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CPC Acts To 'Diffuse Pressure' for Multiparty Rule

40050339a Hong Kong CHENG MING
[CONTENDING] in Chinese No 137, 1 Mar 89
pp 57-59

[Article by Yu Ye 0151 0673: "Opposition Party To Emerge in China Soon"]

[Text] Why has the CPC recently offered to share political power with democratic parties and non-party personages after humiliating and keeping a close watch over them for years, treating them as a mere political decoration?

Long unhappy with their status as a political decoration, the eight democratic parties on the mainland have been demanding to participate in as well as discuss politics and exercise true supervision over the CPC. It is only a matter of time before a genuine opposition party appears in China.

Opposition to one-party rule has been growing in intensity recently, shaking up the highest echelons in the CPC. To diffuse pressure at home and abroad for the introduction of multiparty rule, the Communists have worked out a response known by this fine-sounding name: "develop multiparty cooperation and perfect democratic politics in earnest." The core of this policy is to promote democratic parties.

Promise Senior Positions and Other Favors to Democratic Parties

The Chinese New Year had barely begun before word was heard in Beijing that moves were afoot in the ruling Communist Party to invite more non-Communists into the cabinet to form a coalition government. Song Kun [1345 1024], deputy director of the United Front Department, recently said that if one-third of the ministries and commissions in the State Council are headed by non-Communists, China's political life would take on a new look. He also noted that the United Front Department had chosen a number of democratic figures and people without party affiliation for recommendation for jobs in the cabinet. According to inside sources, top Communist leaders have basically agreed to appoint democratic figures to the vice ministership in four ministries, including the Ministry of Culture. These appointments will soon be announced formally. Moreover, 10 agencies are expected to be headed by people from democratic parties or without party affiliation before the year is out. Meanwhile, Wei Jianxing [1414 0256 5887], minister of supervision in the State Council, has disclosed that supervisory organs at all levels will hire a host of non-Communists as special supervisors to take part in administrative supervisory work.

Based on the "common program" in the early days of the PRC, three of the six national vice chairmen came from democratic parties or had no party affiliation. They were

Song Qingling [1345 1987 7881], Li Jishen [2621 3444 3234], and Zhang Lian [1728 3482]. Of the 56 government ministers, over 20 were democratic figures. Of the four vice premiers in the Government Administration Council, two—Huang Yanpei [7806 3508 1014] and Guo Moruo [6753 3106 5387]—were democratic figures, as were 9 of the 15 councilors in the council. As for ministers and commission chairmen in the Government Administration Council, a majority were democratic personages, including Minister of Light Industry Huang Yanpei, Minister of Posts and Telecommunications Zhu Xuefan [2612 1331 5400], Minister of Communications Zhang Baijun [4545 0130 6874], Minister of Agriculture Li Shucheng [2621 2579 1004], Minister of Forestry Liang Xi [2733 1585], Minister of Water Resources Fu Zuoyi [0265 0155 5030], Minister of Education Ma Xulun [7456 0650 0243], Minister of Public Health Li Deguan [2621 1795 0356], Minister of Justice Shi Liang [0670 5328], Minister of Geology Li Siguang [2621 0934 0342], Minister of Food Zhang Naiqi [4545 0035 0892], Chairman He Xiangning [0149 7449 0413] of the Overseas Chinese Committee, and Chairman Tan Pingshan [6223 1627 1472] of the Supervisory Committee. Statistically, one-third of the ministers at the time were democratic or non-party personages. After September 1954, however, every single vice premier of the State Council was a Communist and the number of ministers and chairmen who belonged to democratic parties gradually decreased until they almost vanished. The CPC came to monopolize all official positions above the minister and director level. It was not until last year that Vice Chairman Feng Tiyun [7458 2748 0061] of the China Democratic National Construction Association was appointed vice minister of the Ministry of Supervision. Apparently the CPC now proposes to gradually restore democratic figures to their previous position in the central people's government in the early days of the PRC. As Minister of United Front Song said, "We will increase the number of democratic leaders at the ministerial and provincial levels until they make up one-third of the ministers in the central people's government." That will mark a new change in China's political life.

Why the CPC Courts Democratic Parties

For years the CPC has humiliated and kept democratic parties on a tight leash, treating them like a political decoration, despite its claim all along that it wanted to "coexist with them on a long-term basis, supervise and show utter devotion to one another, and share honor and disgrace with them." Why then this sudden display of kindness toward democratic parties, this sudden willingness to let them and other people without party affiliation to get a taste of political power? Communists are the most utilitarian of people. If we analyze their behavior from a utilitarian viewpoint, their motives become all too clear. The CPC suddenly thought of the democratic parties because both the domestic and external environments are now exerting tremendous pressure on one-party Communist rule. If the CPC does not change its policy toward democratic parties at home, it will face even tougher times ahead.

First, there is nothing the CPC can be proud of domestically. While the party claims a membership of 40 million nationwide, it knows full well the caliber of its members. Not long ago a Chinese-language magazine in Hong Kong reported that two young people got into an argument on board a Guangzhou-Beijing express train. One of them stood up on a seat and proved to a full carload of passengers that he was not a member of the CPC, his argument being, "I do not seek special privileges. I do not womanize. How can I be a Communist?" This shows that only people who "seek every special privilege and do every bad deed" are Communists. How ironic! Reportedly many educated and idealistic people who refuse to be corrupted have no desire to join the CPC these days. Consequently, the party organizations in many units find it necessary to persuade these people and urge them to fill in party membership applications. Even so, those who join are few and far between. In the past, women "would not marry anybody other than party members." How things have changed! Nowadays they prefer non-party members. In contrast, democratic parties have regained their respectability in the eyes of intellectuals. Many elderly and middle-aged intellectuals are quite eager to join democratic parties instead of the CPC purportedly because democratic parties have no power and are hence above seeking privileges. Also, democratic personages are hardly found among the various types of criminals. As a result, they have a far better public image than the CPC. In addition, the CPC has shown increasing respect and solicitation for democratic figures in recent years. All this explains why their membership has been rising steadily in recent years. The Chinese Peasants' and Workers' Democratic Party, for example, saw its membership climb from 130,000 to 340,000 in the 5 years between 1983 and 1988. During the same period, the membership of the China Democratic National Construction Association almost doubled from a little over 20,000 to more than 40,000. The membership of the Revolutionary Committee of the KMT also increased more than 100 percent. Almost every democratic party has established local and grass-roots organizations at every level and some have even created a nationwide network of organizations. According to the CPC publication LIAOWANG, democratic parties boasted a combined membership of more than 290,000 in late 1988, up from 80,000 in 1979. More important, a substantial portion of their new members in recent years consists of well-educated mid- and high-level intellectuals. There has been an extensive improvement in the caliber of their members. According to Xinhua She reports, mid- and high-level intellectuals account for 70 and 50 percent, respectively, of the new members recruited by the Chinese Peasants' and Workers Democratic Party and the Revolutionary Committee of the KMT in the last 5 years. Most of the new members of the China Democratic National Construction Association, China Democratic League, and the China Association for Promoting Democracy are also the backbone of economic, scientific and technical, cultural, and educational institutions, clearly a vast pool of talent. A significant number of democratic personages now sit on the

National People's Congress [NPC] and the CPPCC, including 37,000 from the Chinese Peasants' and Workers' Democratic Party, or 10 percent of its total membership, and 3,100 from the China Association for Promoting Democracy, or some 13 percent of the association's membership. Both are impressive percentages. Democratic figures have become a vital force for political participation, which the CPC must naturally do everything it can to bring under its complete control. The CPC woos democratic parties precisely to make sure they remain subservient to CPC leadership and will not develop into an opposition party like the Democratic Progressive Party [DPP] in Taiwan.

Then there is the pressure created by Taiwan's decision to lift the party ban. In 1986 Taiwan acquiesced in the establishment of the DPP without publicly recognizing its legal status, effectively opening the door to the free formation of parties. Recently it passed the "private organization law" granting the public the freedom to form parties. Even before the law was passed, a dozen political parties under various names had sprung up all over Taiwan and have gotten quite active. The KMT was the first party to register after the "private organization law" was adopted in order to demonstrate that it was on the same legal footing as other political parties, thus opening a new era of multiparty politics in Taiwan. Henceforth all parties can compete freely with the KMT. If the KMT fails to shape up and get its act together, it would suffer the fate of being replaced by other parties. This is totally different from what is happening on the mainland where the CPC to this day still insists on "one-party dictatorship" and only permits the democratic parties to "cooperate with it" under "its leadership." To prevent the leaders of democratic parties from taking a leaf from Taiwan's book, shaking off their status as an "appendage of the CPC," and developing into a genuine opposition party, the CPC has hurriedly abandoned its traditional one-party monopoly and is prepared to vacate one or two government positions to appease the democratic parties.

Third, the need to diffuse domestic and external pressure to found an opposition party. For years democratic parties in China had no power and held no positions. They were led instead of exercising leadership. Dissatisfied with this situation, people of lofty ideals started talking about organizing an opposition party. Fang Lizhi [2455 0536 0037], who was expelled from the party, for instance, was one of them. While in Hong Kong last year on his way back to China after visiting Australia, he said openly, "The mainland cannot rely on the CPC alone to achieve modernization. China must diversify politically and put an end to one-party dictatorship. Only through checks and balances can we bring about democratic politics." "China must have a multiparty system." During his visit to Taiwan late last year, Wu Mouren [0702 3664 0086], an overseas Chinese student, said, "Some overseas students hope to use more direct methods to influence politics on the mainland. In other words, they are considering forming an 'opposition party' after their

return to China." Party-formation has become a popular conversation topic among Chinese students in the United States. All this is taboo to the CPC, which readily brands returned students who have engaged in such activities as "counterrevolutionaries." But it has not effectively checked this rising trend. In recent years, many quasi-parties have sprung up among Chinese students in the United States, paving the way for party formation in China in the future. Examples are the Association to Promote Reform and the Open Policy, Association to Promote Chinese Modernization, and Democratic China. The students say, "The question is no longer whether or not China needs an opposition party. The appearance of an opposition party on the mainland is only a matter of time." During the climax of the democratic movement in late 1986, the CPC moved to check party-forming at a number of colleges and universities in Beijing. However, the trend did not come to an end; it just moved overseas, while continuing to enjoy the support of well-known democratic figures within the country. The combination of external and domestic pressures constitutes a formidable threat to the CPC. The party's recent moves to create an atmosphere of cooperation with democratic parties are the Communists' way of counteracting the party-forming frenzy among overseas students and an attempt to ease their demand that an opposition party be established.

Fourth, the CPC's courtship of democratic parties is also a response to pressure from communist parties in the world for the introduction of multiparty rule. To survive, communist countries are scrambling to reform their political and economic systems. Multiparty rule can be found on the political reform agendas of all these nations. Apart from China, which sticks to the "four cardinal principles" and has disallowed its people from even discussing "one-party dictatorship" (in the words of the CPC spokesman, Yuan Mu [5913 2606]), and the Soviet Union, which insists that "one-party rule" is a product of history that has been in existence for decades and must not be changed, certain communist countries in Eastern Europe have shown some flexibility on the question of whether an opposition party would be allowed. In Hungary, two new political parties and dozens of political organizations have appeared thus far. According to official sources, regulations on political party registration and activities will shortly be adopted to allow political parties to compete in local and national parliamentary elections. The Polish Communist Party has also made concessions by legalizing the Solidarity movement (in effect an opposition party). In Yugoslavia, opposition parties have sprung up like mushrooms, with seven in the Republic of Slovenia alone. Presently Yugoslavia is exploring the possibility of switching from one-party rule to multiparty rule. All this exerts a great deal of pressure on one-party rule in China. To fool international opinion, the CPC has been promising senior positions and other favors to the democratic parties and has dignified its relationship with them as multiparty cooperation in order to show there is no one-party dictatorship in China.

Will Its "Ploy" Work?

Under pressure on all fronts, domestic and foreign, the CPC has no choice but to be prepared to give up a few government posts to be filled by democratic figures. But it is all too clear that it is not giving up one-party dictatorship itself. As CPC leaders emphasize time and again, there can be no retreat from the "four cardinal principles" under any circumstances. On the one hand, it adheres to one-party dictatorship. On the other hand, it must make appropriate concessions to democratic parties. The result is what Deng Xiaoping and Zhao Ziyang want: multiparty cooperation under Communist leadership. Their scenario: Under the leadership of the CPC, gradually accelerate political structural reform and make the development, improvement, and perfection of multiparty cooperation and the political consultative system under the leadership of the CPC a major part of political structural reform so as to bring out the superiority of socialism. In the evening on 30 January, Zhao Ziyang invited China's democratic parties, the leaders of the China Federation of Industry and Commerce, and other well-known non-party figures to a meeting at Zhongnanhai and reminded them, "The NPC, multiparty cooperation under the leadership of the CPC, and the political consultative system constitute China's fundamental political system, an excellent system. Our effort to speed up political structural reform is not intended to change this system but to further bring out its superiority." "I hope that all democratic parties work hard alongside the CPC and contribute to the perfection and development of this system." He made it all very clear. Those who hope that the CPC would accept Western-style multiparty rule should wake up.

Why can't China have an opposition party similar to those in Western democracies? Zhao Ziyang said, "China's political system is in line with China's national conditions, whereas the Western multiparty system under which parties take turns as the ruling party is not." Well, if the CPC is not going to give up one-party rule, how can a multiparty system be compatible with China's national conditions? Thus it is only too obvious that CPC's current courtship of democratic parties is involuntary and that its concessions will absolutely not go beyond the "leadership of the CPC." Moreover, non-Communists selected to fill government posts are not necessarily those considered suitable by the democratic parties themselves. They must be wimps and sycophants who are happy with any crumbs doled out to them by the CPC, even if it means betraying their friends. One of them is Fei Xiaotong [6316 1321 6639] (now vice chairman of the NPC), chairman of the China Democratic League.

