international economic laws said the strengthening of international laws research and the training of professional personnel in this aspect would help better implement the policy of opening to the outside world and enhance and expand international economic exchanges.

The 6-day conference also discussed how to strengthen judicial work in these areas, particularly the role of lawyers in foreign economic activities.

Weng Zhongfang, executive vice-president of the China Law Society, attended the conference.

More than 80 experts and professors attending the conference came from the 4 special economic zones, the 14 coastal open cities and legal education institutions throughout the country.

CSO: 4020/71

FOREIGN TRADE AND INVESTMENT

FUR, LEATHER GARMENTS SHOW OPENS IN BEIJING

OWO70854 Beijing XINHUA in English 0843 GMT 7 Jan 85

[Text] Beijing, 7 January (XINHUA)--More than 1,000 styles of fur and leather garments which went on display at the Agricultural Exhibition Center here today drew over 300 foreign businessmen from 17 countries and areas including Japan, the United States, Great Britain and Canada.

Fashion models today showed over 200 garments, in the latest international fashions. The sponsoring organization is the China Native Produce and Animal By-Products Import and Export Corporation.

The garments displayed at a week-long fair are made of mink, wolf, raccoon, rabbit, cat and dog fur, and sheepskin. They are presented by 33 enterprises and corporations across the country.

Managers and factory directors were on hand to meet foreign businessmen, take orders and exchange opinions today.

Since 1976 there have been 10 such fairs.

Last year China earned a total of 230 million U.S. dollars from the export of fur and leather garments. Chinese mink pelts accounted for 10 percent of the world markets.

Liu Jiyun, an official of the corporation, estimated that the export volume this year would surpass that of last year, due to the recovery of the world economy, cold winters in Japan and America, and the rise in popularity of fur and leather garments worldwide.

CSO: 4020/71

FOREIGN TRADE AND INVESTMENT

TOBACCO IMPORT, EXPORT CORPORATION SET UP

OW011231 Beijing XINHUA in English 0634 GMT 1 Jan 85

[Text] Beijing, 1 Jan (XINHUA)--A new corporation to monopolize China's tobacco trade with the rest of the world begins business here today.

Set up under the China National Tobacco Corporation (CNTC) and one of China's 17 specialized national foreign trade corporations, the China Tobacco Import and Export Corporation (CTIEC) has branches in Shanghai, Guangdong, Shandong, Fujian and Hubei.

Apart from trading in tobacco and tobacco products, machinery and supplies, the new corporation will arrange consignment sales for foreign companies, process supplied materials and contract to build cigarette factories abroad. It will also engage in compensation trade, cooperative production and joint ventures in the tobacco industry with foreign partners.

Formerly these activities were carried out through foreign trade corporations.

China's total foreign tobacco trade reached U.S.\$200 million in 1984, compared with U.S.\$130 million in 1983.

In 1984, China produced 1.4 million tons of tobacco and 1,000 billion cigarettes for its estimated 300 million smokers.

CTIEC General Manager Ma Erchi said, "In order to raise the quality of cigarettes, hundreds of inefficient small factories have been closed down by the state since May 1983, and large ones are being updated with imported equipment. And to minimize the negative effects of cigarette smoking, efforts are being made to produce low tar and medicinal cigarettes and to drastically increase the percentage of filter cigarettes from the present level of some 10 percent."

CSO: 4020/80

FOREIGN TRADE AND INVESTMENT

BRIEFS

GREATER FOREIGN TRADE AUTHORITY--Shenyang, 30 December (XINHUA)--Shenyang, capital of Liaoning Province, has been itself granted the status of a province in foreign economic relations and trade. The State Council decision is aimed at speeding up the city's overall economic reform and hence its modernization. From 1985 Shenyang may sign deals directly with foreign firms to undertake construction schemes abroad, provide labor services, import technology and handle foreign trade. New companies to handle this business and a Shenyang branch of the China Council for the Promotion of International Trade will be launched soon. The reform will help boost economic growth in Liaoning Province and northeast China as a whole, says a State Council document approving Shenyang's economic reform plan. The city is a key industrial and economic center in the area. Three other province-administered cities have been given provincial or municipal status in economic affairs directly under the central government. They are Chongqing in Sichuan Province, Wuhan, capital of Hubei Province, and Guangzhou, capital of Guangdong Province. [Text] [Beijing XINHUA in English 1046 GMT 30 Dec 84 OW]

EXPORT OF VEHICLES, EQUIPMENT--Changchun, 3 January (XINHUA)--China will try to export "Jiefang" brand vehicles and accessories and a complete range of equipment and technology, according to a newly-launched company in Changchun, Jilin Province. The company opened by the "Jiefang" Motor Vehicle Corporation, will also import machines, instruments and manufacturing materials. The new company will send permanent representatives to Tokyo and New York and establish offices in the 14 open coastal cities. The "Jiefang" brand motor vehicles are manufactured jointly by the Chinese No 1 Motor Vehicle Plant in Changchun and 30 other factories. The Changchun No 1 Plant, built in the 1950s, has turned out 1,100,000 trucks, cars and other vehicles, and plans to reach an annual capacity of 300,000 by 1990. The new company's chairman, Xu Yuanchun, said they would help improve management and update the technology in manufacturing "Jiefang" motor vehicles. [Text] [Beijing XINHUA in English 1646 GMT 3 Jan 85 OW]

LIAONING FOREIGN EXCHANGE INCOME--Liaoning Province has scored marked achievements in utilizing outside capital and introducing advanced foreign technology this year. The province has signed more than 560 production contracts with foreign firms, which have introduced more than 325 million in foreign exchange, amounting to more than 90 percent of the total foreign exchange sum accumulated in the past 5 years. [Excerpt] [Shenyang LIAONING RIBAO in Chinese 6 Dec 84 p 1]

FOREIGN PROJECTS UNDERWRITTEN IN SHANGHAI--Shanghai, 9 Jan (XINHUA)--The Shanghai branch of the People's Insurance Company of China is offering insurance to a U.S.-financed hotel here, an official said today. Policies worth nearly U.S.\$70 million cover construction engineering and employer's liability for the Jingan Hilton to be built by Hilton Hotels of the United States. The 43-storey, 800-room hotel, costing U.S.\$85 million, will be the first five-star hotel in Shanghai. The branch made a record U.S.\$30 million from foreign business last year, 10 percent more than in 1983. Policies taken out with the branch by projects using foreign funds exceeded U.S.\$100 million in 1984. Just over 10 Sino-foreign joint ventures and cooperative businesses have taken out policies with the branch. The branch expects to expand its business considerably this year, which will see construction of many projects using foreign funds and 10 Sino-foreign hotels. [Text] [OW091852 Beijing XINHUA in English 1831 GMT 9 Jan 85]

TIAN JIYUN RECEIVES OLIVETTI OFFICIAL--Beijing, 8 Jan (ANSA)--The Italian office machinery and electronics firm, Olivetti, has come to a firm decision to invest in China and is also talking with the "various offices interested" on openings for joint ventures in the Asian colossus, according to Olivetti President Carlo De Benedetti. De Benedetti wound up a visit to China yesterday by meeting Deputy Premier Tian Jiyun and highranking officials from the ministries for the electronic industry and the railways. Olivetti is ready to invest capital in computerizing China's banking system and railways. It is also interested in the joint production of electronic equipment. A source close to the meetings said that Olivetti's interest in investing in China "seems very strong." [Text] [Rome ANSA in English 0800 GMT 8 Jan 85]

CSO: 4020/80

SPECIAL ECONOMIC ZONES

XIAMEN OFFERS TAIWAN INVESTORS FAVORABLE TERMS

OW091113 Beijing XINHUA in English 0853 GMT 9 Jan 85

[Text] Fuzhou, 9 Jan (XINHUA)--The island city of Xiamen, one of China's four special economic zones, will offer exceptionally favorable treatment to Taiwan investors.

