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# ***JPRS Report***

## **China**

### ***1988 SELECTED PROVINCIAL ECONOMIC REPORTS***

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# China

## 1988 Selected Provincial Economic Reports

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## 1988 SELECTED PROVINCIAL ECONOMIC REPORTS

### Report on 1988 Economic, Social Development; Plan for 1989

HK0704023589 Lanzhou GANSU RIBAO in Chinese  
13 Mar 89 pp 2, 4

["Report on Execution of Gansu's 1988 Economic and Social Development Plan and on the Plan for 1989, Delivered by Provincial Planning Commission Director Li Ping (2621 5493) at the Second Session of the 7th Provincial People's Congress on 25 February 1989"]

[Text] Fellow Deputies:

Mandated by the provincial people's government, I will now report to the session on the execution of the province's 1988 economic and social development plan and suggestions on the the 1989 draft plan. Please examine my report.

#### I. The Execution of the 1988 Plan

In 1988, with reference to the economic and social development plan finalized at the first session of the 7th provincial People's Congress and with attention focused on the attainment of better economic results, the people in the province made vigorous efforts to develop the social productive forces. As a result, the economy and various social undertakings steadily developed, and the major planned targets for the year were either fulfilled or overfulfilled. The total product of society was 37.68 billion yuan, topping the yearly plan by 17.5 percent and, calculated in terms of comparable items, up 12.2 percent from the previous year; the gross national product was 18.15 billion yuan, topping the yearly plan by 3.7 percent and up 11.0 percent from the previous year; the national income was 15.6 billion yuan, topping the yearly plan by 8.3 percent and up 11.1 percent from the previous year; the gross industrial and agricultural output value was 21.02 billion yuan, topping the yearly plan by 5.1 percent and up 12.5 percent from the previous year; and financial revenue was 2.485 billion yuan, topping the yearly estimate by 8.4 percent and, calculated in terms of comparable items, up 12.1 percent from the previous year.

—Bumper harvests were reaped in agriculture. Last year, grain output reached 5.93 million tons, 640,000 tons more than in the previous year, an all-time high. The output of the major industrial crops increased. The output of beetroot was 929,000 tons, 366,000 tons more than in the previous year, and that of vegetables was 1.78 million tons, 167,000 tons more than in the previous year. Animal husbandry continued to develop. The output of meats was 325,000 tons, 19,000 tons more than in the previous year. There were 5.69 million large animals in stock at the end of the year, 128,000 more than in the previous year. Last year, there was an upturn in pig production. At the end of the year, there were 5.49

million pigs in stock, 195,000 more than in the previous year, and 10.96 million sheep and goats in stock, 772,000 more than in the 1987. The gross agricultural output value was 5 billion yuan, topping the yearly plan by 2.7 percent and up 7.8 percent from the previous year. The township and town enterprises in the province persistently paid close attention to their own consolidation and upgrading, on the one hand, and to development and expansion, on the other, and were, therefore, able to sustain their rather rapid growth. Last year, their output value totaled 4.6 billion yuan, up 39.4 percent from the previous year, and their income totaled 4 billion yuan, up 42.8 percent. The peasants' per capita net income was 345 yuan, 42 yuan more than in the previous year.

—In industrial production, the province was able to overcome such difficulties as the strains on the supplies of electricity and raw and processed materials, the strains on transportation facilities, and the shortage of capital and, as a result, industrial production steadily developed. The gross industrial output value was 16.02 billion yuan (of which 1.18 billion yuan was contributed by units at or below village level), topping the yearly plan by 5.9 percent and up 14 percent from the previous year. Of this, the gross output value of light industry increased 21.4 percent; that of heavy industry, 10.9 percent; that of collectively owned industry, 28.1 percent; that of state-owned industry, 9.6 percent; that of local industry, 17.8 percent; and that of central enterprises, 3.1 percent. This development trend shows that the province's weak economic links have been strengthened and that various proportional relationships are becoming better coordinated. The product mix was effectively readjusted. The output of products produced to support agriculture, that of raw materials previously in short supply, that of light industrial and textile products, and that of durable consumer goods all increased significantly, and industrial economic results improved. Last year, the total output value of budgeted industrial enterprises was 14.4 percent higher than in the previous year, and the income derived from the sales of their products was 26.7 percent higher. Turnover in the form of taxes and profits decreased in the first quarter, but grew steadily each month after April. At the end of last year, a 16.5-percent increase was registered.