Although the CPC will select the wimps among democratic personages for window-dressing purposes, times have changed after all. The monopoly of power by the ruling party is now facing an unprecedented challenge. It will not be long before a host of students return to China to try organizing an opposition party. Moreover, China's eight

democratic parties have long gotten restless, unhappy with their status as a political decoration. They want not only to discuss politics, but also to take part in it. They want to exercise genuine power and genuine supervision over the CPC. The standing committee of the CPPCC recently adopted the "Provisional Regulations of the CPPCC on Political Consultation and Democratic Supervision," demonstrating that the CPPCC, with its concentration of the

best and brightest of democratic figures, is no longer satisfied with being a political decoration or voting machine. As political luminaries like Fang Lizhi have predicted, a true opposition party will certainly appear in China; it is just a matter of time. In the end, one-party dictatorship will be replaced by multiparty rule. The CPC's attempt to prolong its corrupt political system of one-party rule by wooing democratic parties is doomed to failure.

NATIONAL AFFAIRS, POLICY

Economist Comments on Distortion of Reform

40060440 Beijing JINGJI RIBAO in Chinese
25 Mar 89 p 2

[By staff reporter Zhang Shuhong 1728 2562 4767: "The Phenomenon of 'Distortion'"—interview with Dong Fureng, delegate of the National People's Congress and economist]

[Text] *Dong Fureng's 5516 6534 4356 name is linked to a series of titles. Among the major ones are member of the National People's Congress [NPC] Standing Committee, vice chairman of the NPC Financial and Economic Commission, honorary director of the Economic Institute of the Chinese Academy of Social Sciences, and professor at Beijing University. To put it simply, he is a scholar, and a good one at that. The study of the phenomenon of "distortion" may be considered one of his research subjects.*

JINGJI RIBAO: In the past few years of reform, people often asked the question "Why does a good policy turn sour?" But studying this question as a popular phenomenon seems to have been started by you. Why do you want to study the phenomenon of "distortion"?

Dong Fureng: Many reform measures have been distorted or changed during implementation. Like what people often refer to—old wine in a new bottle—the new system appears to be new on the outside but contains the same old stuff as the old system on the inside. This is a phenomenon very worth thinking and study in the reform of economic system. There are two purposes in studying this phenomenon. One is to let the people understand that distortions have indeed occurred in the reform, so we need to find out why and adopt measures to prevent and reduce distortions. The other is to make the people understand that the occurrence of distortions is not something unusual and that many problems are not created by the reform itself, so we should not blame all the problems on the reform.

JINGJI RIBAO: The shareholding system is a popular topic these days, but it seems that very few people really understand what the shareholding system is. Those pilot enterprises give people the impression of "being not quite right."

Dong Fureng: The purpose in implementing the shareholding system is to define the relation of property rights to separate ownership from management and enterprise from government while circulating funds effectively and optimizing capital structure. Stocks can only be transferred, not redeemed. Besides, stock prices are set by the market and shareholders have to take risk. The shareholding system we are now practicing has some problems. First, it has confused stocks with bonds. Bonds can be redeemed. Their prices are set basically. Bond holders do not have to take the risk of enterprise management.

Stocks issued by many of our enterprises are actually a kind of bonds. Second, it has turned the shareholding system into some kind of welfare system, under which enterprise staff and workers benefit by selling off state property. Dividends are set sky-high and guaranteed regardless of enterprise performance. As a result, state property is lost for very little in turn. Third, due to the lack of capital market, enterprise management cannot be accurately assessed through the market changes of stock prices. Enterprise management results can only be measured by value shown on accounting records. This makes it very difficult to exercise effective supervision of enterprise managers.

JINGJI RIBAO: One of the reason why the shareholding system is distorted is that some people want to "make what is public their own." This is the subjective cause. The objective cause is that implementation conditions are not available. Is it true that many distortion phenomena are caused by both of these reasons?

Dong Fureng: Distortions in the reform are caused for many complicated reasons. My analysis is that the primary cause is the influence of the old system. Reform is bound to affect the economic interest structure of the old system, and it is not very easy to change such an established interest structure. The distortion occurred in the process of popularizing the economic organizational method of company belongs to this case. Many "government-operated companies" and "administrative companies" have never intended to operate according to market regulations, not even when they were first established. They only use the pretext of "company" and above-economic power of administrative organs to monopolize and control the market.

JINGJI RIBAO: Can defects of reform measures themselves also be considered a cause of distortion?

Dong Fureng: Yes. On the one hand, some of our reforms lack the coordination of corresponding reforms. For instance, due to the lack of coordinated reforms in social security and personnel transfer systems, the implementation of an advertised employment system has become a mere formality. On the other hand, some reforms lack concrete operating methods and rules. In some areas, enterprise mergers have turned into "arranged marriages" and "match-making" performed by government organizations. An important cause of this is the lack of operational rules and regulations.

JINGJI RIBAO: The analysis of the distortion phenomenon is of great significance to our correct understanding of mistakes in the reform. Some people may ask, "Are all reform mistakes and current predicaments of economic life caused by distortions?" It is true that "the scripture was good but the monk read it wrong"?

Dong Fureng: Reform mistakes are caused by many factors. The occurrence of predicaments should not be attributed simply to the distortion of reform measures.

although distortion is indeed an important cause of such predicaments. The loss of credit control is for one related to the distortion of financial structural reform because banks have not really been separated from the government and therefore cannot perform their function of economic regulation. Some rectification and improvement measures we are now taking, such as cleaning up and rectifying companies and reducing local government's interference in banks, and so forth, are actually intended to correct the distortion phenomenon in the reform.

JINGJI RIBAO: Only when we realize the existence of the distortion phenomenon can we possibly prevent and correct distortions.

Dong Fureng: To prevent distortions, another important thing is that we must continue to reform the old system and wage a "tenacious struggle." Before we carry out different reforms, we should first carry out careful experiments to learn about necessary requirements for the implementation of reforms and problems that might arise, and work out operational measures and rules and regulations accordingly. We may also adopt some interim measures to achieve the purposes of reform in a gradual manner. Currently we need to pay special attention to preventing new distortions from occurring in the rectification and improvement drive. On the one hand, we must make sure that the rectification and improvement drive will not create new obstacles for future reforms. On the other hand, we must earnestly implement rectification and improvement measures to guarantee results and prevent distortions in the course of implementation.

Minister Calls Past 10 Years Period of 'Profound Changes'

OW0504100989 Beijing XINHUA Domestic Service in Chinese 1459 GMT 2 Apr 89

[Local Broadcast News Service]

[Text] Beijing, 2 Apr (XINHUA)—Gao Shangquan, vice minister of the State Commission for Restructuring Economy, has pointed out that it is necessary to be practical and realistic to publicize with perfect assurance the achievements scored by reform in the past decade and to correctly deal with the difficulties and problems encountered in reform, in order to further strengthen the confidence of the broad masses of cadres and people in reform and push it forward.

Addressing a "Seminar on 10 Years' Reform: Theory and Practice Among Middle-Aged and Young People," Gao Shangquan said that the 10 years since the 3d Plenary Session of the 11th CPC Central Committee was a period in which there were political stability, rapid economic development, and marked improvement in the living standards of the people in modern Chinese history since the Opium War in 1840. Tremendous and profound changes have taken place in the face of the

whole country, externally and internally. He maintained that, although we have encountered some unexpected new situations and new problems in our economic activities in the past year, we have made some new progress in reform and the opening policy.

Fair Evaluation of Reforms Urged

HK0304091789 Beijing CHINA DAILY in English 3 Apr 89 p 4

[By Wang Hao and Zhang Xiaogang]

[Text] China's reform programme should not be blamed for some of the problems that have cropped up in the course of its implementation and it must go on despite the obstacles.

This is the view of Gao Shangquan, deputy-director of the State Commission for Economic Restructuring, who yesterday addressed the opening ceremony of a five-day conference in Beijing sponsored by the All-China Federation of Youth and the Beijing Young Economists' Society. Young economists from all over the country are attending the conference.

Gao called for a reasonable and fair evaluation of the reforms implemented over the past decade and criticised the attitude of those who ignore the substantial achievements brought about by the economic reform.

Some people have even reached the hasty conclusion that some negative society trends today are the result of the reform, he said, adding that some enthusiastic reformers had thus been wrongly censured in some cases.

Therefore, the deputy-director said, people's confidence in the reform should be strengthened by raising public awareness of the achievements made so far and the favourable conditions which exist for further development.

Although China's economy encountered "some unforeseen situations and problems last year," Gao said that the economic reform had nevertheless brought about some substantial improvements. These included:

- The further development and implementation of the contract responsibility system in enterprises and the introduction of the share-holding system on an experimental basis in some enterprises.
- The expansion of markets dealing in production materials and the exchange of foreign currencies.
- The drawing up of the coastal economic development strategy.
- The setting up of Hainan Province as a special economic zone and the opening of two similar areas in the provinces of Guangdong and Fujian.

Meanwhile, the problem of inflation had been eased to some extent and the scale of construction had been curbed, he said.

Gao, citing incomplete statistics, said the government had cancelled or postponed more than 18,000 projects, thus saving the country about 60 billion yuan.

But he admitted that the economic situation remained tense—a fact which he attributed to high price rises, heavy consumption and the large amount of currency issued, together with the slow growth in energy production, exports and supplies of raw materials and materials for agriculture.

At the same time, he said, unhealthy phenomena had emerged in the economy such as the lending and borrowing of funds outside the established banking system, obstacles to the flow of goods and the drifting of jobless workers from the countryside as a result of the cut in investment and construction.

The current consolidation of the economic order is the third of the large-scale structural adjustments undertaken since the founding of the People's Republic of China in 1949. The other two were in 1962 when the "Great Leap Forward" had led to a severe crisis and at the beginning of the 1980s, when the reform had not been fully carried out and the basic economic system had not been changed.

Gao said the nation's economic strength had been greatly increased over the past decade of reform and development, and the new system was being built up.

He said that this time the structural adjustment should not be carried out in the way employed previously so as to avoid new socio-economic problems.

The purpose of the effort should not be limited to balancing the overall supply and demand, but also to rationalize the economic structure, namely, the industrial structure, product mix, organizational structure of enterprises, investment plans and consumption patterns.

Also, he said, the adjustment should be seen against the background of the world market and international cooperation and full use should be made of China's advantages in the labour force and science and technology fields. Speaking to some 350 participants from all over the country, Gao listed the following questions which need answering in the course of the reform:

—How to cool down the economy and control inflation while avoiding stagflation.

—How to combine public ownership with a market-oriented economy and find a way of reforming the economic system with Chinese characteristics.

—How to seek new forms of public ownership without changing the essence of ownership.

—How to make full use of the economic leverages of tax, interest rate and exchange rate in regulating the national economy.

Official Stresses Business Responsibility
OW0904001189 Beijing XINHUA in English
1451 GMT 8 Apr 89

[Text] Beijing, April 8 (XINHUA)—To improve and develop the business responsibility system has become the main theme of China's nationwide economic reform this year, says Zhang Yanning, vice-minister of the State Commission for Restructuring the Economy.

He announced at a meeting here today that China will experiment this year with the establishment of stock markets, property assessment offices and state-owned property-management organizations.

The experiments will be enlarged gradually as the government gains experience and introduces related laws or regulations.

"The main purposes of reform of the business responsibility system," he said, "are to fix quotas for businesses, introduce widely competitive bidding, take all-member risk mortgages and experiment with the shareholding system."

He urged businesses to ensure the growth of state revenue, to readjust the industrial structure and to bring into full play the initiative of businesses and workers in the reform drive.

Up to now, 9,024 state-owned large and medium-sized businesses have introduced the responsibility system and 90 percent of them have met the financial profit quotas set in their contracts. About 10 percent of them have failed to fulfill their contracts.

The commission has decided to reset profit quotas for the businesses under the industrial policy because most contracts will terminate this year. Quotas will be set by competitive bidding, a system already used by about 34 percent of businesses.

The vice-minister called on businesses to do a good job in all-member risk mortgage in order to enhance the cohesion of enterprises. But, he said, the mortgage fund can be used only to supplement circulating capital.

He urged businesses to have long-term development programs, which should be combined with the goals of the factory director.

All regions, he said, should improve merger procedures and open merger markets while making regulations governing labor and social welfare.

Emphasis on Improvement in Contracting Work
OW0904230289 Beijing XINHUA Domestic Service in Chinese 1331 GMT 7 Apr 89

[Local Broadcast News Service]

[Text] Beijing, 7 Apr (XINHUA)—Zhang Yanning, vice minister of the State Commission for Restructuring Economy, stressed that the major task for collective-owned industrial and commercial enterprises for this year and next is to do well in the contracted managerial responsibility system.

When receiving reporters from ZHONGGUO JINGJI TIZHI GAIGE magazine, Zhang Yanning said that in perfecting the contracting system, particular attention should be attached to establishing a restraining mechanism in enterprises. First, we need a long-term development strategy; second, we require scientific contracting targets; third, we should perfect an in-house economic responsibility system; fourth, we should improve the method of linking wages to job performance; and fifth, we should strictly abide by the state's policies and regulations.

Zhang Yanning pointed out that as we perfect the contracted managerial responsibility system, we should perfect the organizations that award contracts. We should clearly state that the organization that awards the contract is a management entity under the state management organization owning the assets. We should promote comprehensive mortgage risks, particularly for troubled enterprises. We should promote competitive bidding, regularizing and systemizing it and reducing administrative interference in bidding. Capital that results from contracting work should be made into separate accounts; that is, into state accounts and enterprise accounts. He said we should include the training of staff members and workers in the responsibility system and regularly check the training results in the same way as we check economic targets. Within an enterprise, a competitive mechanism should be established for staff members and workers so that their income will depend on their contribution to their enterprise.