According to a recent decision of the city government, independent projects, and joint-venture and coproduction businesses started by Taiwan interests in Xiamen will be exempted from income tax for the first 4 profit-making years and allowed a 50-percent deduction from the 5th to the 9th year, if such projects are scheduled to operate for a period of 10 years or longer.

China's income tax law concerning Chinese-foreign joint ventures provides a 1-year tax-free period for Hong Kong, Macao and foreign investors, followed by a 50-percent deduction in the 2nd and 3rd profit-making years.

Xiamen, in Fujian Province, faces Taiwan, east across the Taiwan Strait.

Projects involving investment from Taiwan will be exempt from factory site rental during the construction period and in the first 5 years of operation, the decision says.

Such enterprises may sell part of their products on the mainland so long as there is a market demand or such as in the case of imported goods.

The same principle applies to products turned out with advanced technology and equipment provided by the investors.

CSO: 4020/80

SPECIAL ECONOMIC ZONES

BRIEFS

1984 ECONOMIC GAINS IN SHENZHEN--At a three-level cadre meeting of Shenzhen City held on 10 January, Shenzhen Mayor Liang Xiang said that the people in Shenzhen have become comparatively well-off in their standard of living. The per capita output value increased by 32 percent in 1984 as compared with 1983, and the per capita annual income exceeded \$1,000. He said that in 1984, the economic situation in the Shenzhen Special Economic Zone was much better than expected. New breakthroughs have been made in bringing in foreign funds and advanced technology. There was a relatively large growth in all production indices and all targets in the Sixth 5-Year Plan were fulfilled 1 year [ahead] of schedule. In 1984 the Shenzhen Special Economic Zone achieved the best economic results since its establishment. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 12 Jan 85]

CSO: 4006/273



LABOR AND WAGES

REFORM OF WAGE, PERSONNEL SYSTEMS STEPPED UP

OW281229 Beijing XINHUA in English 1150 GMT 28 Dec 84

[Text] Beijing, 28 December (XINHUA)--China will step up the reform of its employment, wage and personnel systems to meet the needs of the overall economic reforms, according to a national conference here earlier this week.

While state enterprises will continue to grow, major efforts will be made to expand collective and individual establishments in town and country and develop service trades to absorb labor power released by increased productivity, the conference noted.

Labor service companies across the country should be encouraged to play a bigger role in regulating, training and employing people looking for jobs, it said.

Wages, insurance and welfare amenities should also be reformed simultaneously so as to get rid of the practice of the "iron rice bowl," the conference stressed.

The principle "to each according to his work" must be fully implemented in the reform of the wage system, the participants agreed. Social insurance should be improved by providing better services for retirees.

The institutions governing the appointment, dismissal, transfer, examination, promotion, reward and punishment of cadres as well as their resignation and retirement will also be reformed accordingly, the conference said.

A system for recruiting scientific and managerial personnel by invitation rather than assignment will be introduced step by step and such people will be permitted to choose their own jobs, it said.

Relevant laws and regulations will be instituted and strictly enforced in personnel matters, it added.

Labor safety, restructuring of administrative organizations and the readjustment of the size of their staff were also discussed at the conference.

CSO: 4020/74

LABOR AND WAGES

HENAN HOLDS LABOR, PERSONNEL MEETING ON DELEGATING POWERS

HK171256 Zhongzhou Henan Provincial Service in Mandarin 2300 GMT 14 Jan 85

[Text] From 6 to 12 January, the provincial Labor and Personnel Department held a meeting of directors of all prefectural and city labor and personnel bureaus to speed up reform of the labor and personnel systems in the course of reforming the wage system so as to further improve the systems of labor, personnel, and wages, to expand the enterprises' decisionmaking powers over labor, personnel, and wages, and to meet the needs of reform of the economic structure as a whole.

In the system of planning for and the management of labor, this meeting further delegated powers to enterprises in eight aspects, which are:

1. The power to transfer cadres: Transferring cadres of factories and mines in the same places to each other's factories and mines can be arranged by the enterprises themselves.
2. The power to transfer workers: Transferring workers of enterprises, including the central and provincial subordinate enterprises, in the same place can be arranged by the enterprises themselves.
3. The power of examining and approving the retirement of workers of enterprises: The power of examining and approving the retirement of cadres of enterprises and the power of examining and approving the retirement and discharge of workers of enterprises is delegated to the enterprises.
4. The power of rewarding and punishing cadres of enterprises: Except for factory directors and managers, the power of rewarding and punishing the other cadres is delegated to enterprises.
5. The power of disbursing bonuses and overtime pay: The power of disbursing bonuses and overtime pay in enterprises is delegated to the enterprises themselves, which can make their own decisions in accordance with relevant policies and regulations without the necessity of applying for examination and approval.
6. The power of reducing and increasing the number of personnel: Enterprises can reduce and increase the number of personnel by themselves in accordance with the relevant policies.

7. The power of recruiting workers in enterprises under ownership by the collectives: When enterprises under the ownership by the collectives recruit workers, no quotas for recruiting workers are to be sent any longer and the enterprises can make a decision by themselves in accordance with the needs of production.

8. The power of examining and approving the change of temporary workers to regular workers and the determination of grades: The change of temporary workers to regular workers and the determination of workers' grades can be examined and approved by enterprises themselves. The power of examining and approving the change of probationary cadres to regular cadres after completion of the probationary period is delegated to the employing units.

The meeting also conducted serious discussion of reform of the system of wages, which people follow with interest. From now on all places must vigorously make good preparations for reform of the system of wages so that reform of the system of wages for the work personnel of enterprises, institutions, and state organs can be carried out in a guided, planned, and systematic way.

CSO: 4006/290

## LABOR AND WAGES

### REPORT ON REGIONAL NEI MONGGOL TRADE UNION WORK

SK170445 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 16 Jan 85

[Text] In his speech at the meeting for hearing the work report of the regional trade union council sponsored by the Standing Committee of the regional CPC committee on the morning of 11 January, Zhou Hui, secretary of the regional CPC committee, said: We should strengthen ideological leadership and unify ideological work on all fronts with the party's general goal, tasks, line, principles, and policies. In the course of building socialism with Chinese characteristics, we should hold high the banner of unity and construction, persist in the principle of opening to the outside world and enlivening the domestic economy, and push forward the reform of the economic structure with a focus on the urban areas.

While fully affirming the work of the trade union council since the 3d Plenum of the 11th CPC Central Committee, Comrade Zhou Hui also talked about the issues of the guiding ideology for the trade union council's work, the work style of the trade union council, and the strengthening of the ideological and political leadership.