—Foreign trade expanded and business in the urban and rural markets was brisk. In foreign trade, the province applied the contracted management responsibility system for the fulfillment of three targets: foreign exchange derived from export trade, costs in terms of foreign exchange, and the control of surpluses and losses. In addition, further efforts were made to combine industry and agriculture with trade, to build bases for the production of export products, and to develop the export of mechanical and electrical products. The total volume of exports was \$150 million, topping the yearly plan by 25 percent and up 18.7 percent from the previous year. The urban and rural markets thrived. The total value of retail sales in society was 10.24 billion yuan, a 28-percent increase over the previous year. To alleviate the tension

between supply and demand and to ensure an adequate supply of daily necessities, we, in accordance with the arrangements made by the provincial party committee and the provincial government, adopted a series of measures to increase effective supply. In the fourth quarter, as a result of the enforcement of measures for improving the economic environment and rectifying the economic order, the excessive demand declined and the market became stable again.

—Investment in fixed assets. In view of the shortage of capital and in compliance with the requirements of the "three guarantees and three reductions," the province made vigorous efforts to readjust investment distribution, ensure some key construction projects, wind up some other projects, and support the development of some famous brands of products, quality production, and products in short supply. Investment in fixed assets by local state-owned units came to 1.97 billion yuan. Of this, 1.17 billion yuan was investment in capital construction (of which 280 million yuan was not covered by the capital construction assessment plan), a 6.3-percent increase over the previous year. Investment in technical transformation totalled 754 million yuan, up 2.9 percent from the previous year. Investment in other fixed assets totaled 43 million yuan. Investment in both capital construction and technical transformation was kept within the limit set by the state. Some key capital construction projects, such as the No. 3 Shaft at the Tianzhu Coal Mine, Lanzhou's 10,000 program-controlled telephones, the Qidaoliang Tunnel, and the Provincial Chicken Breeding Farm, were completed and put into commission. The newly added production capacities included: 300,000 tons of raw coal, 120,000 tons of cement, 20,000 tons of beer, and 1.1 million commodity chickens. A total of 365 technical transformation projects were completed, and they contributed a total output value of 500 million yuan.

—Further efforts were made to deepen the enterprise reforms. Of the total number of state-owned industrial enterprises in the province, 86 percent had applied the contract system, and of the total number of provincial large and medium-sized enterprises, 91.7 percent had applied the same system. Of the total number of industrial enterprises practicing the contract system, 60 percent had introduced competition mechanisms. Of the total number of state-owned commercial enterprises, 98 percent had applied the contract system, switched to other lines of business, had been transformed, or had been leased to people. Lateral associations and ties developed on various levels, in various forms, and through various channels. The number of such associations reached 157 last year. The Lanzhou Petroleum Company [lan shi 5695 4258] and the Lanzhou Steel Group were listed in the plans as independent entries on a trial basis.

—There were new developments in education, science, technology, and social services. The reform of the educational system developed in depth, and the level-by-level system for school administration was introduced.

As a result, party and government leaders at all levels paid more attention to education than ever before, and the masses gave greater support to education. In last year as well as the year before last, the masses in the prefectures and counties invested 20 million yuan in education, a sum equal to that contributed by the province to school building maintenance. As a result, basic educational facilities have improved notably. Last year, efforts were made to strengthen elementary education. Of the total number of school-age children in the province, 93.2 percent were enrolled. Primary education was made compulsory in 40 percent of the counties. Last year, vocational education also developed, and the reform of the system governing scientific and technological work helped bring about scientific and technological advances. In 1988, the province appraised 303 scientific research achievements, and 126 of them were winners of provincial scientific and technological advances awards. In addition, 90 percent of them were applied and popularized. The Large-Area High-Yield Demonstration Project, winner of a first class award, contributed much to increasing grain output. —Efforts at improving and rectifying yielded initial results. In the fourth quarter of last year, all localities and departments in the province earnestly implemented the spirit of the 3d Plenum of the 13th CPC Central Committee and the series of measures adopted by the provincial party committee and the provincial government for improving the economic environment and rectifying the economic order. In addition, the province also carried out a taxation, finance, price, credit, and foreign exchange inspection, checked up on investment in fixed assets and ongoing projects, and consolidated and rectified companies with some success. The province suspended or delayed the execution of 133 projects, thus reducing investment by 223 million yuan. Of these projects, 70 were found on the state's suspension list, and they mainly included small-scale ferrosilicon, calcium carbide, and paper and pulp projects and the construction of ceremonial and amenity buildings, and 63 were regular projects. In addition, 83 projects were withdrawn. Investment was, therefore, reduced by 470 million yuan. The total amount of credit and loans decreased, savings increased, and the economic order took a turn for the better.