Zhang Yanning said there is a pressing need to perfect contracting work within a trade. At present, we must pay attention to the following two points: First, we must ensure the income and increase the strength of enterprises. Second, contracting should also be practiced within a trade. We should avoid eating from the "same big pot." In addition, trade should thoroughly delegate power to enterprises.

Deviations From Reform Program Must Be 'Put Right'

OW0704120389 Beijing XINHUA in English 0910 GMT 7 Apr 89

[Text] Beijing, April 7 (XINHUA)—Deviations from the original targets, methods and measures of China's ongoing economic reform program have taken place in recent years, and must be put right, the ECONOMIC DAILY reported here today.

The paper noted that China's efforts to separate government from management in enterprises, an important measure of the reform, has two purposes: To streamline government institutions and enable enterprises to become real economic entities. However, this has not worked out smoothly in practice.

Overanxiety for quick results and superficial success has led to deviations from the original plans, the paper pointed out.

The deviations have hampered the establishment of the new order of socialist commodity economy, it added.

The paper suggested that the reform should focus on change of mechanisms, including the separation of ownership from management of enterprises and reform of the marketing mechanism.

As China has suffered from a decade of the "high speed-high investment-low economic results" syndrome, the reform should aim at improvement of economic returns by stressing intensive operation, rationalizing the industrial structure and streamlining organizations.

The paper said that in the process of developing and improving the market mechanism China should solve the contradictions between the present irrational pricing system and inflation, between egalitarianism and unfair incomes among different sections, between low quality of laborer and covert unemployment, between shortage of materials on the market and overstocking by enterprises, and between shortage of banking funds and hoarding of funds by localities and enterprises.

The paper suggested accelerating the reform of the political system, including reform of government institutions, and publicising the reform policies to help people understand the difficulties the reform is facing.

PROVINCIAL

Anhui To Use Foreign Capital in Development

HK1304142589 Beijing CEI Database in English 13 Apr 89

[Text] Hefei (CEI)—Anhui Province has been approved to make use of more than 300 million U.S. dollars of foreign capital this year and next, according to the provincial resources.

The capital will be used to introduce advanced technologies for the innovation of old enterprises and development of in depth processing. Major projects will include Tongling Yangtse River Highway Bridge, Hefei No. 4 Waterworks, Wuhu Mini Electric Machinery Factory, Suxian Detergent Material Factory, Haozhou Corn Starch Factory, 130,000 city computerized telephones, and the shipping on Xinanjiang River.

From 1986 to 1988, the province utilized a total of 318 million U.S. dollars of foreign capital, mainly in the construction of agricultural water conservancy works, transport, cement and foodstuffs. The projects completed include Ninguo cement plant and the transformation of local soil.

Jiangsu Household Businesses Hire More Laborers

*OW0104161789 Beijing XINHUA in English
0952 GMT 1 Apr 89*

[Text] Nanjing, April 1 (XINHUA)—Statistics show that at the end of 1988, 39,000 rural household businesses in Jiangsu Province were employing 183,000 laborers.

Household businesses grew from the rural reforms in China during the past decade. The aim was to encourage farmers to grow rich. Hired labor was introduced as one way of absorbing surplus workers.

At present, hired laborers are concentrated in industrial household businesses, making up 70 percent of all hired workers. Of these businesses, 6,524 households have hired more than eight workers, a 4.3 percent increase over the figure for last year.

FINANCE, BANKING

Financial Situation Stabilizing

*HK0304131389 Beijing CEI Database in English
3 Apr 89*

[Text] Beijing (CEI)—China's financial situation is turning steady, with total volume of credit put under control, overheated economy cooled down and over supply of money eased up.

According to statistics released by the People's Bank of China, loans from banks and credit cooperatives in the first two months increased 16 percent over the same 1988 period, but the rise has been compensated by a huge increase in credit withdrawal.

During the same period, bank savings increased by 21.77 billion yuan, a rise of 1.1 billion yuan over the corresponding period last year. The increased volume of bank savings in February was 20.67 billion yuan, 5.25 billion yuan more than the same month of 1988. The rising trend of bank deposits has continued since March.

But, enterprises' deposits had a substantial slump in the period because of the tight policy.

The first two months saw a 25 percent rise in total salary and other cash payout as compared to the same period last year, which is 1.5 percent lower than the growing rate of the same period last year

Beginning from February, there has been large bank withdrawals. By the middle of March, about the same amount of money as the corresponding period of last year was put into circulation

On the other hand, however, the tight money supply has also affected the development of energy, raw material and communication industries which are in urgent need of development

Moreover, unstable prices in some areas may once more reduce bank savings

Economic observers do not predict a too optimistic financial situation.

Construction Bank To Raise Loans Abroad

*HK0404064089 Beijing CHINA DAILY in English
4 Apr 89 p 2*

[By staff reporter Qian Hong]

[Text] The nation's major investment bank revealed yesterday that it plans to branch out into raising loans and credits from foreign governments, banks and international financial institutions this year.

"These loans are aimed at supporting the construction of energy, communications, infrastructure and other major projects in the country," a senior official of the People's Construction Bank of China (PCBC) told CHINA DAILY.

The bank has already signed letters of intent on loans and credits with foreign governmental institutions and foreign banks from the United States, Britain, France, Italy, Japan, Switzerland, West Germany, Belgium, Austria, Canada, and Australia "and the agreements will be finalized soon," said Liu Haisheng, chief of International Business Division under the PCBC.

"After the agreements are signed, we will offer the transfer loan service for domestic customers," said Liu who declined to disclose the total amount of the loans and credits.

The governmental loans, with preferential low interest rates and long repayment terms, are always granted in a mixture with export credits in the range of interest and repayment terms.

Liu said all the preparatory work had been done with the World Bank loan and they would be borrowing from this source this year. At the moment they were still waiting for approval from the Ministry of Finance and the State Planning Commission.

The PCBC, the largest special bank for construction, is also looking into the possibility of arranging loans from the Asian Development Bank.

Liu said that despite its branching out into new fields of international business, the PCBC will continue to borrow commercial loans from foreign banks within the limits set by the national guidelines.

Last year, the bank signed three agreements for commercial loans worth \$30 million with foreign banks from Japan and West Germany. The financial gains from these loans have been used in dozens of industrial projects.

Liu said the PCBC would also arrange loans from foreign banks for domestic enterprises.

At the end of last month, two syndicated loan agreements were signed between 29 Western banks and the PCBC to provide a \$128 million loan for a 300,000-ton ethylene project in Shanghai.

Last year, another \$332 million syndicated loan was taken out by the bank for the key petro-chemical project.

In addition, Liu said that the bank will go on handling foreign exchange accounts. Apart from the fact that the bank tries its best to absorb foreign exchange earnings from its customers, it is also trying to attract savings accounts from Sino-foreign joint ventures, co-operative ventures and solely foreign-owned enterprises.

Last year, the PCBC handled \$300 million foreign exchange accounts and mainly supported development of enterprises involving processing with imported materials, samples and parts.

Communications Bank Sells Shares to Public
OW1104061689 Beijing XINHUA in English
0248 GMT 11 Apr 89

[Text] Kunming, April 11 (XINHUA)—China's Communications Bank is the first banking institution to adopt the country's new share-holding system, and will increase its capital by selling shares to the public, according to its director, Shen Qilong.

The director said the capital will rise from 2 billion yuan (about 541 million U.S. dollars) to 3 billion yuan (about 811 million U.S. dollars) this year.

In order to meet the needs of reform and economic development, the Chinese Government decided to reestablish the Communications Bank in 1987. Built in 1908, its business was transferred to the People's Bank of China and the Construction Bank in 1957.

The bank has already established agency and account relations with 177 overseas banks and 46 foreign bank branches in China.

The bank has also made progress in developing its international financial network, and now does business with five continents. Last year, for example, it issued 100 million U.S. dollars worth of bonds in Singapore.

Unlike other Chinese banks, the Communications Bank has independent management, and is solely responsible for its profits, losses, and management style. All its branches are under the direct control of the board of directors.

"The orientation of the Communications Bank is to become a totally commercial bank," Shen Qilong explained.

The actual financial strength of the Communications Bank cannot be compared with other banks in China at the moment, but in the future it will be a strong rival to them, Shen said.

Bank To Sell Bonds Worth 1.4 Billion Yuan
HK1104140789 Beijing CEI Database in English
11 Apr 89

[Text] Beijing (CEI)—The Agricultural Bank of China will issue shortly 1.4 billion yuan of one-year bonds of 100-yuan, 500-yuan and 1,000-yuan denominations. They are to be sold to urban and rural residents.

The interest rate is two percentage points above that of one-year fixed deposits, and will be paid back together with the capital at maturity. It will be raised at a corresponding rate if the interest rate of savings deposits is raised.

This year, the People's Bank of China and other special banks have issued treasury bills and bonds for four times. In March, the People's Bank of China issued, on behalf of the finance ministry, 5.5 billion yuan of treasury bills at a 14-percent interest rate to urban and rural residents as well as private enterprises. In March and April, the Bank of China and the People's Construction Bank of China issued 1 billion yuan of bonds and cumulative-interest bonds.

Agricultural Bank Offers Special Deposit Service
OW0904152089 Beijing Domestic Service in Mandarin
0300 GMT 6 Apr 89

[Text] According to a XINHUA News Agency report, starting this year, the Agricultural Bank of China has offered a production fee reserve funds special deposit service to peasant households to support agricultural production. This service is now offered by agricultural banks and credit cooperatives in more than 10 provinces and autonomous regions, which have already absorbed 1.8 billion yuan of special deposits for production fees.

With this service, peasant households can deposit their money in banks for use as reserve funds for production. The special reserve funds are intended for purchases of

the means of agricultural production, as well as expenditures for agricultural production and operations. The agricultural bank will implement the policy of linking production fee reserve funds special deposits to production fees loans. Peasant households with this deposit in the bank will have priority when applying for loans.

MINERAL RESOURCES

Economists Urge Mineral Resource Conservation
OW0104195189 Beijing XINHUA in English
1516 GMT 1 Apr 89

[Text] Beijing, April 1 (XINHUA)—China will run short of all mineral resources by the year 2000, according to the latest biweekly issue of the MARKET.

Economists say that it is necessary for the Chinese people to change their concept that China is a big country abounding in natural resources. They must also stop wasting natural resources and save them from now on, the newspaper said.

The newspaper noted that although China's verified mineral deposits ranked third in the world, its average per-capita possession of mineral resources is only half of the world average because of China's 1.1-billion population.

In the past 30 years, 162 minerals have been discovered in 200,000 locations, and reserves of 148 of the minerals have been verified, the paper said.

By the year 2000, however, the output of China's existing iron, manganese and chromium mines will drop by 10 percent and copper, lead and zinc mines by 40 percent. At present, production in 60 percent of state-owned non-ferrous metal mines has used up half or more of their resources.

The paper notes that 80 percent of China's mineral deposits contain two or more different minerals. Investigation of 1,845 mines in 1986 showed that only 2 percent of the mines utilized 70 percent of the diversified minerals, while 75 percent of the mines utilized less than 2.5 percent.

In coal mines, about only 40 percent of the deposits were recovered, while in non-ferrous metal mines, less than 60 percent of the deposits were mined.

Because of the waste, the consumption of copper, aluminum, lead and zinc for every 100 million U.S. dollars of national income in China is twice that of developed countries. The consumption of energy for every 10,000 U.S. dollars of national income in China is 10 times that of Federal Germany, five times that of Japan and 2.6 times that of the United States.

From 1953 to 1985, China's national income increased 9.1 times while the consumption of energy increased 14 times and that of non-ferrous metals and iron increased 23 times.

The economists called for comprehensive utilization of mineral deposits and greater conservation of energy, water and other natural resources.

INDUSTRY

Shortage of Funds Hampers Production
OW0604133289 Beijing XINHUA in English
1116 GMT 6 Apr 89

[Text] Beijing, April 6 (XINHUA)—Many major state-owned enterprises in China are so seriously short of money that they are now on the verge of stopping production, the PEOPLE'S DAILY reported today.

The problem was reported to the State Council, which decided to promptly allocate a special sum of three billion yuan (810 million U.S. dollars) to these enterprises, to alleviate the shortfall in funds, the newspaper said.

The enterprises, which are mainly engaged in machine building, motor manufacturing, machinery, electric equipment and making important products for the development of energy, communications and major raw materials, occupy a vital position in the national economy.

Since they must follow the state plan to provide products to their customers—including those who are already in arrears of payments—for the sake of national economic development, these companies now find themselves heavily in debt.

In other words, they simply don't have enough money to buy raw materials or pay wages owed to their workers, let alone keep up production, the paper says.

Statistics show that the country's 10 top heavy-duty machinery plants are owed a total of 490 million yuan. Other major machinery and electric equipment factories also have big debit accounts, and it is very difficult for them to demand payment of the debts because nearly all their customers are also short of funds—often because they have spent too much money on capital construction to expand production.

The situation has reached the point where directors of some of these firms have sent their accountants to customers to demand payment of the debts—and have even ordered the accountants not to bother coming back if they can't get the money.

In desperation, a deputy chief of the financial section of the "Changchun No. 1 Machine-Building Plant" recently staged a one-man "hunger strike" at the gate of the

"Oriental Motor Factory" in Deyang City, Sichuan Province. According to the daily, he brandished a placard which said he intended to stay there without eating until the factory paid the money it owed to his plant.

Things have also reached the stage where some companies can only give their workers 40 percent of their wages on payday and issue the rest later, or even inform the workers that the remaining 60 percent of their wages have been deposited in a bank.

And in a big plant in Sichuan Province, southwest China, workers lining up in the dining hall sang the revolutionary anthem "the Internationale" as they furiously beat their bowls to express their grievances, the paper said.