He said: In the present period of great change, we should pay special attention to strengthening the ideological leadership. We should discuss and attend to big affairs, understand the overall situation, and put the overall situation in command of the professional work. Otherwise, the professional work will lose its principle and bearings. What are Nei Monggol's big affairs and overall situation? Nei Monggol's big affairs and overall situation are to unite around the banner of the unity and construction, to implement the decision of the 3d Plenum of the 12th CPC Central Committee and the guidelines of the 4th regional party congress, to achieve the reform of the economic structure with a focus on the urban areas, and to realize Nei Monggol's fighting goal for the four modernization. Comrades of the mass organizations and other fields should understand the big affairs of the whole country and the autonomous region. We should take into consideration our big affairs and overall situation in solving problems, handling affairs, and managing the professional work. We should enthusiastically and actively deal with the affairs in keeping with the overall situation.

With regard to strengthening the ideological leadership, Comrade Zhou Hui said: We should strongly wave banner of unity and construction. We should have a clear-cut stand in doing the work of the trade union, the CYL committee, the women's federation, and other fields. We should eliminate weakness and laxity,

heighten the ideological level, and strengthen the sense of principle. In line with actual conditions, the units and departments should seek unity of thinking among cadres and the masses with the party's general task, goal, line, principles, and policies. We should take the methods of conducting study education, and criticism to conscientiously eliminate and correct ideas disadvantageous to the overall situation.

With regard to the guiding ideology for trade union work, Comrade Zhou Hui said: The trade union work as well as the work on other fronts should concentrate on the party's general goal and tasks to correct the guiding ideology for professional work and to create good work in line with reality.

Comrade Zhou Hui said: We should strengthen our study, learn new knowledge and experience, change the shaking work style, deeply go into grassroots units to conduct investigations and studies, and take the method of analyzing a typical case. So long as we take the overall situation into consideration, grasp the typical cases, correctly deal with the previous experiences, and scientifically analyze the new situation and problems, we will be able to do our job well and to catch up with the pace of the reform of the overall economic structure with a focus on the urban areas.

CSO: 4006/290

## LABOR AND WAGES

### RISING POPULATION NEEDS NEW EMPLOYMENT STRUCTURE

HK150525 Beijing CHINA DAILY in English 15 Jan 85 p 4

[Text] In face of the rising size of China's employable population, the present employment structure must be reshaped to speed the country's economic take-off, an expert at the Population Research Centre of China's Academy of Social Sciences, has written in the publication ECONOMIC RESEARCH. Excerpts follow:

"Employable population" refers to people from 15 to 64 years old, the bulk of the total population.

It is the vital productive force in society. It creates wealth necessary to support not only itself but the unemployable.

With its death rate kept steadily below 1 percent since 1962, the size of China's employable population has depended mainly on the ups and downs of the birth rate.

In the past 30 years, there have been two population upsurges. From 1953 to 1957, the birth rate increased an average of 2.4 percent per year, and from 1963 to 1973 it increased 2.6 percent per year.

As a result, in 1982 the country's employable population rose to a record high of 61.6 percent. The number of people under 14 was 33.5 percent; those above 64 years, 4.9 percent.

Both the percentage and the total number of China's employable population will continue to increase until the end of the century.

It will rise from 61.6 percent (618 million) in 1982 to 65.3 percent (683 million) in 1985, 69.6 percent (765 million) in 1990, 70.7 percent (817 million) in 1995 and 70.9 percent (854 million) by the end of the century, provided that the total population is kept below 1.2 billion.

Therefore, the country's present employment structure, which has already shown quite a few drawbacks, must be vigorously adjusted.

A large part of China's increased employable population have gone into farming. In 1982, 71.6 percent of the total labor force were engaged in agricultural production and more than 70 percent of the agricultural labor force were crop growers.

As a result, the cultivated area is overcrowded and production inefficient.

From 1949 to 1982, the average cultivated land per farmer was reduced by 50 percent, from 0.62 hectares to 0.31 hectares, and although the country's total grain output increased 120 percent, from 163.9 million tons in 1952 to 353.4 million tons in 1982, per capita grain output increased only by 18.2 percent, from 0.9 tons to 1.1 tons.

To raise agricultural productivity, it is necessary to make sure that the expanding workforce does not go into farming and that a large number of the present farmers transfer from crop growing.

There are two ways to use the surplus labor:

To divert the surplus farmhands to forestry, animal husbandry, fishery and sideline production. Only 10 percent of the country's land is arable. The rest is highlands and mountains, grassland and fresh water, which are highly exploitable.

To increase the urban population by building up more towns and cities. China's urban population is small. From 1952 to 1982, it increased by only 8.3 percent, from 12.5 percent to 20.8 percent. In comparison, world urban population rose from 28.8 percent in 1950 to 39.3 percent in 1975.

To realize modernization, population urbanization is important.

For more than 30 years, the percentage of people in commerce, service and other non-productive industries has been kept low. In 1982, it was only 10 percent of China's total labor force. As a result, some factories are overcrowded while commerce and services are underdeveloped.

In developed countries, however, the ratio of employment in material production and that in services has reached 1:1.

Non-productive industries in China should have more employees while industrial productivity should be improved.

China's employment rate is high. From 1953 to 1982 the total population increased by 76.9 percent, the employable population by 85.5 percent, and employment by 109.3 percent.

This shows that we have managed to provide people with plenty of job opportunities. But still the use of the labor force is inefficient. In nearly 30 years, the industrial output value of state enterprises increased 21 times while the per-worker output value was only doubled.

To enhance productivity, we should control the birth rate and improve the quality of the employable population through education.

LABOR AND WAGES

FIFTH CONGRESS OF TRADE UNION COUNCIL ENDS

SK160615 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 15 Jan 85

[Excerpts] The Fifth Liaoning Provincial Trade Union Congress ended in Shenyang on 15 January after a 5-day session. The congress approved the work report and the financial work report of the fourth congress, elected the fifth committee of the provincial Trade Union Council, and commended 634 advanced trade union collectives and 2,258 outstanding trade union workers and activists. Xu Shanofu, secretary of the provincial CPC committee, spoke at the closing ceremony. Comrade Xu Shaofu first extended cordial greetings and his highest consideration to all congress participants and to the 8.6 million workers and staff members across the province on behalf of the provincial CPC committee and the provincial people's government.

Comrade Xu Shaofu said: Respecting knowledge and talented people is the key to realizing the four modernizations. At the units with relatively more intellectuals, trade union organizations should be established and improved, and trade union activities should be conducted in line with the special characteristics, demands, and hobbies of intellectuals. Trade unions at all levels should actively support CPC committees to implement the policies toward intellectuals. Trade union cadres should bravely step forward to resolutely struggle against all ideas and discriminatory practices against science, technology and intellectual development, and of discriminating, excluding, and attacking intellectuals.

Speaking of the party leadership over the trade union work, Comrade Xu Shaofu said: Party organizations should not take on all matters, big or small, but should exercise leadership over trade unions by giving guidance on principles and policies, in particular, after separating party work from government work, all enterprises should pay attention to avoiding the practice of letting the party represent the masses. Efforts should be made to arouse the initiative of the party, the government, and the trade union, so as to achieve success in the plant directors' work, the CPC committees' work, and the centralized democratic management work.



During the congress, provincial Vice Governor Li Guixian gave a report on economic work. Attending the closing ceremony were Standing Committee members of the provincial CPC committee, including Wang Guangzhong, Li Guixian, Chen Suzhi, Shen Xianhui, and Liu Dongfan. Also attending were (Chen Yiguang) and Luo Dingfeng, Standing Committee members of the provincial Advisory Commission; Zhang Zhengde, chairman of the provincial People's Congress Standing Committee; Zhao Shi, Liu Wen, and Liu Zenghao, vice chairmen of the provincial People's Congress Standing Committee; Zuo Kun and Peng Xiangsong, vice governors of the province; Tan Liren, adviser to the provincial people's government; and Liu Mingjiu and Yue Weichun, vice chairmen of the provincial CPPCC committee.