In 1988, the province experienced the following difficulties in the course of economic development:

1. Strained energy supply. Over the past few years, the demand for electricity has grown drastically. However, we have been unable to increase power supply fast enough. Last year, the flow of the Huang He shrank, and the amount of electricity generated by the hydroelectric power stations decreased as a result. Last year, therefore, the supply of electricity to large areas was frequently restricted and supply was down by about 1 billion kw. Some enterprises, therefore, operated under capacity, and some new projects and extensions were not put into commission because the power supply was not ensured. Production in some enterprises was also affected by the strains on the supply of coal.

2. Drastic and extensive price hikes. According to a survey conducted in large and medium-sized industrial enterprises, energy prices went up 16.3 percent and those of raw and processed materials 23.5 percent. The prices of nine major raw and processed materials, such as rolled steel, timber, and nonferrous metals, even rose by as much as 30.7 percent. The general retail price index went up every month. It went up 10.1 percent in January and 28 percent in December. The average increase was 18.6 percent (the national average was 18.5 percent). The general price index in cities rose an average of 20.8 percent and in the rural areas 15.1 percent. As a result of the drastic price hikes, the burden on the state, the enterprises, and the individual became heavier and the people were psychologically unprepared for it. Excessive consumption was commonplace. There were even greater fluctuations on the retail market. The quantity of the major commodities in stock was small and the range of products was incomplete.

3. Shortage of capital and other financial difficulties. The banks' deposit-loan deficit increased to 3.42 billion yuan at the end of last year. Since deposits did not increase, the contradictions between the supply of capital and the demand for it became increasingly acute. Some of the planned loans for enterprises were not granted. Therefore, some enterprises did not have enough working funds. Although revenue increased last year, the province still expects a deficit of about 150 million yuan because of the increase in policy-related expenditure and the decrease in policy-related income. All this has added to our financial difficulties.

4. Some areas were affected by the overheated economy. Although investment in fixed assets has not gone beyond the limits set by the state over the past few years, there are simply too many ongoing projects and many of them are overly ambitious. The current consolidation has revealed that there are 2,111 ongoing projects launched by local state-owned units. Their total cost is 8.48 billion yuan. So far, 4.06 billion yuan has been invested in them, and an extra 4.42 billion yuan is required. Assuming that the total amount of investment each year remains unchanged, it will take us another 5 years to complete these project, even if we launch no more new projects in these 5 years. This is incommensurate with the province's material and financial strength. Last year, some enterprises and institutions indiscriminately gave their employees bonuses, presents, and subsidies; there were loopholes in the system governing the collection of taxes from individual industrial and commercial households; personal regulatory income taxes were basically not collected; and the growth of wages for workers in some new enterprises went out of control. The resulting problem of the unfair distribution of income has aroused concern in society. These problems are a result of both objective and subjective factors. Some of them are experienced by the country as a whole, whereas others are ones confined to our work. The main problem with the planning departments is that they were unable to foresee the new problems and the new situations that

have arisen from the implementation of the principle of opening the country to the world and revitalizing the domestic economy and their macroeconomic regulation and control are ineffective. Second, in planning and management, they rely too much on administrative means, and they have no idea how to apply economic levers and laws in regulating aggregate demand and total supply. And third, in spite of the decentralization of planning authority, self-balancing and self-restricting mechanisms have not been introduced and our guiding, coordinating, and management work is lagging behind. Therefore, we are not in a position to successfully cope with the problem of unguided construction. For example, although the provincial authorities have repeatedly insisted that no more small ferroalloy plants be built, some prefectures, counties, and departments continue to build them. As of the end of last year, the province had built 69 small ferroalloy plants with a total production capacity of 160,000 tons. They can consume up to 1.6 billion kwh of electricity each year. Not only is it impossible for us to supply this amount of electricity, but they even have difficulty selling their products. Therefore, we should earnestly sum up our experiences and improve our work in the future.

## II. The Plan, Targets, and Main Tasks for 1989

The year 1989 is a crucial year. In this crucial year, we will implement the central authorities' principle of improving the economic environment, rectifying the economic order, and deepening the reforms. In addition, this year is also crucial as far as the execution of the "Seventh 5-Year Plan" is concerned. It is necessary for us to properly combine stabilization with the reform and development, to seek development while stabilizing things, and to give impetus to the reform by maintaining stability. Formulated on the basis of the central authorities' overall principle for economic work and the province's actual circumstances, our guiding principle for planning is: To adopt positive and effective measures in policymaking and planning to ensure that the tasks assigned to us by the central authorities, the provincial party committee, and the provincial government in connection with improving the economic environment and rectifying the economic order will be fulfilled, continue to deepen the enterprise reforms and other reforms, augment our economic strength, keep the economy growing at an appropriate pace, and keep economic results always good. It is necessary to strengthen the foundation of agriculture; to strive for good harvests; to pay close attention to readjusting the production setup and the product mix; to keep the energy industry, raw materials industry, light industry, textile industry, and other key industries growing at an appropriate pace; to increase effective supply; to strengthen macroeconomic regulation and control [tiao kong 6148 2235]; to ensure that prices will not rise as fast as they did last year; to further develop education, science, technology, cultural undertakings, and public health services, and to strengthen the building of socialist spiritual civilization.