If the state plan for the production of electrical equipment and machinery in these major enterprises cannot be fulfilled, the state production of electricity and other important items will be seriously affected, the paper added.

One official in charge of major enterprises said that he is "worried that the new loans allocated by the State Council can only solve the problem temporarily." The thorough way out is to make the debtors pay their debts and set a fixed figure of circulating funds specially for these enterprises, the PEOPLE'S DAILY said.

Electric Locomotive Production Increases *OW1204120689 Beijing XINHUA in English* *0752 GMT 12 Apr 89*

[Text] Beijing, April 12 (XINHUA)—China's production of electric locomotives has increased at an annual rate of 20 percent in the past eight consecutive years, according to the latest issue of the newspaper, PEOPLE'S RAILWAY.

The country produced 173 electric locomotives last year, more than the total national output in the 20 years between 1958 and 1978—when only 156 electric railway engines were produced.

By the end of last month, China had turned out 1,000 electric locomotives since the industry was established in 1958.

The technological level and testing equipment in Chinese electric locomotive factories are now up to advanced international standards, the newspaper said.

The paper attributed the rapid development of electric railway engine manufacturing to the economic reform begun ten years ago.

Under the country's open policy, the factories obtained loans from international banks and imported advanced equipment to modernize production.

In addition, the state allocated 170 million yuan (46 million U.S. dollars) for capital construction of the factories.

Industrial Output Rises in First Quarter *HK1004150589 Beijing CEI Database in English* *10 Apr 89*

[Text] Beijing (CEI)—China's total industrial output value in the first quarter is 292.2 billion yuan, up 10.4 percent over the same period last year, the State Statistical Bureau disclosed on April 7.

Of the total output value, light industry made up 149.5 billion yuan, up 11.1 percent; heavy industry output value 142.7 billion yuan, up 9.8 percent.

Output value of state-owned enterprises reached 187 billion yuan, an increase of 5.2 percent over the same period last year. That of collectively owned enterprises amounted to 93.7 billion yuan, up 18 percent, among which, output value of township enterprises accounted for 38.9 billion yuan, up 27.7 percent.

Output of 70 categories of industrial products increased in the first quarter. Energy increased by 4 percent; electricity generating capacity rose 3.2 percent; building material and chemical raw materials increased slightly. Agricultural film increased by 11 percent; pesticide increased by 2.7 percent; output of metal cutting machines in March was 15 percent more than the same month last year; trucks increased by 10.7 percent; internal combustion engines 16 percent.

Output of chemical fertilizer and crude oil went down by 8.6 and 0.7 percent respectively. Output of some metals also decreased to some extent.

Experts said that industrial production developed too fast in March which on one hand promoted the development of energy, raw material industries, and large- and middle-sized enterprises. But on the other hand, energy and raw materials still could not match with the rapid development of a number of processing industries. This may affect the industrial production in the future. They suggested that such rapid development should be stopped.

Steel Production Drops in First Quarter *HK1004150389 Beijing CEI Database in English* *10 Apr 89*

[Text] Beijing (CEI)—State Statistical Bureau says China's steel production dropped by 6.7 percent in the first quarter compared with the same period last year.

Steel output of the first three months was 13.913 million tons, 5.122 million tons of which was produced in March.

According to statistics, output of steel products of the first quarter was 11.1463 million tons, dropping by 4.1 percent from the same period of last year.

Output of steel for railway use was 357,000 tons, 9.9 percent less than last year; large-sized steel 199,000 tons, 18.9 percent less; medium-sized steels 636,200 tons, 15.6 percent less; small-sized steels 2.646 million tons, 7.6 percent less. Output of high-grade rolled steel decreased by 8 percent, silicon steel by 23.4 percent, and welded steel pipes by 17.2 percent.

The production of wire rods, sheet steel, steel bands, and seamless steel tubes increased to some extent.

Industrial Output Statistics for February
HK1104140189 Beijing CEI Database in English
11 Apr 89

[Text] Beijing (CEI)—Following is a chart of the output volume of main industrial products in February, 1989, released by the State Statistical Bureau.

Item	Unit	1-2/89	2/89	Percentage Over 1-2/88
Bicycle	10,000	583.54	266.75	-4.70
Sewing machine	10,000 sets	140.67	62.25	-1.20
Watch	10,000	904.00	418.90	7.70
TV set	10,000 sets	421.18	191.08	35.10
color tv	10,000 sets	172.05	77.36	54.86
Radio	10,000 sets	185.28	72.48	-20.70
Tape recorder	10,000 sets	360.84	149.20	15.90
Washing machine	10,000 sets	165.12	74.92	13.00
Camera	10,000 sets	36.97	16.27	0.20
Fan	10,000 sets	610.90	288.89	20.90
Refrigerator	10,000 sets	118.60	55.14	42.00
Chemical fibre	10,000 tons	24.06	11.56	16.20
Yarn	10,000 tons	65.86	29.98	-5.00
Cloth	100 million meters	24.18	11.29	-6.90
Chemical fibre cloth	100 million meters	9.07	4.34	-7.40
Silk	10,000 tons	0.64	0.28	-12.30
Silk fabric	100 million meters	2.02	0.92	-10.20
Woollen fabric	10,000 meters	3539.00	1593.00	-9.10
Knitting wool	10,000 tons	2.93	1.41	6.90
Sugar	10,000 tons	237.12	111.85	5.40
Salt	10,000 tons	83.90	45.20	0.10
Cigarette	10,000 cases	439.90	182.30	-8.60
Machine-made paper				
and kraft	10,000 tons	153.97	76.57	-1.10
newsprint	10,000 tons	4.22	2.01	-1.20
anastatic printing paper	10,000 tons	12.84	6.07	21.50
Synthetic detergent	10,000 tons	18.77	8.53	10.90
Bulb	100 million	2.68	1.27	-7.30
Gasoline	10,000 tons	345.20	153.50	8.90
Kerosene	10,000 tons	64.80	31.50	-3.70
Iron ore	10,000 tons	2191.70	1066.00	-9.10
Pig iron	10,000 tons	826.60	398.80	-10.50
Steel	10,000 tons	878.90	430.80	-9.10
Rolled steel	10,000 tons	699.43	343.29	-5.80
wire rod	10,000 tons	120.24	58.66	-2.30
steel plate	10,000 tons	89.67	43.98	-1.20
Coke	10,000 tons	698.14	336.02	-8.70
Sulphuric acid	10,000 tons	166.65	83.97	-5.90
Sodium carbonate	10,000 tons	41.65	20.45	0.00
Caustic soda	10,000 tons	45.35	22.93	-4.10
Ethylene	10,000 tons	25.32	10.84	20.20
Purified benzene	10,000 tons	9.80	4.14	5.40

Item	Unit	1-2/89	2/89	Percentage Over 1-2/88
Synthetic ammonia	10,000 tons	288.45	142.74	-12.70
Fertilizer	10,000 tons	265.77	136.36	-9.40
nitrogenous fertilizer	10,000 tons	214.66	109.14	-8.10
phosphoric fertilizer	10,000 tons	50.61	26.85	-15.00
Chemical pesticide	10,000 tons	3.04	1.54	0.70
Pharmaceuticals	10,000 tons	2.75	1.35	-0.70
Tyre	10,000	456.53	218.83	12.30
Synthetic rubber	10,000 tons	4.63	2.25	-3.70
Plastic	10,000 tons	29.56	16.67	16.10
Timber	million cubic meters	987.00	405.00	-2.80
Artificial board	10,000 cubic meters	31.69	15.36	-6.00
Cement	10,000 tons	2570.80	1266.60	-1.50
Plate glass	10,000 tons	1302.83	622.06	21.40
Power equipment	10,000 kw	110.13	49.50	-1.00
Machine tool	10,000 sets	2.53	1.12	2.00
precision machine tool	sets	225.00	120.00	74.40
large machine tool	sets	668.00	305.00	1.70
Automobile	10,000	9.18	4.06	8.00
truck	10,000	5.50	2.42	-2.70
Tractor	10,000	0.74	0.39	-18.70
Small tractor	10,000	16.17	7.26	-24.50
Locomotive	set	105.00	44.00	-16.00
Passenger car	set	248.00	118.00	-14.20
Freight car	1,000 sets	3360.00	1683.00	1.00
Internal combustion engine	10,000 h.p.	910.70	439.90	17.70
Civil steel ship	10,000 tons	4.92	5.36	-52.40
Computer	sets	15.00	6.00	-63.40
calculator	10,000 sets	62.36	26.02	36.60

Analysis of February Textile Production
HK0604145789 Beijing CEI Database in English
5 Apr 89

[Text] Beijing (CEI)—China's textile output value in February was 8.373 billion yuan. Together with that of January, the total was 17.968 billion yuan, 2.09 percent less than the first two months last year.

Figures released by the Ministry of Textile Industry showed that in 14 provinces and municipalities including Shanghai, Jiangsu, Zhejiang and Hebei where textiles account for 59.1 percent of the total industrial output value, the first two months' textile output value has dropped by 5 to 10 percent.

The monthly production plans of synthetic fibre, yarn and knitting wool were fulfilled by 6.98 percent. Production of cloth, printed cloth, woolen fabric, gunnysacks, silk, silk products and textile machinery fell short of the monthly plans. Output of synthetic fibre and knitting wool fulfilled 15.36 percent of the annual plan. The other

eight products fell short of the planned targets. In January and February, output of synthetic fibre and knitting wool was 10.79 and 1.53 percent more than the same period last year, while that of the other eight has declined. Output of viscose acetal fibre, yarn, printed cloth and gunnysacks decreased by more than 10 percent.

The decline in textile production has affected export. Delivery of Shanghai's exports in January was 17.59 percent less than the same month last year. In Beijing, the purchase of export goods in February reduced by 16.19 percent compared with the same month last year.

This serious situation was caused mainly by shortages of energy, fund and raw materials. Since November last year, power cuts have cost Hebei Province 129 million yuan and Shanghai 349 million yuan in textile output, and permitted only 80 percent of Jiangsu Province's spindles in operation. Price hikes in raw materials also hindered production, since many enterprises lack circulating funds. This year Shanghai is in want of 400 million yuan for imported raw materials and Jiangsu Province 500 million for raw materials.

Enterprises are complaining about the shortage of raw materials. Beijing needs 74,200 tons of cotton yarn this year, but can get only 48,000 tons from the state, 22,000 tons short. Textile cotton is 50,000 to 70,000 tons short of Shanghai's need, and Jiangsu Province will run out of raw materials by the end of the first quarter.

Textiles are China's major export commodity. Departments concerned have taken measures to support the textile industry in energy, capital and raw materials. The situation in Shanghai and Hebei Province has been improved.

SMALL-SCALE ENTERPRISES

Township Enterprises Output Up by 26 Percent

HK1404143389 Beijing CEI Database in English
14 Apr 89

[Text] Beijing (CEI)—The output volume of China's township enterprises grew by 26 percent in the first quarter of this year.

The causes for the growth, as sources say, mainly include: first, most of the new projects were put into production in the first quarter of the year; second, township enterprises in various places were engaged in fund raising at the end of last year and the first month of this year due to the monetary tightening by banks; third, 24 provinces and regions began providing materials for these enterprises this year, therefore speeding up capital circulation.

CONSTRUCTION

Housing Development Group Established

OW1104181689 Beijing XINHUA in English
1541 GMT 11 Apr 89

[Text] Beijing, April 11 (XINHUA)—China will set up a large housing development group this year to promote the real estate industry.

The group will include the China State Housing and Real Estate Development Corporation (CSHRDC) and its 150 local companies located across the mainland, Zhang Yaozong, general manager of CSHRDC, said today.

The group will cooperate in exchange of materials, financial support and overseas business.

As the largest real estate development enterprise in China, the CSHRDC will build 17 million square meters of residences this year, and most of them will be up for sale, Zhang said.

He added that while many property companies in China are selling apartments at extremely high prices, the CSHRDC will try to provide lower-cost housing.

COMMERCE

Liquor Factories Violate Trademark Law

OW0404131689 Beijing XINHUA in English
1142 GMT 4 Apr 89

[Text] Beijing, April 4 (XINHUA)—The State Administration for Industry and Commerce recently asked its local branches to take measures against 27 liquor factories which it claims have violated the Trademark Law.

The 27 enterprises, an official from the administration said, illegally used others' registered trademarks for their own brands. Most of their products have been named quality products by the Ministry of Light Industry, or high quality goods at the provincial level.

The violations came to light during a recent investigation, jointly conducted by the State Administration for Industry and Commerce and the China Consumers Association.

"Proper use of trademarks enhances regular competition for quality," said the official.

It has been six years since China issued its Trademark Law, he said, "and it was disturbing that so many factories were found to be ignorant of or deliberately violating the law."

FOREIGN TRADE, INVESTMENT

Foreign Investment, Technology Importing Detailed

40060382 Beijing JINGJI LILUN YU JINGJI GUANLI
[ECONOMIC THEORY AND BUSINESS
MANAGEMENT] in Chinese No 1, 28 Jan 89 pp 72-74

[Article by Zhang Xing 4545 2502 of the International Economics Department of the China People's University: "Fourth Article, How To Use Foreign Investment and Import Technology"]

[Text] I. Channels for Bringing in Foreign Investment and Technology

A. Means for Attracting Foreign Investment

So-called foreign investment not only refers to overseas funds and pure cash type funds of foreign investment and aid but also refers to the money brought in from patents, trademarks, handicraft technology, and equipment and other capital goods. It is necessary to point out that foreign investment is not equal to the foreign debt. Direct foreign investment into China by other countries is part of the foreign investment that our country brings in but is not part of China's foreign debt, and does not exist as a problem in repayment of the debt. To make this point clear, macromanagement is extremely important to China's attracting foreign investment structure.