The first plenary session of the fifth committee of the provincial Trade Union Council elected a new leading body of the provincial Trade Union Council. Chen Suzhi was elected chairman of the provincial Trade Union Council, and (Lu Guozhong), (Sun Naiyan), (Wang Guan), and (Cui Xeixin) were elected vice chairmen.

CSO: 4006/280

LABOR AND WAGES

BRIEFS

QINGHAI LABOR CONTRACT SYSTEM--By the end of last year, our province had initially started the implementation of the system of labor contracts on an experimental basis. According to statistics, some 3,000 contract workers had been employed by enterprises at the provincial level, an increase of five times over the year before last. Of these enterprises, the provincial light and textile industrial departments and affiliated organizations had unfolded this work relatively universally. They have now employed some 1,100 contract workers. [Text] [Xining Qinghai Provincial Service in Mandarin 1100 GMT 15 Jan 85]

CSO: 4006/290

TRANSPORTATION

HUNAN PROVINCE IMPROVES RIVER TRANSPORT

OW080833 Beijing XINHUA in English 0651 GMT 8 Jan 85

[Text] Changsha, 8 Jan (XINHUA)--The policy of encouraging a market-oriented economy has given a big push-ahead to the river transportation system in central China's Hunan Province.

The river transport network with the Xiangjiang, Zishui, Yuanjiang and Lishui rivers and Dongting Lake as the main navigation channels is now navigable all year round.

Since 1979, the Chinese Ministry of Communications and the provincial government have allocated 12 million yuan for dredging the major navigation channels to meet the needs of the province's economic development.

This winter, 300-ton cargo boats can use the province's 1,200 km of main river courses, compared with 200-ton boats before the dredge.

Hunan now has more than 280 rivers used as transportation links for 80 percent of its counties. A total of 10,000 km of waterways is navigable.

The annual handling capacity of the province's nine leading river ports, including Changsha, Zhuzhou and Changde increased to more than 1 million tons in 1984, compared with from 400,000 to 800,000 tons before 1979.

Changsha alone handled 750,000 tons of cargo last year compared with 87,000 tons in 1980.

In recent years, the number of households specializing in river transportation has soared. The total tonnage of the vessels they use amounts to nearly 300,000 tons, similar to the total tonnage managed by the various shipping companies in all counties. Since 1980, the province has opened direct transportation services to Shanghai, Nanjing and Wuhan from its Changsha, Yueyang and Yiyang ports. This has greatly helped the province ship in machinery, equipment and light industrial products from big cities, and ship out its agricultural and mineral products.

CSO: 4020/68

TRANSPORTATION

DALIAN SHIPYARD TO HAVE COUNTRY'S LARGEST DRYDOCK

OW151922 Beijing XINHUA in English 1458 GMT 15 Jan 85

[Text] Beijing, 15 Jan (XINHUA)--A drydock for 200,000-ton ships, the largest in China, will be built at the Dalian shipyard in northeast China, according to the China Shipbuilding Corporation here today.

The Chinese Government will invest more than 300 million yuan in expanding the shipyard, in one of the state's key construction projects for 1986-1990.

The dock--350 meters long and 90 meters wide--will be used to build cargo vessels and oil tankers of 60,000 to 200,000 tons. It will also be used to construct large oil rigs and special vessels.

Shipbuilding officials in Beijing say the new drydock will usher in a new period of development for China's shipbuilding industry, helping it meet domestic needs for 40,000-100,000-ton ships while playing a greater role in international maritime transport.

According to the plan, the shipyard will first construct part supplying workshops for a newly-built 100,000-ton dock. The new zone will have an annual building capacity exceeding 700,000 tons upon completion before 1990.

The Dalian shipyard, more than 80 years old, is the largest of China's shipyards. It built 146,000 deadweight tons of vessels last year. Five ships were above a 10,000 ton class. Last year, it built a 65,000-ton tank, the largest one China has ever built. It will build a 115,000-ton shuttle tank for Norway this year.

The shipyard is upgrading its existing building berths and other production facilities. The existing zone will have an annual building capacity of 300,000 tons by 1990.

By 1990, the total building capacity of the Dalian shipyard will exceed one million deadweight tons a year, seven times the present figure, and the shipyard will become China's number one modern shipyard.

CSO: 4020/81

TRANSPORTATION

BRIEFS

NEW AIRPORT FOR YUNNAN--Kunming, 10 Jan (XINHUA)--A new airport will be constructed in a picturesque area inhabited by minority ethnic groups in southwest China to boost economic development and tourism there. Feasibility studies and designing for the airport, to be completed by 1987 in Xishuangbanna of Yunnan Province, are now underway, according to the provincial Transport Department. Designed to accomodate small and medium-sized planes, the airport will be sited 7 kilometers southwest of Yunjinghong, capital of the Xishuangbanna Dai Autonomous Prefecture. Covering an area of 25,000 square kilometers, the subtropical prefecture is known as a "kingdom of plant life" and "natural zoo." Vast virgin forests there boast more than 5,000 species of plants and rare animals and birds including peacocks, hornbills, tigers, wild oxen and elephants. [Text] [Beijing XINHUA in English 1852 GMT 10 Jan 85]

CSO: 4020/81

PUBLICATIONS

BRIEFS

JINGJI RIBAO AVAILABLE IN HONG KONG--China's first daily business paper, the ECONOMIC DAILY, which has won much praise since it was launched 2 years ago, will soon be available in Hong Kong. The paper, which has a circulation of three million on the mainland, will be distributed by a subsidiary of WEN WEI PO, one of the two leading leftwing newspapers here. The chief editor of the newspaper is Mr An Gang, who formerly served as secretary general of the GUANGMING DAILY in Peking. The deputy chief editor is Mr Jin Raoru, formerly chief editor of WEN WEI PO. [Text] [Hong Kong SOUTH CHINA MORNING POST in English 4 Jan 85 p 6]

NEW PUBLICATION--Beijing, 30 December (XINHUA)--The Ministry of Foreign Economic Relations and Trade will start a commercial publication, INTERNATIONAL BUSINESS, in April 1985, XINHUA learned from the ministry here today. The first trial issue will come out in mid-February. This will be an authoritative paper on foreign economic relations and trade, said Chen Muhua, state councilor and the minister at a preparatory meeting. The purpose is to enable China to understand the world and the world to understand China, said an official taking part in the preparatory work. The paper will be authorized to publish regulations and circulars concerning foreign economic relations and trade, give timely coverage to international economic and trade affairs and commodity markets, provide the latest information for exchanges between China and other countries and consulting services for the development of foreign trade, the absorption of foreign funds, the introduction of technology, foreign aid, contractual projects and labor services abroad and multi-lateral cooperation. The broadsheet paper will appear twice a week in China and abroad. [Text] [Beijing XINHUA in English 1213 GMT 30 Dec 84 OW]

CSO: 4020/71

TAIWAN

#### TAIWAN PRODUCTS LOSING PRICE COMPETITIVENESS

OW140455 Taipei CNA in English 0245 GMT 14 Jan 85

[Text] Taipei, 13 Jan (CNA)--The quality of products made in the Republic of China is better than that of other newly industrialized countries (NICS), but they are losing their price competitiveness, according to a survey by the Board of Foreign Trade [BOFT].