China's major means of attracting foreign investment are:

1. Drawing in Indirect Investment From Abroad

(1) Government loans. These are loans that every government uses to support quality. Often the government signs loan agreements and has special organizations carry them out. The characteristics of a government loan is the low interest rate (the yearly interest rate does not exceed 3 percent and are sometimes interest free), a long repayment period (usually from 30 to 50 years), but the procedures are complicated with limiting provisions, such as the loans must be used for purchasing state produced products and so on. This is suitable for building up social benefits and construction of long-term major projects.

(2) Loans from international finance organizations. Among these are loans for IMF organizations that are used for short-term credit needs during periods when member nations experience short-term imbalances in revenue and expenditures. The amount of the loans are limited by the amount of funds paid in by the member nations.

The World Bank provides funds to developing nations for the purpose of expanding production and for exploiting natural resources, these are fairly long-term loans, usually for 20 years. When applying for one of these loans a specific project plan must be submitted, after the World Bank examines and approves the request a credit contract is signed, then the last step is to invite bids on the project. The loans have variable interest rates, usually 8.25 percent.

The International Development Organization and the International Finance Company are subsidiary organizations of the World Bank. The former provides favorable loans to the poorer developing member nations (those with a per-capita income of less than 300 dollars). These loans can be up to 50 years in length and interest free except for processing fees of 0.75 percent and can also be repaid in the native country's currency. The latter organization conducts loans and investments for private enterprise of member nations. It is not necessary for the government of the member nation to guarantee these loans which are from 7 to 15 years in length with interest rates of 6 to 7 percent. China's jointly operated enterprises can act as private enterprise to obtain such loans.

Loans of the International Agriculture Development Fund are divided into special, secondary, and general loans, with interest rates that range from no interest to 8 percent. The length of the loans range from the shortest of 15 years to the longest being 50 years. China is already utilizing up to 100 million yuan of these types of loans.

The World Bank plans to allocate most of its loans for material aid to developing nations that are at a low level of development or that have experienced natural disasters.

(3) Export credit. This is divided into purchaser credit and seller credit. The government is providing financial subsidies for export credit in order to maintain and expand exports. The interest rate on this money is usually lower than the market rate, and the repayment period is from 5 to 10 years. Export credit is normally only limited by the export purchasing countries capital goods, such as its complete sets of equipment, and so on.

(4) Bank credit. This is mostly short-term bilateral loans, intermediate length loans, and consortium loans. The length of short-term loans are limited to a year or less, with the shortest ones only lasting a few days. Normally these transactions are first handled over the phone or by electrical means and then confirmed in writing later, depending on the bank's credit practices. Intermediate length loans are between 3 and 5 years and involve fairly large amounts of money, agreements are signed first and the loan procedures handled later. Consortium loans have one bank leading a number of other banks in jointly handling loans involving large amounts of money and for long periods of time. The amount of money in these loans can be as much as several hundred million dollars, loan lengths are usually over 10 years, and often employ variable interest rates.

(5) Issue of international bonds. Currently this is a very popular international method of raising foreign investment. These can be divided into two kinds, foreign bonds and European bonds. The issuance of international bonds can generate large amounts of foreign exchange capital, the bonds have unrestricted use, relatively fixed interest rates, and loan lengths that usually exceed 5 years. Generally bonds are issued through bond companies or have a bank act as the bond manager and the large bank that issues the bonds and has state funding credit (such as the Bank of China) will provide the guarantee for interest and deposits.

2. Attracting Direct Investment.

(1) Joint investment management by China and foreign countries. This entails investment by both parties, joint management, joint responsibility for profits and losses, and jointly assuming risks. Benefits are awarded based on the ratio of investment made by the enterprise. Foreign businesses mostly use equipment, industrial property rights, technology, and funds as its investment portion. Out portion of investment consists of locations, factories, equipment and cash reserves. Joint investment enterprise doesn't increase the national debt and doesn't require the condition of having new foreign exchange to import modern technology, equipment, and management experience.

(2) China-foreign cooperative development and management. This involves China supplying the natural resources, land, factories, labor, and services and facilities, the foreign business supplies the funds, technology, equipment, and some raw materials. A management contract is signed based on discussions between both parties. Each party's investment and management style will be according to the contract stipulations as will how the benefits are divided. At the end of the cooperation period the machinery, equipment, and all the property will become the ownership of the Chinese enterprise.

(3) Management of sole investment by foreign countries. Sole foreign investment enterprises are mainly distributed in the 4 special economic zones. The goal of conducting these sole investment enterprises is to, first, bring in different methods and advanced technology that is difficult to import, and second, to open up large amounts of investments to replace big import projects.

3. Attract Flexible Investment.

(1) Compensation trade. This is a type of trade that doesn't use existing foreign exchange but one that is conducted on the basis of credit. The basic method is that foreign businesses export machinery and equipment or production technology to us but we don't use existing exchange to pay for these loans, instead the products from this equipment and technology or other products agreed upon by the two sides are used as repayment. The first method is termed direct compensation and the other is called indirect compensation.

(2) Rental credit. This is a new international credit method equivalent to a type of repayment by installments. A leasing company attached to a large trade bank leases large type equipment to consumers on an installment plan and the consumers make payments in stages. When the rental period is up the consumers can purchase the equipment at a symbolically reduced price. This method saves the renters from having to make a one-time large payment, avoid being pressed for funds, make timely changes of equipment, and utilize modern technology.

4. Attract Various Free Aid From Abroad.

Such as free funds from governments and international finance organizations, material aid, personnel training, and so forth.

B. Channels for Importing Technology

1. Technology trade. This includes various commercial technology importing such as product trade, projects built by contract, license trade, joint research, three forms of import processing and compensation trade, technical consultation, technical services, and so on. There are also various types of non-commercial technology importing, such as knowledge transfer, bringing in talented personnel, academic exchanges, technical exchanges, various international economic cooperation, and so forth. In the past, China has heavily emphasized

the first type of technology importing, but in reality the second type of technology importing is also very important and is a type of technology importing that doesn't require a monetary exchange.

2. Patented technology. This entails the regulation of patent rights of more or less open technology or inventions. Bringing in patented technology is usually done through discussions between two parties, after they reach an agreement, a patent use contract is signed. Permission to use a patent contains two things: The first is authorization which shows a patent owner agrees to authorize another party the right to manufacture, use, sell, and import the patented product. Second is the transfer of technology, this allows the technology, materials, and experience concerning the invention to be passed on to the importing party to help train their personnel and master the technology.

3. Specialized technology. This concerns secret knowledge, experience, and skills needed to realize a certain type of technical process or establishment of a specific kind of factory for producing a certain product. Specialized technology is the crucial portion of technology and the most secretive and economically valuable. Therefore, it holds an important position in technology importing.

II. Strategies and Policies for Importing Foreign Investment and Technology

Even though there are many channels for bringing in foreign investment and technology, because bringing in this investment and technology is a comprehensive decision-making process involving complicated interlocking links of, rationality for importing the technology, its effective utilization, and ability to repay. Therefore, when bringing in specific imports we must look to the future and at the past, have overall planning, and pay special attention to the following aspects.

1. Study new trends in the international finance and technology markets to get a grasp on foreign investment and technology "supply."

(1) The frequent flow of international monetary funds, a flood of floating capital, and financial debts are becoming the trend. In recent years, the slow growth of Western nations has resulted in production funds becoming excess monies. This has caused international monetary markets to one after another search for investment opportunities, and has resulted in a continued expansion in the scope of joint investments. Along with this type of joint investment, the ratio of the international debt in joint investment has increased, especially the trend of continuous increases in the European debt relating to joint investments. The surpluses in international funds provides the possibility that China will have an advantage in competing for foreign investment.

(2) Technology trade has become an important method of moving funds. Concentrating technology and funds in the transfer of advanced scientific technology has become a special characteristic of technology trade. The continual expansion of technology trade by transnational corporations in world trade has also created good conditions for China to import technology.

(3) Interest rates tending to rise in the long-term. Since the 1980s, high interest rates have replaced inflation as the serious problem in the international financial realm, with Western nations raising their interest rates several times. Long-term two digit interest rates will not only effect the investment requirements of Western nations but also increase the interest burden on developing countries importing foreign investment. Under these conditions, except when the use of foreign investment is absolutely necessary, it will become especially important as to how we decide on forms of interest rates, issuance prices, and a series of other problems.

(4) Radical fluctuations in Western currency exchange rates. The increasing difficulty in estimating exchange rate trends causes greater risks in importing foreign investment. The effect of exchange rate changes on loan costs sometimes even exceeds the effect that the interest rate has.

(5) The international currency system continues to develop along multiple currency lines. With the U.S. Dollar as the main currency, the international currency system is beginning a trend towards a multiple currency system by also using the Japanese yen, West German mark, French franc, and British pound. Under this situation, by utilizing different countries policies and currency structures in its foreign investments should be well suited for timely adjustments and help to avoid risks in exchange rates.

(6) There has been no basic relaxation in the international debt crisis. The debt of developing countries has now exceeded 1 trillion U.S. dollars. The 10 largest debtor nation's repayment rate on foreign debts is over 30 percent. A profound lesson has been learned concerning the out-of-control use of foreign investment.

2. Maintain multiple importing strategies and adapt our domestic economic development to the "requirements" of foreign investment and technology.

First, there should be multiple administrative levels stressing attracting foreign investment. When bringing in foreign investment we should not only have favorable competitive governmental loans and loans from international finance organizations, but also look closely at the international debt and other funding channels for importing. After foreign investment is brought in it should be used for improving the technological structure

of the national economy in order to form a good economic cycle. The levels of technology should be divided into highly sophisticated technology, advanced technology, adaptable technology, and low level technology.

In the importing of technology we should start from our ability to absorb and coordinate the use of this technology. Different industry structures and area administrative structures import technology suited to their level, it all cannot be done with one cut of the ax, so to speak.

Second, multiple foreign investment structures and various types of currency structures. In order to obtain more direct and flexible investments, we must do our best at shrinking the debt ratio in the foreign investment structure, while strengthening the long-term debt ratio in the debt structure. For the same reason, in the technology importing structure, we should do our best to increase non-commercial technology imports, reduce the burden of existing exchange importing, and try for the lowest cost and greatest benefit. In the various types of currency structures we need to strengthen comprehensive calculations, avoid using a single type of currency in the importing of foreign investment exchange structure, and stop taking loans using weak currencies in order to reduce risks and losses.

3. Improve macromanagement of foreign investment and technology imports, create a good environment for these imports, and give genuine full play to the importing of foreign investment and technology.

Looking at China's practice of importing foreign investment and technology of a few years ago, there were many instances where imports were duplicated or done in a blind manner. During the last 2 years the blind borrowing of money by various areas has caused a rapid rise in the ratio of foreign debt in China's use of foreign investment. Signs of a debt crises have already emerged. Therefore, improving macromanagement of foreign investment and technology cannot be put off.

First, we must centralize management of foreign investment and foreign debt nationwide, have a strict approval system for importing foreign investment, especially improve control and management of the debt scale, be cautious concerning excessive loans, and prevent areas from blindly running up debts.

Second, there must be macrocontrol over the foreign debt structure. We should have both short-term and long-term loans so an excessive ratio of short-term loans can be prevented and concentration of repayment periods can be avoided that would cause hardships in repayment.

Third, perfect the project appraisal system. Cancel unnecessary projects until a proof of feasibility has been done and ensure that debts that must be incurred are used in the most needed areas of the national economy.

Fourth, encourage areas to bring in direct investment and guide the foreign investment structure development along a reasonable direction.

Fifth, make periodic checks on the foreign exchange importing situation, and encourage nationalization of technology imports. Prevent importing duplicate funds and those for reserve use. Eliminate the phenomena of bringing in duplicate technology from occurring.

In addition to this we should truly strengthen political unity and coordination, get a good grasp on joint construction of the communication and energy infrastructure, pay particular attention to the development of foreign financial and applied science personnel, and work hard to make a large change in the national investment environment within a fairly short period of time.

III. The Risks and Guaranteed Values of Foreign Exchange

In the importing of foreign investment, because there is a period of time between when funds are obtained through such channels as government loans, loans from international finance organizations, bond issues, and when the funds are used up, the changes in the exchange rate during this period may affect their purchasing power in regard to other products with a market currency price producing foreign exchange risks. At the same time, the period between when the loan is obtained to final repayment is also a very long time, the changes in currency rates of the loan currency and our country's currency during this period may effect the exchange cost for commodities of our country. Thereby creating exchange risks. Because the amount of foreign investment is fairly large, losses due to foreign exchange risks sometimes causes great anxiety for some people. Therefore avoiding foreign exchange risks in the importing of foreign investment is a problem of foreign exchange guaranteed value. The main methods of guaranteeing this value are:

1. Selection of loans using strong currencies and issuing bonds using strong currencies will reduce the risks and improve beneficial opportunities.

Due to the loan lengths being fairly long, it is sometimes difficult to select strong currencies. This requires comprehensive long-range predictions concerning the forecasting of exchange rates. Currently, China is selecting the U.S. dollar, Japanese yen, and the West German mark for the majority of its overseas loans.

2. We should select several types of currencies or basket currencies (such as special draft authority) to act as loan currencies and currency issued for debts in order to spread out risks. Even if favorable government loans are received, when the loan currency cannot be selected we must balance the gains and losses between favorable loans and foreign exchange risks in order to lower the cost of loans as much as possible.

3. Strengthen the foreign exchange money market management by the Bank of China. By using short- and long-term transaction periods cause foreign exchange money markets to have none or to reduce as much as possible the risks in foreign exchange.

4. Using long-term foreign exchange transactions (mainly long-term future agreements) to make up for risks. When this method can't be smoothly carried out, short-term future agreements can be adopted to supplement the money market, time periods extended, or have them continued to reduce risks.

Additionally, materials can be used to repay loans. We are to work hard to use renminbi as the currency for settling accounts. Use short-term idle loans as foreign exchange loans to obtain profits and other methods to make up for foreign exchange risks and reduce the cost of loans as much as possible in order to achieve the goal of avoiding risks in foreign exchange and guaranteed values.

Export-Import Law Aims To Curb Quality Abuses *HK1004032889 Beijing CHINA DAILY (BUSINESS WEEKLY SUPPLEMENT) in English 10 Apr 89 p 1*

[By staff reporter Xie Songxin]

[Text] Some Chinese reporters are chasing profits at the expense of their reputation. They could have a severe effect on the nation's foreign exchange earnings, warned Zhu Zhenyuan, director general of the State Administration of Import and Export Commodity Inspection.

He told a national conference of the administration in Beijing yesterday that many complaints had been received over valueless additives in raw materials and poor workmanship, particularly from Britain, West Germany, the United States and Japan.

Foreigners were indignant to find sand in sesame, slag in aluminium, sugar in angora fabric and earth in coal.

Zhu pointed out that while only three percent of goods inspected annually were substandard, the problem had far-reaching implications. He said that as the problem with exports was growing, so it was with imports also. More than 10 percent of China's imports are found to be not up to contract standards, and about \$100 million of damages are claimed by Chinese organizations every year, Zhu told the conference. Some imports were of poor quality and short on quantity.

"We have also discovered fake goods and old equipment being exported to China as real and new," he said.

On exports from this country, it could be that many problems were caused by insufficient attention to quality control and substandard raw materials. However, a more fundamental problem was the pursuit of profits at the expense of the reputation of Chinese commodities.

Overseas clients were also frustrated to find that actual quality and weight of some imports were different from those on the inspection certificates. They wondered how the certificates came to be issued.

Zhu said that the certificates China issued used to enjoy a high reputation in foreign countries.

However, he admitted that some inspection agencies certified some export commodities even though they knew the products could be of inferior quality.

Some import and export companies shipped their products before they were inspected and certified, actually getting the go-ahead from inspection agencies.

Backed by guarantee letters from exporters, some inferior goods have then been allowed out by the inspection organizations.

"These practices are a dereliction of duty," Zhu declared to the administration's branch directors attending the conference.

With a law on import and export commodity inspection coming into effect in August, Zhu said inspection agencies around the country should shoulder the responsibility to carry it out.

No department or individual could intervene in the work of the inspection agencies or their execution of the law.

"No government department or individual is entitled to give the green light to substandard goods," Zhu reiterated.

Inspection agencies would check the outflow of inferior commodities and products should be strictly examined according to contracts and relevant standards. No substandard goods will be allowed to be shipped out of China.

If brandname products fail to meet quality, safety and hygiene standards, they will not be allowed to be sold abroad even though they have guarantees from either Chinese or foreign companies.

Zhu said inspection staff who fail in their duty, fake certificates or commit errors in examination should be punished according to the law.

Inspection agencies would be responsible for damages claimed by foreign clients if applied to goods they had inspected.

Drop in Foreign Currency Earnings Foreseen
HK0304144389 Beijing CHINA DAILY (BUSINESS WEEKLY) in English 3 Apr 89 p 4

[By staff reporter Song Ning]

[Text] China's hard currency earnings may be affected this year by price rises and the shortage of raw materials at home.

Zhao Yidong, a research fellow with the International Trade Research Institute under the Ministry of Foreign Economic Relations and Trade, predicted that China may this year reduce exports of raw materials and crude oil, major commodities which the country sells abroad.

And the slump in agricultural production in recent years may force China to further cut exports of grain and cotton, Zhao said.

The textile industry, China's largest foreign exchange earner with exports worth more than \$10 billion a year, also faces a shortage of raw materials for export production.

An 18.5 percent price rise last year has left China's foreign trade companies short of cash for export commodity purchase and production. Even though the central government has increased allocations to help foreign trade, the problem remains unsolved.

Present reform of foreign trade and implementation of the contract responsibility system for import and export corporations have helped increase foreign exchange earnings.

However, the new system also encourages the establishment of "spheres of influence" and leads to excessive competitive purchasing of export commodities which have forced up prices drastically at home and have, for example, led to "battles" for buying silkworm cocoons and cotton in recent years.

However, Zhao said the present policies aimed at controlling China's overheated economic growth would create a stable and favourable environment for the development of foreign trade.

A drop in demand would allow China to sell more goods on the world market and enable enterprises to make use of more facilities for export production.

Zhao suggested that China should focus on developing its exports of machinery and building materials this year.

As China cuts back on capital construction, the need for machinery and building materials will be reduced on the home market. It is the right time for the two industries to adjust their production strategy in a bid to enter the world market.

Machinery exports have increased considerably over the last three years. Hard currency earnings reached \$6.15 billion last year, about 13 percent of China's total exports.

The building materials industry has completed more than 1,000 export projects over the last 10 years so the industry has a large potential for export, Zhao said.

However, it sold only \$700 million worth of building materials abroad last year, accounting for just 1.8 percent of China's total exports. Most of the building materials exported were non-metal minerals and other primary products.

China's foreign trade volume increased by 24 percent last year. Imports and exports exceeded \$100 billion.

Exports amounted to \$47.5 billion, an increase of 20 percent, and imports were \$55.3 billion, an increase of 27 percent.

Best Sino-Foreign Joint Ventures Named
OW1204000589 Beijing XINHUA in English
1245 GMT 11 Apr 89

[Text] Beijing, April 11 (XINHUA)—The 10 best Sino-foreign joint ventures for 1988 were chosen today for their competitive edges in investment volume, technology intensity, and export ratio.

Guangzhou M.C. Packaging Ltd, the country's largest pop-top can manufacturer, won first place with its per capita output value of 173,000 U.S. dollars last year.

Shanghai Volkswagen Company Ltd came second, followed by China's other joint-venture automobile manufacturers, Beijing Jeep and Guangzhou Peugeot.

The China Hewlett-Packard Company Ltd, based in Beijing, and the Shanghai-Foxboro Company Ltd, both electronics companies established several years ago, were also awarded titles.

Other firms on the list include the Xinjiang Tianshan Woollen Textile Company Ltd, the Shanghai United Woollen Co Ltd, the China Schidler Elevator Company Ltd in Beijing and the Shanghai-E.K. Chor Motorcycles Ltd.

Investment in all these enterprises exceeded 15 million U.S. dollars, with the highest reaching 200 million U.S. dollars for Shanghai Volkswagen.

Of the 10 chosen companies, 9 are in Guangzhou, Shanghai, and Beijing. Overseas investors are led by the United States, followed by Federal Germany, France, Switzerland, Japan, Thailand, and Hong Kong.

This is the second annual competition. The first was sponsored by the ECONOMIC DAILY last year. According to the organizers of the event this year, experts were consulted and 5 economic indexes were assessed to choose the best 10 joint ventures from the 7,800 now operating in China.

Eight winners in the first competition retained their titles this year while Guangzhou Peugeot and Shanghai United Woollen became new members of the club.

In spite of China's effort to restrain its over-heated economy, foreign investors have continued to be attracted by the the business opportunities it offers.

Statistics show that newly-approved foreign-investment companies last year grew by 164 percent on the 1987 figure, bringing the present number of such ventures to 16,000 on the mainland.

Joint-Venture Leasing Firms Expect Increased Business

OW0504042989 Beijing XINHUA in English
0632 GMT 2 Apr 89

[Text] Beijing, April 2 (XINHUA)—Sino-foreign firms engaged in the leasing business are expecting to have bigger business this year as a result of the government austerity program, said a report in today's CHINA DAILY.

Demand for their services is growing because Chinese enterprises cannot afford to outlay the advanced equipment they need.

Quoting an official from the Ministry of Foreign Economic Relations and Trade (MOFERT), the paper said the Chinese enterprises prefer to contact the joint venture leasing firms and get them to rent the equipment from firms in other countries.

China now has 24 Sino-foreign firms engaged in the leasing business and another is expected to go into business soon, the official was quoted as saying.

The official said joint venture leasing firms this year looked likely to exceed the 600 million U.S. dollars they achieved in business volume last year.

But the austerity program would make it difficult for the leasing firms to obtain funds in Renminbi, the official said when listing some the problems the firms are now facing.

They would also have to take special care not to undertake projects outside the Government's list of priorities for economic development.

According to the paper, in the past decade, Sino-foreign leasing firms have leased a total of 2.1 billion U.S. dollars worth of advanced foreign technology and equipment for the nation's modernization drive.

Garment Industry Seeks Foreign Investment

*HK0604154189 Beijing CEI Database in English
5 Apr 89*

[Text] Beijing (CEI)—China will develop its garment industry by using foreign investment and promoting cooperation with foreign firms, Yu Zhongyao, general manager of China Garment Industry Corporation, said at a recent interview with reporters. Manager Yu said China's garment industry is backward in material, designing, processing and packaging. There are currently 68 joint ventures engaged in the garment industry in China. Garment manufacturers turned out some 13 billion yuan of output value in 1988, double that of a decade ago. At present, more than a thousand garment factories and a dozen garment bases are making clothes for export. They earned 4.8 billion U.S. dollars last year. There are now 700,000 sets of sewing machines across the country, among which 200,000 have been imported from abroad. Yu said international investment and cooperation in the garment industry has been successful. For example, Western suits jointly made by the Tianjin No. 13 garment factory, Hong Kong and Italy are selling well in the Hong Kong market. He suggests that cooperation should be established on a "high level" referring to high quality clothes.

Export Duties Levied on Some Raw Materials

*HK0604150989 Beijing CEI Database in English
5 Apr 89*

[Text] Beijing (CEI)—China has started to levy export duties on some raw materials since the latter half of last year, according to informed sources.

The tax rates are as follows: phosphorus 50, benzene 40, toluene 20, xylene 30, pig iron 20, cast iron 20, ferromanganese iron 50, ferro-chromium 40, silicon iron 40, steel 20, waste steel 40, unrefined lead (exclusive of lead alloys) 30, unforged cobalt alloy 30, type metal 30, waste lead 30, unforged zinc 20 and waste zinc 20.

The act aims at restricting the export of these raw materials and alleviating their shortage in supply in domestic markets.

Shandong Peninsula's Investment Climate Improves

*40060367d Beijing GUOJI SHANGBAO in Chinese
2 Mar 89 p 1*

[Article by Shen Tongshun 3947 0681 7311 and Xie Lixin 6043 4539 2450: "Shandong Peninsula Open Economic Zone's Investment Climate Undergoes Obvious Transformation; Simultaneous Consideration Given to Soft and Hard Climates"]

[Text] Very recently, Xu Shanyi [6079 0810 5030], assistant director of the Shandong Peninsula open economic zone coordinating leading small group, told

reporters that in the year since the State Council sanctioned its creation, the open economic zone has given special attention to improving its climate for investment, and there have been obvious developments.

In 1988, Shandong Province vigorously promoted the reform of both the "hard" and "soft" investment climate. In improving the hard climate, Qingdao's Huangdao oil-loading terminal and Yantai Harbor, two 10,000-ton berths, have been completed and put into operation. Under construction are Qingdao's Qianwan Harbor, which when completed will be able to handle 17 million tons of cargo annually; two 10,000-ton wooden wharves at Shijiu Harbor; Lanshan Harbor's 30,000-ton liquid-chemical wharf; and at Yantai, Weihai, etc., five berths capable of handling more than 10,000 tons. The central government has sanctioned opening Qingdao's airfield to the outside, and there are now regular charter flights to Hong Kong. The airfields at Yantai, Weifang, and Weihai now also have air service to Kuangzhou, Jinan, Shanghai, and Beijing. The (?Jiao)-Jinan multiple-track railway running through the peninsula is basically completed, the first-class highway from Qingdao to Yantai will be finished within the year, and planning for the (?Jiao-Zhou-Huan-Hai) highway is in progress. Energy resources for production are being expanded, with the large-scale Kengkou power plant at Longkou, with its two 200,000-watt generators officially on line, and the Huangdao power plant project at Qingdao, a 210,000-watt unit, scheduled to be completed and in operation within a year. This will make project development at Huangdao, Jinan, and Qingdao go smoothly. There are over 40,000 program-controlled telephones in the peninsula's six municipalities, plus another 30,000 that can be put into use during the first half of this year. Telephones in the municipalities of Yantai and Qingdao have both domestic and international direct-dialing capability, and basic construction of an earth satellite communications station at Qingdao is proceeding according to plan.

In improving the soft climate, to improve work efficiency, the several municipalities one after another have established organizations to serve in the management of foreign commercial investment. This creates a window to the outside, a coordinated process of service for the numerous projects which were agreed to, sanctioned, put into production and running in those years. Take, for example, the Weifang and Hong Kong jointly funded Yuxin Tanning Corp, Ltd, from the time the two sides began negotiations till their receipt of the sanctioning documents took only 28 days, and from construction to production took only 104 days. In order to better serve foreign-financed enterprises, some municipalities have also set up associations of these enterprises.

ECONOMIC ZONES

Governor Speaks on 1989 Hainan Development Focus

HK1504022089 Haikou Hainan Provincial Service in Mandarin 2300 GMT 13 Apr 89

[Text] Governor Liang Xiang has pointed out: The recent National People's Congress session has put the mind of Hainan at ease. The central authorities have

repeatedly emphasized that the central preferential policies on Hainan will not change, nor will the 30-point decision made by the provincial government in accordance with central preferential policies. If there are some changes, the only thing that will change is that our province will open up wider to the outside world and there will be more preferential policies on Hainan.

He made the remarks yesterday as the province celebrated the anniversary of its founding.

Governor Liang Xiang also said: Some relevant documents issued recently by the central ministries and committees are based on the preferential policies formulated by the State Council especially for Hainan, but there are certain discrepancies in some concrete rules and regulations in these documents, compared with the central preferential policies. We will, however, ask the central authorities for instructions to bring them into line according to actual conditions in Hainan. Furthermore, the 30-point decision proclaimed by the provincial government also needs some detailed rules and regulations, and some supplementary local laws and regulations.