In a survey of the small and medium businesses here, the BOFT finds that a great majority of them claim their products are better than those of South Korea, Hong Kong, Singapore and Red China, and 26.21 percent of the surveyed businesses think that their products are comparable with those of the United States, Japan and West European countries.

The survey also indicates that manufacturers with big investments are more confident of their output than those with small capitals, with those with yearly turnover of U.S.\$1 million or more saying that the quality of their products are comparable to those of industrialized countries.

But, the survey points out, most of this nation's small and medium businesses are worried about the price competitiveness of their products. Only 12.86 percent of the polled businesses say that the prices of their products are higher than or equal to those of the industrialized nations, whereas over 50 percent of the domestic manufacturers say that the prices of their products are higher than South Korea's, it adds.

BOFT said high prices do not necessarily mean low competitiveness for the products. For example, it noted, for quality goods and goods of well-known brands higher prices may signify greater welcome by consumers.

However, BOFT pointed out, as most of this nation's manufacturing plants are just assembly lines of imported materials or parts, high prices for the domestically-made products could be a major reason for the diminished competitiveness of these products.

It commented that since prices are a chief factor in attracting foreign buyers, the quality of export items must be elevated; otherwise, the traditional labor-intensive industries will certainly face a growing pressure of competition from other NICS.

In another point, the BOFT survey discloses that most of the exporters here do not have a concrete plan for expanding their foreign markets, with 56.43 of the surveyed operating on a "flexible" basis and another 22.53 changing their production projects according to the fluctuations in the market.

As regards foreign markets, the government has been encouraging traders here to diversify their export markets, but most of them still throng their goods to some old markets. The BOFT survey shows that 20.29 percent of the surveyed exporters have clients in only one single foreign country.

CSO: 4020/79



TAIWAN

# EXPORT RATE FOR AUTO JOINT VENTURES NOT FIXED

OW120455 Taiwan CNA in English 0318 GMT 12 Jan 85

[Text] Taipei, 11 Jan (CNA)--The government of the Republic of China has no fixed figure in deciding the export ratio for joint car-making ventures between foreign and domestic manufacturers, Economics Minister Hsu Li-teh said Friday.

He added that the government will be flexible toward the export rate of subcompact passenger cars produced by such joint ventures, the establishment of which is a chief target in this nation's auto industry development program.

On Thursday, another ranking economics official said that this nation's auto industry development program provides quite a number of advantages to foreign investors, particularly the competitive Japanese industrialists.

Wu Hui-jan, deputy director of the Industrial Development Bureau [IDB], stressed that his bureau will suggest that the government loosen the restriction of export rate. He said it would be "very difficult" for the domestic auto industry to grow without acquiring the technology and experience of some of the world's famed car manufacturers.

The IDB official commented that the auto industry program approved by the Council for Economic Planning and Development on Wednesday has some advantages for foreign investors, including giving them a free hand in choosing domestic partners, gradual reduction of the local-content rate, and non-restriction on the domestic content rate for those that produce subcompact passenger cars for export only.

As regards the 50-percent export requirement, which concerns foreign investors most, Wu said the Council for Economic Planning and Development [CEPD] has asked the MOEA [Ministry of Economic Affairs] to study means to loosen the requirement.

Hsu's remark on Friday indicated that CEPD has dropped its insistence on the export requirement, which now will be subject to a determination by "responsible government offices" according to each individual case.

"The unchanging principle in this connection is that any cooperation between foreign investors and domestic makers should bring mutual interest to the two nations," the economics minister stated.

A ranking official with Japan's Toyota Automobile Corp made a telephone call Thursday inquiring after the actual contents of the just-approved auto industry program, indicating that Toyota might be attempting a comeback to enter joint venture projects with the domestic auto industry.

The Toyota enquiry got an answer that the program will go into force after the Executive Yuan approves it.

As to reports that the Chrysler Auto Co also expressed willingness to have a part in the auto program here, Minister Hsu said, "if they make such a request, we will give it careful consideration."

CSO: 4020/79

TAIWAN

STRATEGIC INDUSTRIES SHOW 'REMARKABLE GROWTH'

OW051447 Taipei CNA in English 1428 GMT 5 Jan 85

[Text] Taipei, Jan [no day] (CNA)--The nations strategic industries recorded remarkable growth in the past 2 years under the joint efforts of the government and private enterprises, the industrial development bureau says in a year-end report that has just been released.

Productions of the strategic industries increased 18.46 percent during the January to November period last year, compared to the same period of 1983, according to the IDB.

The growth is much higher than the 13.27 percent increase for general manufacturing industries during the months last year.

Among those items given priority for development, IDB says video recorders grew 61.3 percent during the first 11 months last year over the like period of 1983, computer softwares were up 65.4 percent, terminals, 188.8 percent, electric circuits, 49.8 percent and both television sets and cables, 20 percent.

The analysis by the Economics Ministry-supervised bureau shows electronics grew faster. The machinery industry in the past 2 years and development of strategic industries has obviously improved the industrial structure as a whole in the country.

In terms of value, IDB says exports of machinery increased 20.9 percent during the January-November period last year while the 39.0 percent increase in sales value of electronic products sold abroad surpassed the 23.5 percent growth of exports of all industrial goods in general during the same period last year. The share of the exports' pie taken by electronics items rose from 14.9 percent to 16.9 percent in the first 11 months of last year.

CSO: 4020/77

TAIWAN

OFFICIAL ON LIBERALIZATION OF TRADE POLICY

OW050603 Taipei CHINA POST in English 1 Jan 85 p 11

[Text] Vincent C. Siew, director general of the Board of Foreign Trade said yesterday the trade volume for this year is expected to reach the US\$60.8 billion target as set by the Council for Economic Planning and Development earlier.

Siew, however, said 1985 trade growth might not see the same highlights as last year because the pace of the world economic recovery has slowed down. He was speaking at a yearend press conference at the board.

The export volume this year is expected to increase 11.7 percent to US\$34.4 billion, while the import volume is expected to grow 15.6 percent to US\$26.4 billion, he said.

He suggested that both the government and local business must strive to buy more foreign goods and equipment in order to reach the planned 15.6 percent of imports growth.

Because of local unwillingness to make further investments during 1984, this country, as well as Singapore, had a hard time promoting imports, Siew said. The imports growth for last year fell short of the targets, he added.

The director also reiterated the government's determination to further "internationalize, systematize, liberalize and diversify" this country's trade policies toward a freer market.

CSO: 4020/77

TAIWAN

## TWO-WAY TRADE VALUE INCREASES 21 PERCENT

OW051017 Taipei CNA in English 0942 GMT 5 Jan 85

[Text] Taipei, 5 Jan (CNA)--The Republic of China registered two-way trade valued at US\$52.7 billion in 1984, according to statistics compiled by the Council for Economic Planning and Development (CEPD). Of the total trade, exports were valued at US\$30.6 billion, while imports were worth US\$22.1 billion leaving the ROC with a trade surplus of US\$8.5 billion. Representing an increased of 21 percent over 1983, the handsome export performance surpassed those of Switzerland and Sweden to make the ROC the No 11 exporter in the world in 1984, up two notches from its ranking of No 13 in 1983.