Governor Liang Xiang continued: Hainan is rich in natural resources and there is great potential for development. As long as our policies are properly implemented and we make efforts to improve the investment climate and seize favorable opportunities in the world to absorb large amounts of foreign funds for the development of Hainan, I believe that the future of Hainan is very bright.

Speaking on the focus and targets of Hainan's work for this year, Governor Liang Xiang pointed out: The provincial government has set higher targets, as compared with the previous year, for Hainan's economic work when ushering in the second year of the founding of Hainan Province. Also, applying the principle of developing stretches of land and approving planned projects with the leasing of land to foreign investors by stages according to united plans, the provincial government will work hard for the establishment of economic development zones in Haikou, Sanya, Yangpu, Basuo, and (Qingwang). It is necessary to make efforts to start building those zones soon in an all-round way, and particularly to concentrate efforts on the construction of the Yangpu Development Zone. It is expected that construction of the infrastructure in the Yangpu Development Zone will start in the first half of the year. It is believed that successful development of the Yangpu Development Zone will make businessmen in other countries and in Hong Kong, Macao, and Taiwan, and especially large consortiums, more confident in making investment in Hainan, and will be a demonstration for developing stretches of land in other parts of the province.

Governor Liang Xiang also noted: Hainan has a poor foundation to start with, so the task of turning Hainan into a special economic zone is very hard. For this reason, we must carry on the spirit of waging hard struggles, bearing hardships and standing hard work, and making bold sacrifice. He hoped that the people of the whole province will unite as one in the new year to work hard for a glorious future of the large Hainan Special Economic Zone.

Special Economic Zones Doing Well

*HK0604112789 Beijing CEI Database in English
6 Apr 89*

[Text] Beijing (CEI)—The special economic zones—Shenzhen, Zhuhai, Shantou, Xiamen and Hainan Province—Have made gratifying progress in construction, development and trade.

The first four have moved into an export-oriented economy with an integration of industry with trade after nine years of development, said He Chunlin, head of the Special Economic Zones Office under the State Council, in an interview here on March 27.

In these four zones, 2,500 foreign-invested enterprises have been set up and 3,300 contracts involving an actual investment of 2.4 billion U.S. dollars, about a quarter of the total foreign investment in the country, have been signed.

Their total output value in 1988 reached 15.7 billion yuan, a dozen times the 1980 figure. The foreign-invested ventures in Shenzhen accounted for 60 per cent of the total, Zhuhai 30 percent. Their export value totalled 280 million U.S. dollars.

At present, an area of about 70 square kilometers have been developed in the four zones. Airports, docks, electrical power stations, factory premises, office buildings, apartment houses and facilities of education, culture, and tourism have been constructed. In addition, 11 industrial areas have been developed.

Hainan Island, since 1988 when it became a special economic zone, has done much preparatory work for the forthcoming large-scale development. Some foreign businessmen have come to the island to develop land or set up businesses. A number of industrial enterprises are now under construction.

Hainan adopts more flexible economic policies and the overseas businessmen enjoy much more preferential treatment there than in the other special economic zones.

POPULATION

Mainland Population Reaches 1.1 Billion

OW1304135389 Beijing XINHUA in English
1115 GMT 13 Apr 89

[Text] Beijing, April 13 (XINHUA)—By tomorrow, the population on the mainland of China will reach 1.1 billion, the State Statistics Bureau announced today.

A spokesman said China's total population will be 1.126 billion if the population of Taiwan, Hong Kong and Macao is included.

The population of China represents 22 percent of the five billion world population, or 36 percent of the Asian population of more than three billion.

"Compared with the figure of 540 million at the end of 1949," the spokesman said, "the population of China grew by 560 million, or 104 percent, in the past four decades."

He explained that the 1.1 billion population on April 14 is determined on the basis of a nationwide survey last year that showed that 26 babies are born every minute and the number of people born in the first six months represents 43 percent of the total for the year.

China began to experience its third baby boom in 1986. Every year since then its population has shown a net increase of more than 15 million.

Between 1840 and 1949 the population grew by only 100 million. At the current rate of increase, it will take only six or seven years to grow by 100 million.

An analysis of figures for natural population growth over the country shows that Ningxia Hui Autonomous Region tops all regions in the country, with a growth rate of 19.55 per thousand. The figure for Guizhou Province is 17.8 per thousand, and for the Tibet Autonomous Region 17.18 per thousand.

However, the growth rate in large cities remains low—6.4 per thousand in Shanghai, 8.86 per thousand in Beijing and 10.27 per thousand in Tianjin.

The percentage of couples who have more than three children in Xinjiang makes up 45.43 percent of couples with children, Hainan 33.73 percent and Guangxi 29.97 percent.

The spokesman said the momentum of the population growth will keep birthrates at a peak for the next 10 years.

The number of women of child-bearing age will increase gradually to top 330 million in 1995 and reach 340 million in the year 2000.

The spokesman warned: "The growth rate of population will accelerate along with the number of women of child-bearing age. The task of achieving the target set for the control of population growth will be extremely challenging."

The rapid growth of population will have a serious impact on the economic development and social advancement of the country, he added. He called on governments at all levels and people throughout the country to treat the problem seriously.

Population Growth 'Obstructing' Development

OW1404143789 Beijing XINHUA in English
0706 GMT 14 Apr 89

[Text] Beijing, April 14 (XINHUA)—China's leading newspaper PEOPLE'S DAILY today called for a tightening-up of the country's family planning policy and the abolition of the laissez-faire attitude exhibited by citizens toward the government's current birth-control drive.

In an editorial marking China's "1.1 billion people day," the paper said that the increasing burden created by China's burgeoning population is one of the most important factors in obstructing its economic development strategy.

"If there is no strict measure to control the growth of the population, the problem will have an adverse effect on the living conditions of the Chinese nation and the realization of the country's four modernizations," the editorial said.

Since the 1970s, China has made remarkable progress in birth control and its "one-child family" planning policy has enabled Chinese women to avoid giving birth to 200 million babies, the paper said.

However, the population situation is now quite serious and requires decades of effort to solve the problem, it noted.

The editorial pointed out that China is now facing a third population boom and from 1986 to 1997, there will be 11 to 13 million young women a year entering their prime child-bearing age.

But the laissez-faire phenomena (the increasing number of couples who insist on having more than one child), coupled with early marriages and births has become common in China and state birth control policies are virtually ignored in rural areas, the paper said.

The country's unregulated "floating population" (unemployed men, women and families who travel from place to place in search of work) is simply out-of-control as far as birth control regulations are concerned, and simply ignores state family planning strategy, the paper said.

The paper added that birth control is a fundamental state policy that must be firmly enforced.

It called on communist party leaders and government officials at all levels to pay strict attention to birth control work and its respective laws.

Birth Rate Accelerating Among Minorities
OW1304190489 Beijing XINHUA in English
1458 GMT 13 Apr 89

[Text] Beijing, April 13 (XINHUA)—A report released by the State Science and Technology Commission today calls for the country to pay more attention to birth control among its minority nationalities.

The report, entitled "Chinese Population Control and Its Solution", says people of minority nationalities are now at their peak of child-bearing. Given the present accelerating rate, their total population will reach 162 million by the year 2000 and equal the present Chinese total population of 1.1 billion 39 years later.

The entire population of ethnic-minority Chinese in 1987 was 85.9 million and the annual growth rate has been 9.5 percent in the past few years. The nationality with the biggest growth is the Manchu, with an annual growth rate of 16.33 percent.

The report points out that the growth of the ethnic-minority population has been out of balance since the Bouyei and the Korean population have declined, and the growth rate of the Hui, the Bai and the Hani nationalities are lower than that of the Han people.

Although 60 to 70 percent of the people of minority nationalities live in China's vast border areas, the report says, that does not mean there is no need for population control among them.

The reports points out: "Geological conditions are quite rewarding in some basins, plains and river valleys in the Xinjiang, Guangxi Zhuang, Inner Mongolia and Tibet Autonomous Regions and some tropical areas in Yunnan Province, and population there has already become dense."

Chinese border areas are sparsely inhabited, it says. The harsh natural environment and poor economic conditions there make most of these places impossible to live in.

The report suggests that the birth-control policy be applied in the areas densely populated by Chinese minority nationalities, but at the same time the women of the nationalities whose population has been declining be advised to bear more children.

It discloses that in the next few decades most of the Chinese minority nationalities will be young people and that every year some two million couples will marry. Ethnic-minority Chinese of child-bearing age represent 59.8 percent of their total population.

TRANSPORTATION

Qinghai Province, Ministry of Railroads Raise Fares
OW1704204989 Beijing XINHUA in English
1510 GMT 17 Apr 89

[Text] Xining, April 17 (XINHUA)—The Ministry of Railways and Qinghai Province have jointly decided to raise the money to repair the badly deteriorating Qinghai-Tibet Railway by charging higher prices during the next 3 to 5 years.

The new rise in the cost of passenger and freight transportation was revealed by Bian Yaowu, deputy governor of the province, in an exclusive interview with XINHUA.

The Qinghai-Tibet Railway, the major transportation link that runs from Xining to Golmud in Qinghai, has played an important role in the economic development of Qinghai Province and the Tibet Autonomous Region since it was put into operation in May 1984.

But because of a lack of money for repairs, it has become a potential disaster area, endangering the safety of trains, cargo, and passengers.

Bian said that it is impossible for the railway to provide funds for repairs, as the low prices charged for carrying passengers and freight are offset by high operating costs. And, he said, the country can't afford to spend the money either.

According to the deputy governor, the ministry and the provincial government will raise the price of passenger tickets and freight costs on the section between Hargai and Golmud from the present 0.522 yuan (one U.S. dollar equals to 3.72 yuan) to 0.1 yuan per ton/kilograms [as published] until enough funds are collected to pay for the repairs.

He said that by increasing the price of transportation, 50 million yuan a year could be collected and the money will be used exclusively for the repair of the dangerous section of the railway.

Engineer Calls Railway 'Potential Disaster'
OW1504063889 Beijing XINHUA in English
0655 GMT 14 Apr 89

[Text] Xining, April 14 (XINHUA)—The Qinghai-Tibet Railway, the major transportation link between Qinghai and Tibet, has become a potential disaster area because of a lack of money for repairs, according to one of its chief engineers.

"There will be no end of disasters if the problems of the Qinghai-Tibet railway are not dealt with right now," warns Xu Minmin, chief engineer of the Xining Railway Branch Bureau.

Operating at an average height of 3,000 meters above sea level, the railway is the first in the mountainous area and one of the highest in the world.

Between May 1984, when it was put into operation, and the end of 1988, the section connecting the centers of Xining and Golmud carried 4.73 million tons of cargo and 2.03 million passengers.

But because it hasn't been repaired for years, the railway has now become a real threat to the safety of trains, cargo, and passengers, Xu says.

One of the major problems is freezing. The section between Hargai and Golmud is 3,200 to 3,700 meters high and is frozen eight months of the year—with temperatures dropping to 40 degrees below zero.

There are many tunnels along the railway (the longest being 4,010 meters long and 3,691 meters high) and all are now full of dangerous spots, Xu said.

Sand and marshland covers 158 kilometers of the line and are also endangering the safety of the trains.

Xu said that at least 100 million yuan (about 27 million U.S. dollars) is needed to deal with existing problems and maintain even the lowest standard of transportation safety.

He said that despite the dangers the railway is still being used to its full designed capacity of 1.1 to 1.6 million tons.

According to the chief engineer, the line's transport volume is expected to reach 3.3 million tons by 1990 and 80 million yuan is urgently needed to expand its present capacity, he said.

But because the low prices charged by the railway for carrying passengers and freight are offset by high operating costs, the more the railway carries, the more money it loses, Xu said.

In 1985 the line lost 43.31 million yuan and the figure jumped to 61 million yuan by 1988.

Railwayman Cites Pay, Deteriorating Equipment
HK0104051889 Hong Kong HONGKONG STANDARD (SATURDAY REVIEW) in English 1 Apr 89 p 5.

[Text] Shi Fu, a locomotive engineer, says he was the envy of all his friends when the first climbed into the cab and took over the controls of a train in 1958.

But today it is different, Mr Shi says, sadly. China's railways are having a hard time attracting new recruits and even a lot of the men who do drive trains are fed up and ready to quit if they can find another job.

As a veteran railroader, 49-year-old Mr Shi says he feels ashamed when he thinks about the sad state of affairs.

He discussed his worries during a seminar on transport and telecommunications sponsored by the PEOPLE'S DAILY.

His primary worry, he told the seminar, is that most Chinese locomotives are too old and constantly overloaded.

"Take the railway branch office of Jiamusi city in northeast China's Heilongjiang Province, for example," he said. "Of its 173 steam locomotives, 72 (or 41 percent) have been in use for more than 20 years, 79 (or 45.9 percent) have been on the rails for more than 10 years, and only 22 (or 12.9 percent) are less than 10 years old."

But this ancient rolling stock is forced to carry 32.90 million tons of cargo and 18.4 million passengers a year, and the trains are seldom taken off the tracks for examination and repair which leads to serious accidents, he said.

Railway lines are also seriously deteriorating from age and lack of repair, endangering the safety of both passengers and train crews, he added.

In Jiamusi city, Mr Shi said, 90 percent of the railway track was laid in the 1930's and one out of every five railway bridges is now in a dangerous condition.

Railway workers have to work extra hours checking the trains and patrolling the tracks, but no really substantial safety measures have been taken because of a lack of funds, he said.

In addition, he said the pay a railway fireman gets for a day's back-breaking work flinging coal into a red-hot engine is less than the amount a pedlar can make from lounging around on a street corner and selling a single pack of foreign-made cigarettes.

"Nobody cares how much locomotives contribute to our society, but the pay of locomotive engineers and train crews and their working conditions are known to all."

In the past, young people tried every means they could think of to get a job on the railway, but the majority of drivers would now prefer other work.

Jiangxi Completes Jiujiang Dock Project
OW1004012989 Beijing XINHUA in English
1501 GMT 9 Apr 89

[Text] Nanchang, April 9 (XINHUA)—The Jiujiang foreign trade dock project which is one of the key construction items of the Ministry of Communications and Jiangxi Province in the period of the Seventh 5-Year Plan (1986-1990) has been completed.

The dock with two berths for 5,000-dwt ships passed a technical appraisal by the end of last month.

Work on the dock project started on August 15, 1986.

Construction of roads, warehouses and auxiliary facilities have also been finished with a total investment of 56 million yuan.

The annual handling capacity of the dock is 60,000 tons.

The completion of the dock will make it possible to export goods and materials of Jiangxi directly to Japan and Southeast Asia through the Yangtze River.

Zhejiang's Ningbo Port Key Development City
OW0104212489 Beijing XINHUA in English
1550 GMT 1 Apr 89

[Text] Ningbo, April 1 (XINHUA)—Ningbo, a promising port located in the middle of China's golden coast, has cut down its overall expenditures by 800 million yuan but will spend an additional 200 million yuan on key projects.

According to Chen Tonghai, vice-mayor of the city in Zhejiang Province, last year's overall budget was three billion yuan—of which only 710 million yuan was spent on key projects such as transportation, energy, infrastructure and raw materials.

This year's budget was cut down to 2.2 billion yuan—of which 900 million yuan will be devoted to key projects, Chen said.

"The improvement of the investment structure characterized by retrenching overall investment scale and focusing on key projects will speed the construction pace of this port city," the vice-mayor said.

China has listed Ningbo as a key city for development and construction during its seventh five year plan (1986-90).

The port will be built into the largest bulk cargo distribution center in the Pacific, with an annual handling capacity of 100 million tons.

Twenty-four large and medium sized construction projects are under way and additional funds are being spent on building the Zhenhai Petrochemical Works into China's largest crude oil refinery.

A new airport is also being built to service the city.

AGRICULTURE

Regulations on Seed Management

HK1804035389 Beijing RENMIN RIBAO in Chinese
6 Apr 89 p 6

[Report: "Regulations of the PRC Governing Management of Seeds"]

[Text] Chapter 1. General Principles

Article 1. These regulations have been worked out in order to strengthen management of seeds, safeguard the legitimate rights and interests of seed breeders, producers, managers, and users, ensure the quality of seeds, and promote the development of agriculture and forestry.

Article 2. The term seeds in these regulations refers to the seeds, fruit, and other propagation materials such as roots, stems, seedlings, and buds in agricultural and forestry production.

Article 3. All units and individuals engaging in the breeding, production, operation, use, and management of seeds must work in accordance with these regulations.

Article 4. The state encourages the units and individuals engaging in agricultural and forestry production to use improved varieties of seeds and gives preferential treatments to those who are engaged in the breeding, production, management, and popularization of good strains.

The units and individuals engaging in forestry production with state investment or subsidies must use the seeds in accordance with relevant stipulations.

Article 5. The state encourages people to carry out scientific research on seeds, spread advanced technologies, and increase the scientific and technological level of seed work.

Article 6. The agricultural and forestry departments of the State Council, respectively, are in charge of the work relating to crop seeds and forest seeds. The agricultural and forestry departments of local people's governments at and above the county level are respectively in charge of the work relating to crops seeds and forest seeds of the areas under their jurisdiction.

Article 7. The units and individuals who make outstanding achievements in seed work will be given awards by the people's government.

Chapter 2. Management of Blastogenic Resources

Article 8. Blastogenic resources are protected by the state.

The state collects, arranges, appraises, preserves, and utilizes crops and forest-tree blastogenic resources in a planned way. The concrete work is taken care of by the units authorized by the relevant departments of the State Council and the people's governments of various provinces, autonomous regions, and municipalities, which are in charge of agricultural and forestry production.

Article 9. The units and individuals introducing blastogenic resources from abroad must register with the blastogenic resources management units and must supply an appropriate quantity of seeds in accordance with relevant stipulations for preservation and utilization.

Article 10. The units and individuals who want to exchange blastogenic resources with other countries must do so in accordance with the regulations of the State Council departments in charge of agricultural and forestry production on exchange of blastogenic resources with other countries.

Chapter 3. Seed Selection, Breeding, Examination, and Certification

Article 11. The selection and breeding of new varieties of crops and elite seeds of forest trees are carried out by relevant scientific research, teaching, and production units organized by the departments in charge of agricultural and forestry production of the people's governments at and above the county level and other relevant departments responsible for the work in accordance with the state's unified plan.

The state encourages collectives and individuals to select and breed new varieties of crops and superior seeds of forest trees.

Article 12. The departments in charge of agricultural and forestry production under the State Council and those of the people's governments of various provinces, autonomous regions, and municipalities, respectively, set up crops varieties examination and certification committees and forest trees superior seeds examination and certification committees to take charge of the work in this respect.

The examination and certification committees are composed of representatives from the agricultural, forestry, grain, scientific research, and teaching departments. Article 13. After examination, the crops varieties examination and certification committee and forest trees superior seeds committee will issue certificates to the new varieties of crops and superior seeds of forest trees and have them promulgated by the departments in charge of agricultural and forestry production at the same level.

The new varieties of crops and superior seeds of forest trees must be examined and certified before they are adopted and popularized. The crops varieties examination and certification committee and forest trees superior seeds examination and certification committee must complete their work of examination and certification on the new varieties (superior seeds) submitted to them within a year.

Article 14. The patent for seed technology is protected by the "Patent Law of the PRC," and the transfer of seed technology should be made in accordance with relevant state regulations on technology transfer.

Chapter 4. Seeds and Production

Article 15. The state establishes seed production bases and carries out specialized seed production in a planned way. It encourages township and village collective economic organizations and individuals to produce fine seeds for their own use.

Article 16. The units and individuals engaging in commodity seed production must have relevant technical skills and suitable production conditions for fulfilling seed production tasks and must have a "seed production license" issued by a relevant department in charge of agricultural and forestry production of the people's government at and above the county level.

The production of commodity seeds must be carried out in accordance with the regulations on technological operation.

Article 17. The technology of production of elite seeds must be regularly improved.

Article 18. Collection of seeds in the forest seed production bases must be organized by the base managers; and collection outside the forest seed production bases must be conducted in accordance with the regulations of local departments in charge of forestry production.

Collecting seeds at inappropriate times and in inferior forests and damaging maternal plants are prohibited.

Article 19. The contracted grain purchase tasks for the state-owned seed production bases can be reduced or canceled according to relevant state regulations; and those for the seed production bases specially appointed by the state can also be reduced in light of the quantity of seeds purchased by the state.

Chapter 5. Seeds Management

Article 20. Ordinary seeds are managed through various channels. The seeds of main hybrid species are managed by the units appointed by the people's government at and above the county level and this management is brought into line with the plans of the seed management departments at the same level.

The seeds produced by the forest seed production bases established by the people's government departments in charge of forestry production at and above the provincial level are purchased and allocated by the forestry departments in a unified and planned way.

Article 21. The units and individuals engaging in seed management must be qualified in the following two aspects:

1) They must have the personnel who are capable of correctly telling the differences among various species and of appraising the quality of seeds, and who are skillful in storing seeds.

2) They must have the funds, places, and facilities for seed management.

Article 22. The units and individuals engaging in seed management must get a "seed management license" from the local people's government department in charge of agricultural and forestry production and register with the local industrial and commercial administrative department. They can start their business only after obtaining the "business license." The relevant department responsible for the work may exercise supervision and carry out examinations on their business activities.

Article 23. When working out a plan for the purchase of agricultural and forestry products that can be used as seeds, the relevant departments of the people's governments at various levels must give priority to the fulfillment of seed purchase task. Article 24. The quality of seeds under management must reach the standards set by the state or by various local authorities. The seeds must have an inspection certificate and a quarantine certificate.

Practices such as adulterating and replacing high-quality seeds with inferior seeds are strictly forbidden.

Article 25. Seeds to be transported or mailed to other counties (cities) must have an inspection certificate and a quarantine certificate. The transport and mail departments must give priority to the transport and mailing of seeds which have relevant certificates.

Chapter 6. Seed Inspection and Quarantine

Article 26. The seed inspection organizations of the departments in charge of agricultural and forestry production at various levels and the units entrusted by them are responsible for seed quality inspection work; and the plant quarantine departments are responsible for seed disease and pest control.

Article 27. The seed inspection and plant quarantine departments are responsible for making selective inspections of the production, management, and use of seeds by the state and collective units as well as by individuals.

Article 28. Before the blastogenic resources are put in storage, the relevant department must apply to the local plant quarantine department for quarantine inspection.

Article 29. All units and individuals are prohibited from carrying out any inoculation experiments on plant disease and insect pests in crops seed production bases and forest seed bases.

All units and individuals who want to breed seeds in the Nanfan base of Hainan Province must report to the provincial, regional, and municipal departments in charge of agricultural affairs and be approved by the agricultural department of the State Council, and their seeds must be quarantined.

Article 30. If for major reasons it is necessary to change the crop sowing and growing plan and use seeds that are not up to the quality standards set by the state or the local authorities, the matter must be approved by the people's governments at or above the county level; if it is necessary to use forest seeds that are not up to quality standards set by the state and the local authorities, it must be approved by the forestry department of the provincial-level people's government.

Seeds obtained from other counties (cities) must be quarantined by the local quarantine department before they are used.

Article 31. Inspection of crop seeds and forest seeds must be carried out in accordance with "the regulations on inspecting crop seeds," "the regulations on inspecting forage grass seeds," "the methods for inspecting forest seeds," and other standards set by the state.

Article 32. When carrying out official duties according to the law, the seed inspection personnel must wear the special "identity card" for seed inspectors issued by the provincial, regional, and municipal government departments in charge of agricultural and forestry affairs. No unit or individual is allowed to reject or obstruct the seed inspectors in carrying out their official duties.

Chapter 7. The Storage of Seeds

Article 33. The state is responsible for establishment of a seed storage system.

The production units and peasant households must store seeds for their own use.

The people's governments at all levels must have a certain quantity of seeds in storage in light of the laws of natural disasters in their respective areas in order to prepare against such disasters. The State Council's agricultural department is responsible for storing seeds for the state to prepare against natural disasters. The local departments responsible for this work are decided by the provincial, regional, and municipal people's governments.

The forestry departments are responsible for storing forest seeds in light of the forestry production situation.

Article 34. The losses incurred by the storage of seeds according to the policy can be subsidized by the financial department at the same level; and concrete methods will be worked out jointly by the relevant department of the State Council and the Ministry of Finance. Article 35. Different seeds must be stored in different places, and they must be inspected at regular intervals. The use of seeds stored for the purpose of fighting against natural disasters must be approved by the people's government in accordance with relevant state stipulations.

Chapter 8. Penalty

Article 36. Departments in charge of agricultural and forestry affairs must instruct all units and individuals engaging in the production of seeds without "seed production license" as prescribed by this document to stop production; and the industrial and commercial administrative organs must instruct all those engaging in the management of seeds without "seed management license" and "business license" as prescribed by this document to stop their businesses.

If these units and individuals continue to engage in seed production and management without license, they may have a fine imposed or forfeit their illegal gains.

Article 37. Units and individuals engaging in the illegal production and popularization of new varieties of crops or forest seeds that have not been formally adopted through inspection will be given a warning by the departments in charge of agricultural and forestry affairs in light of the seriousness of their cases, and their seeds and illegal gains will be forfeited. They will also be instructed to compensate for any direct and possible losses thus incurred.

Article 38. Seed inspectors have the right to stop all units and individuals from selling seeds that are not up to standards and who have adulterated or replaced high-quality seeds with inferior seeds and forfeit their seeds. The industrial and commercial administrative organs can also instruct them to compensate for direct and possible losses thus incurred, apart from imposing a fine on them according to the regulations on punishing people engaging in speculation and profiteering.

Article 39. Those who collect seeds at inappropriate times and in inferior forests and those who damage the maternal plants will be ordered by the forestry departments to stop seed collection and compensate for losses, and their seeds can be forfeited. They may also be imposed a fine.

Article 40. The departments in charge of agricultural and forestry affairs have the right to stop any unit or individual from carrying out inoculation experiments on plant disease and insect pests in crop seed production bases and forest seed bases. Should there be any losses incurred, the units and individuals involved may be ordered to compensate for them and may be imposed a fine.

Article 41. People who violate these regulations will be given disciplinary sanctions by their work units or the higher-level responsible departments. If what they do constitutes a crime, they will be investigated and punished by the judicial departments according to law.

Article 42. If the people involved do not admit their guilt, they may apply for reconsideration of their cases to the organ at the next higher level within 15 days of receipt of the penalty notice. If they still refuse to accept the decision after reconsideration, they may bring the suit to the people's court within 15 days of receipt of the decision. If they do not bring the suit to court and do not carry out the decision, the organs which make the decision can apply to the people's court for the enforcement of the decision.

Chapter 9. Supplementary Articles

Article 43. The term "crops" in these regulations includes forage grass. The blastogenic resources refer to the basic materials for selecting, breeding, and producing new varieties of crops and superior forest seeds.

Article 44. The departments in charge of agricultural and forestry affairs under the State Council are responsible for working out detailed rules and regulations for implementing this document.

The relevant responsible departments under the State Council may work out concrete regulations on the management of rapeseed and tobacco seeds based on these regulations.

Article 45. The departments in charge of agricultural and forestry affairs under the State Council are responsible for interpreting these regulations.

Article 46. These regulations are put into effect as of 1 May 1989.