Only 11 nations in the world registered exports of more than US\$30 billion last year, the CEPD noted. Except for Saudi Arabia, which is an oil-producing nation, the top 10 exporting nations are all industrialized. The top 10 exporting nations in 1984 were the United States, West Germany, Japan, France, the United Kingdom, Canada, Italy, Netherlands, Belgium and Saudi Arabia.

CEPD statistics show that ROC exports first surpassed the US\$10 billion mark in 1978; in 1981 its exports further broke the US\$20 billion mark.

The nation's major export items in 1984 included electric and electronic products, textiles and footwear, in that order.

CSO: 4020/77

TAIWAN

BRIEFS

ELECTRONIC PRODUCTS TOP EXPORTS--Taipei, 11 Jan (CNA)--The Board of Foreign Trade [BOFT] said Friday that the total exports of electronic goods and electrical machinery from the Republic of China amounted to U.S.\$6.58 billion in 1984, up 35.5 percent as compared with that of a year before, occupying first place among the nation's exports. Exports of textiles followed, totaling nearly U.S.\$5.68 billion, an increase of 23.4 percent over the previous year. BOFT pointed out that the exports of the industrial products increased by 22.3 percent accounting for 93.9 percent of the ROC's exports. As to the imports, the agricultural and industrial raw materials increased by 8.2 percent, capital goods 8.8 percent, consumer goods 6.8 percent, while imports of crude oil and transportation equipment went down 8 percent, and 36 percent respectively. [Text] [Taipei CNA in English 0315 GMT 12 Jan 85]

TAIWAN, U.S. TO EXPLOIT URANITE--Taipei, 13 Jan (CNA)--The Ministry of Economic Affairs has concurred in the cooperation project between Taiwan Power Co [Taipower], and Rocky Mountain Energy Co, and Mono Power Co of the United States for a joint exploitation of uranite. Taipower Chairman Chen Lan-kao confirmed Sunday that Taipower has already referred to its advisory company to work with the two U.S. companies on the cooperation project in order to control the resources of uranium. Taipower will ship back uranium, based on the investment share, for domestic use of the nation's nuclear energy generations, Chen added. [Text] [Taipei CNA in English 0242 GMT 14 Jan 85]

REVISION OF TRADEMARK LAW--The Ministry of Economic Affairs is planning to revise the Trademark Law to fine trademark copiers with money equal to 500 times of the damage suffered by those who hold infringed trademarks, a ministry official said yesterday. Describing the planned revision as one of the most important tasks for 1985, the official said the ministry had decided to stipulate the compensation rate to "effectively curb the infringement of trademark" in Taiwan. The current law does not carry a standard method to calculate the amount of compensations. The "500-times-damage" compensation rate, similar to that stipulated by the Copyright Law, however, is considered by some people as "too lenient" because they contend that commercial goods are different from publications, the official said. According to the Copyright Law, those who infringe other people's copyright will be fined 500 times of the price of the copied publications. [Text] [Taipei CHINA POST in English 7 Jan 85 p 12]

INCREASE IN RESEARCH, DEVELOPMENT FUNDS--Taipei, 11 Jan (CNA)--The Economics Ministry is planning to raise the ration of funds devoted to research and development in state-owned enterprises to more than 0.8 percent of their total annual business incomes. Economic Minister Hsu Li-teh convened recently a meeting to review the execution and results of the 1984 science and technology development plan. He instructed units under ministry to increase the research fund for those enterprises' development in the new year. In fiscal 1984, the fund totaled nt [New Taiwan] dollar 2.7 billion, accounting for 0.39 percent of total business incomes of all the state-owned firms of the year. In the current fiscal year, the fund has been budgeted at nt dollar 4.1 billion. Minister Hsu also gave the following directives: 1) Modernize facilities of the Industrial Technology Research Institute in line with the long-range research and development plan of the nation's industry; 2) coordinate industrial research program with the trend of industrial development so as to encourage willingness of private investments. [Text] [Taipei CNA in English 0327 GMT 12 Jan 85]

INCREASED FOREIGN INVESTMENT--Taipei, 7 Jan (CNA)--The efforts of the Republic of China in improving its investment commission under the Economics Ministry, the total investments by foreigners and overseas Chinese in 1984 amounted to US\$558 million, up 38 percent as compared with that of 1983. Statistics showed that from 1952 to 1984, the Economics Ministry has approved a total of 3,297 applications for investment here, the total amount reaching nearly US\$4.46 billion. Among the overseas Chinese investors, 42 percent are from Hong Kong, and they have dedicated their investments mainly to the petro-chemical industry. The main stream of foreign investment comes from the United States occupying 44.54 percent of the pie, and is mostly in the electrical and electronics industries. [Text] [Taipei CNA in English 1446 GMT 7 Jan 85 OW]

TECHNICAL ACCORD--Taipei, 3 Jan (CNA)--The cabinet on Thursday approved the Republic of China-Palau technical cooperation accord, the government reported. According to the accord, the Republic of China will send an eight-member farm demonstration team to the Palau Islands, east of the Philippines, to help that eastern Pacific nation grow rice, vegetables, and raise hogs and chickens. The ROC-Palau agreement, effective immediately, was signed by ranking officials between the two countries on 6 December 1984, in Taipei. It will last for 2 years and the two governments may extend the valid dates. [Text] [Taipai CNA in English 0235 GMT 4 Jan 85]

CSO: 4020/77

HONG KONG MEDIA ON CHINA

ZHUHAI MAYOR BRIEFS MACAU JOURNALISTS ON SEZ PLANS

HK090349 Hong Kong SOUTH CHINA MORNING POST in English 9 Jan 85 p 13

[Article by Adam Lee]

[Text] Macau, 8 Jan--The Zhuhai Special Economic Zone [SEZ] will launch nine major projects this year, the mayor of Zhuhai, Mr Liang Guangda, said today.

He told a group of visiting Macau journalists that Zhuhai was planning to invest millions of yuan, some in cooperation with foreign investors (including Hong Kong and Macau), in these projects. The projects include:

--A deepwater port capable of accommodating 10,000-ton vessels. The port will be under construction at the end of this year and is expected to be completed in 12 months.

--A second highway linking Zhuhai with Canton. At present, there is a highway linking the two cities but it is too narrow and its safety is substandard.

--A medium-sized international airport at Shangyong (about 8 km from Macau). A study found the project feasible and construction would begin soon.

--A power plant in Tangjiawan (about 30 km from Macau) to supply electricity to Zhuhai. The Japanese Mitsubishi firm will supply the generators and other equipment for the plant. Tangjiawan will also have a gas plant which may supply Macau.

--Plans to improve Zhuhai's telecommunications system with about 30,000 automatic telephones linking main cities in China and Japan with IDD. Zhuhai is also planning to introduce the facsimile (FAX) system soon.

Other plans include improving the water supply and setting up more industrial zones in the SEZ.

Lappa Island (about 2 km west of Macau across the West River) will be modernised for tourism, industrial and commercial purposes.

Mr Liang also said there were plans to improve the municipal facilities in Zhuhai City.



HONG KONG MEDIA ON CHINA

GUANGDONG TRADE PROMOTION GROUP IN HONG KONG

HK100427 Hong Kong TA KUNG PAO in English 10 Jan 85 p 15

[Text] At the invitation of the Hong Kong Trade Development Council (TDC), an eight-member delegation of the China Council for the Promotion of International Trade (CCPIT), Guangdong Sub-Council, is now visiting Hong Kong.

The delegation attended a dinner on 8 January hosted by Miss Lydia Dunn, chairman of TDC.

In her welcoming speech, Miss Dunn thanked the CCPIT Guangdong Sub-Council for its support when the TDC mounted the first ever major Hong Kong product exhibition in China, which was held in Guangzhou early last year.

In reply, Mr Feng Xueyan, head of the CCPIT delegation, vice-chairman of the Guangdong Provincial Commission for Foreign Economic Relations and Trade and concurrently first deputy-director of CCPIT's Guangdong Sub-Council, noted that Guangdong and Hong Kong have achieved a closer business relationship as a result of the Sino-British Agreement. He remarked that cooperation between CCPIT and the TDC should be further developed.

The delegation arrived in Hong Kong on 6 January for a 10-day visit. During their stay, the delegation will pay visits to academic institutions, industrial establishments, investment companies, fast food operations, department stores as well as trade associations and a television station, as background study for possible application in Guangdong.

For example, with a view to studying Hong Kong's training of senior administrative executives, the delegation will visit the Chinese University of Hong Kong and the Hong Kong Polytechnic.

It is learnt that the delegation will sign agreements with TDC on the exchange of information between Guangdong and Hong Kong and of visits between members of the two organizations as well as on cooperation in holding exhibitions.

CSO: 4006/272

HONG KONG ECONOMIC TRENDS

WANG GUANGYING'S ACHIEVEMENTS PRAISED

HK161234 Beijing RENMIN RIBAO in Chinese 13 Jan 85 p 2

["Newsletter" by reporter Lin Li [2651 6849]: "Fiery Sunset Glow--an Interview With Wang Guangying"]

[Text] Taking an airliner, Wang Guangying, vice chairman of the CPPCC National Committee, flew directly from Beijing to Hong Kong.

Friends in the Hong Kong business circles and journalists who greeted him at the airport asked Comrade Wang Guangying about his task. Bursting into laughter, he said: "I am to do business in Hong Kong."

"Then, how much capital have you brought with you?"

Wang Guangying found that the questioner was a female reporter, then he answered wittily: "One cannot ask a lady about her age, and it is also inconvenient to ask a man about his property. Do you think so, mademoiselle?"

The reporter also laughed her agreement.

Now, the laughing scene has passed for more than 20 months. What has Wang Guangying accomplished in Hong Kong?

Wang Guangying will be 65 this year. Previously, he was a vice mayor of Tianjin Municipality; and now he is chairman of the Everbright Company in Hong Kong. His story of "giving up his official career to do business" has been on everybody's lips in Hong Kong for a time, and has also given rise to all kinds of conjectures. But Wang Guangying has never cared what other people may think about his coming to Hong Kong, because he is indeed very busy with his commercial business.

Wang Guangying came to Hong Kong on 26 April 1984. He had just spent 20 months when we met him in his office. But in this short period, he had accomplished more things than in the decades of his life before coming to Hong Kong. This can be described in his own words:

The undertakings are developing much faster than expected;

and difficulties are much more than expected also.

Wang Guangying said: Everbright has established business relations with more than 1,400 companies and financial groups throughout the world. He himself has received more than 2,000 people trying to do business with him in one field or another. Over the past 1 1/2 years he has concluded 260 transactions, including 16 major projects:

--Everbright has decided to cooperate with the Zhuhai Special Economic Zone in reclaiming 200,000 mu of arable land in the Modaomen area by making an investment of renminbi 240 million. This virgin land will be turned into sugarcane fields, and fishponds, sugar refineries, paper mills, and yeast cultivation plants will be built on this land.

--Everbright will cooperate with the Zhuhai Special Economic Zone in developing the Beiling industrial park with a total area of 4 square kilometers. The first phase of the construction project started on 18 September 1984. Everbright has signed agreements with eight foreign companies to make investments and open factories in this industrial park.

--Everbright will cooperate with Zhuhai City, Jilin Province, Tianjin Municipality, Fuzhou City, Lianyungang City, the Shenzhen Special Economic Zone, and Guangdong Province in building factories and railways.

Among the 16 major projects, Wang Guangying is most proud of the five things he will do for the people of the capital: the establishment of the Shouguang taxi company, the transformation of the Dongfeng shopping arcade, the rebuilding and expansion project for the Heping Hotel, the establishment of the Jingguang Company, and the project for extending Beijing's subway system.

When mentioning all this, Wang Guangying repeatedly stressed that Hong Kong is indeed a good place for doing business. In this place, people may gain easy access to all useful information and necessary working funds, and there are a rich variety of business forms and channels. So long as one can use one's brains, one will certainly make a good fortune. Last year Everbright participated in the investment symposium for the 14 open coastal cities and concluded 60 transactions, which solicited a total investment of D740 million for these cities.

Wang Guangying said: For a large enterprise like Everbright, the normal experience is to make investments in the first year, to incur some losses in the second year, and to begin to make a profit in the third year. However, Everbright has begun to yield returns in the past year. When saying this, Wang Guangying was wreathed in smiles, and then he said with assurance that his company would be able to conclude business transactions with a total value of more than D7 billion in 1985.

In Hong Kong, there are hundreds of state-owned companies. Some of them have been doing business in Hong Kong for 20 to 30 years, but still fail to break even in their business and continue to incur losses. They have no way to contract more debts and to solicit new loans, so they can only rely on state subsidies for their existence. By contrast, Wang Guangying's Everbright began to make profits in less than 1 year after its founding, and it has attracted many multinational companies in all parts of the world. Many of these companies have sent their executives or representatives to visit Everbright, trying to conclude

some cooperation agreements with it. Some foreign banks have taken the initiative in offering credit lines to Everbright, and some foreign companies have asked Everbright to help arrange their investment in China. Former U.S. Secretary of State Henry Kissinger has been invited to be an adviser to Wang Guangying. On 28 March 1984 when U.S. President Reagan gave a return banquet for his hosts in Beijing, Wang Guangying was especially invited from Hong Kong and was seated on Mrs Reagan's left.

How has he reached the above-mentioned achievements?

"A person's history must be written by himself, and his reputation is earned by his conduct." Wang Guangying answered without hesitation. "In addition, Everbright is a nongovernmental enterprise, and has the backing of the 1 billion Chinese people." Wang Guangying repeatedly stressed the role of nongovernmental enterprises, because some state-owned enterprises in Hong Kong still put on the airs of bureaucratic business institutions and act in a bureaucratic manner in the handle of business. Their bureaucratic style has estranged themselves from the local business circles and has made themselves inaccessible to foreign companies. The appearance of Everbright can make up these deficiencies of the state enterprises. When saying this, Wang Guangying once again stressed: "In Hong Kong, one may score unexpected successes, and may also encounter unexpected difficulties."

"What difficulties do you refer to?"

"Those coming from the inside." As a matter of fact, Wang Guangying's coming to Hong Kong is a concrete step for carrying out the open-door policy. However, some of our official organizations in Hong Kong are only accustomed to the state's centralized control and cannot stand the appearance of a "nongovernmental" enterprise from China. They turn a cold shoulder to Everbright and put up all sorts of obstacles rather than giving active and enthusiastic support to Everbright. However, Wang Guangying has not been depressed by this fact. Conversely, he works even harder and strives to do his business even better.

In the past, Wang Guangying was put in prison by the Japanese aggressors and by the KMT regime. During the "Cultural Revolution" he was locked up for 8 years. His life was full of frustrations. It is not until he reached an advanced age that he finally had an opportunity to display his ability and talent. Therefore, people feel sorry for his past and congratulate him for his present achievements. At the same time, people may ask this question: In our realities, are there still some people like Wang Guangying? When will the waste of talent come to an end?

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HONG KONG ECONOMIC TRENDS

BANK OF CHINA ON HONG KONG'S ECONOMIC PROSPECTS

HK310631 Hong Kong SOUTH CHINA MORNING POST in English 31 Dec 84 p 9

[Article by Terry Cheng]

[Text] Hong Kong's political situation in 1985 will become clearer and more stable, according to an article published by the Bank of China at the weekend.

The article, in the bank's own publication, said the economic front of the territory will also become more stable and active.

The article by the economic research division of the Hong Kong-Macau regional office of the bank said Hong Kong's economic performance this year had been good.

External trade and tourism prospered; investment, particularly from overseas, in industrial sectors increased; capital spent by local business people on equipment gained momentum and there was a slight improvement in real estate transactions.

Trading in the stock market also became active and more foreign financial firms entered into business here.

The article said three major factors were responsible for the improvement--the smooth negotiations and a satisfactory settlement of the Hong Kong question, the economic recovery of the Western countries and the four modernisations and open-door policies of China.

However, the article cautioned that Hong Kong is still faced with some problems.

It said that because some people are still adopting a "wait-and-see" attitude, long-term investment is still limited.

The property crisis is still taking its toll, resulting in a heavy burden for real estate developers and banks.

There are still companies affected by the property crisis going bankrupt.

Besides, the growth of internal demand is still slow, the article said.

It said with the signing of the agreement earlier this month, Hong Kong had entered a new era.

"Looking ahead to 1985, the political situation of Hong Kong will become clearer and more stable and on the economic and monetary fronts, there will emerge a new situation which is more stable and active than that of 1984," it said.

The article painted a rosy picture for Hong Kong in the coming year. It said Hong Kong's major overseas markets would continue to prosper, although due to the different rate of economic growth of these countries, their demand for Hong Kong's products will vary.

Hong Kong will benefit from China's economic reform which will quicken and enlarge the economic development.

The economic ties between the mainland and Hong Kong will become even closer and trade will be increased.

"Hong Kong's role as the bridge between China and overseas in the economic transactions will be greatly strengthened."

The article said Hong Kong's manufacturers had received orders up to the first 4 months of 1985 and the prospects in toy and electronic manufacturing are especially encouraging.

The article warned that America's limitation on textile imports will hit Hong Kong.

It added that judging from the high price fetched for a piece of land in Tsimshatsui East and the recent announcement of development plans by certain companies, the property market may recover.

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## HONG KONG ECONOMIC TRENDS

### BANK REPORT FORECASTS 10 PERCENT ECONOMIC GROWTH

HK020321 Hong Kong SOUTH CHINA MORNING POST in English 2 Jan 85 BUSINESS NEWS Supplement p 1

[Article by John Mulcahy]

[Text] Double-digit economic growth and single-digit inflation could mark this year as one of resurgent business activity in Hong Kong.

In the January issue of its Economic Report the Hong Kong and Shanghai Banking Corporation cites prospects of a steady increase in trade, higher real wages, moderate inflation, increased investment in plant and machinery as salient factors pointing to a growth rate of 10 percent this year.

While other forecasts have put the growth rate at between 6 and 8 percent, the bank's economists note that the Hong Kong economy has a tendency to outperform initial forecasts.

The strongly optimistic report says that after 3 years of falling values the industrial and residential property sectors have reached a demand-supply equilibrium, with prices and rentals appearing to have bottomed out.

"There is still an oversupply of office and commercial premises but there are signs that the take-up rate in this sector has picked up."

Signs of an improvement in liquidity in the property market have been accompanied by a revival in credit demand from developers.

Fueling the optimism for next year is the removal of uncertainty which accompanied the secret and protracted talks between China and Britain on the future of Hong Kong.

"Given the recent changes in China's domestic policies and the new emphasis on pragmatic measures, which allow a greater play of market forces in the management of the economy, the odds in favor of Hong Kong's continued prosperity have increased considerably.

"The general mood among local entrepreneurs is that, with a clear definition of Hong Kong's role, there will [word indistinct] be more opportunities for trade and investment in Hong Kong."

The bank notes that the economy last year performed better than the most optimistic projections, with substantial increases in industrial production and a concomitant decline in unemployment.

"Although real wages have not shown any noticeable improvement, per capita earnings in industry have increased because of greater opportunities to work overtime. This in turn led to a steady rise in private consumption expenditure."

Consumer prices for lower income groups should rise by 6 to 7 percent this year, despite some initial increases in prices of goods imported from China.

But part of the price rise of Chinese commodities will be absorbed by the recent adjustment to that country's currency and, the bank says, "the reliance on market prices will, in due course, produce larger exportable surpluses, with the result that China's export prices should become competitive once more."

After reaching as high as 11 percent in 1983, consumer price increases slowed last year, partly a result of the stability of the local currency, but also related to depressed property values and rentals.

In addition, domestic credit expansion was the slowest in recent history, and while broad monetary aggregates rose steadily over the year, monetary factors did not induce upward price pressure.

Hong Kong's export growth, while unlikely to match that of last year, should show a healthy expansion this year, says the bank, noting that the behaviour of the U.S. economy will, as usual, be a key determinant for the territory's export performance.

"There are no clear indications as to what direction the U.S. economy will take this year--the more statistics released, the greater the difficulties experienced by economists in interpreting them.

"However, even the less optimistic observers of the U.S. scene seem to agree that the economy there should grow at about 3 percent this year."

Even growth of 3 percent should provide adequate impetus for the Hong Kong export sector, the bank adds.

"Protectionism will remain a depressing threat, but most knitwear manufacturers have bought or are in the process of installing new equipment in their Hong Kong factories to cope with new certificate-of-origin rules."

Another plus for the local manufacturing sector is the diversification of its product range within established sectors--"more designer-labeled garments, more imaginative electrical and electronic products, and speciality toys."

China's emergence as a major market for less sophisticated products from Hong Kong has already stimulated local industry, and although some of these products will eventually be manufactured in the Special Economic Zones, "The initial impact of China's new incentive-oriented policies has been a vast increase in demand for consumer goods, particularly electrical and electronic equipment."

Given a buoyant export sector there will be a more intense demand for labour, and some industrialists are already complaining about the scarcity of adequate labour.



Expanding on the employment question the bank says: "Given the ancillary developments in the services sector, employment should remain tight throughout the year and for the first time in almost three years, real wages should rise.

"This will be reflected in a higher rate of increase in private consumption this year compared with last year."

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HONG KONG ECONOMIC TRENDS

BRIEFS

HONG KONG TRADE FIGURES--Beijing, 5 Jan (XINHUA)--Hong Kong registered a visible trade deficit of 1,891 million HK dollars in the first 11 months of 1984, 11,067 million dollars less than the same period in 1983, the ECONOMIC DAILY reports today. The territory's exports were valued at 200,549 million HK dollars, up 40 percent, the paper says, quoting figures released by the Hong Kong census and statistics department. Total exports of goods manufactured in Hong Kong shot up 35 percent to 126,063 million HK dollars. Re-exports also soared by 49 percent, to 74,486 million HK dollars. Imports rose to 202,440 million HK dollars in the first 11 months of 1984--a rise of 29 percent over the same period in 1983. [Text] [Beijing XINHUA in English 0655 GMT 5 Jan 85]

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