The following major targets are to be fulfilled this year:

A total product of society of 41.9 billion yuan, up 8 percent over last year; a national income of 17.04 billion yuan, up 9 percent; and a GNP of 20 billion yuan, up 10 percent.

A gross industrial and agricultural output value of 22.47 billion yuan, up 6.9 percent from last year. This should include a gross agricultural value of 5.25 billion yuan, one that is 5 percent higher than that in 1988, and a gross industrial output value of 17.22 billion yuan, one that is 7.5-percent higher than that last year. A total revenue of 2.8 billion yuan for local finance departments, 8.6 percent more than last year.

A total retail sales volume of 12.2 billion yuan, up 19.1 percent from last year. In foreign trade, considering the restrictions the state has imposed on the export of many commodities, we will try to ensure that the volume of foreign trade reaches \$130 million, or even up to \$150 million.

The total amount of investment in fixed assets by local state-owned units has not been fixed. The state has only tentatively put it at 1.451 billion yuan, 18 percent less than last year's 1.767 billion yuan. Of this, 736 million yuan will go to capital construction, 9.4-percent less than in last year, and 614 million will be the investment in technical transformation, 25-percent less than in 1988.

Regular provincial institutions of higher learning will admit 6,600 new students, 10.6 percent more than they did last year; secondary technical schools will admit 16,000 new students, 12.4 percent more than in 1988; and vocational schools will admit 25,000 new students, 18.3 percent more than last year.

An output value of 5.4 billion yuan for the township and town enterprises, 17.4 percent higher than last year, and a per capita net income of 375 yuan for the peasants, an 8.7-percent increase over last year.

The province's population will be kept below 21.63 million, and the natural growth rate will be kept below 12.6 per thousand.

Given the above requirements and targets, it is necessary for us to fulfill the following tasks in connection with the economic and social development in 1989: **First, it is necessary to pay close attention to agriculture, particularly to grain production.**

Agricultural production, grain production in particular, is of crucial importance to the province's economic development. In our work this year, we should concentrate energy on making proper arrangements for agricultural production and striving for an increase in grain output. We will adopt the following measures:

First, we will focus our attention on a few important things, pay close attention to grain production, and strive for a yearly grain output of 6 million tons. It is necessary to continue to implement the overriding principle of keeping the area of cultivated land stable, readjusting distribution, and concentrating on increasing both the per unit area yield and total output, to keep the total area of land for grain cultivation at 2.8 million hectares or more, and to strive to grow more whenever circumstances permit. It is necessary to readjust the distribution of crops and to increase the total area of land for the cultivation of corn, potatoes, and sorghum by 12,000 hectares, to 620,000 hectares. It is necessary to speed up the construction of the commodity grain production bases in the Hexi region; to transform medium and low-yield fields; to popularize the experience of Zhangye, Linze, and Gaotai in inter-cropping and multiple cropping and in increasing output; and to build "fields that produce a ton of grain per mu [dun liang tian 0903 9037 3944]."

Second, we will pool funds through various channels and increase the input in agriculture. To support the development of agriculture, the finance department will increase agricultural funding by 62.3 million yuan, of which 31 million yuan will be contributed by the provincial finance departments. Of this sum of money, 42 million yuan will be used to develop production. According to our plans, the total amount of agricultural loans will be 230 million yuan, or 18.22 percent, more than that last year. We will provide most of the loans for the cultivation of grain, cotton growing, the production of edible oil, the production of meat, fowl production, egg production, and milk production, and appropriately increase the total amount of intermediate- and long-term loans for land and agricultural development. In addition, one of our important tasks will be to encourage the peasants to increase their input in agriculture. Third, we will vigorously develop products that are produced to support agriculture and try to improve the supply of the means of agricultural production. Apart from organizing the enterprises in the province to tap their own potentials and increase production, we will raise \$15.9 million yuan from local sources. This year, 1.35 million tons of chemical fertilizer, of which 910,000 tons is the major types of chemical fertilizer [da hua fei 1129 0553 5142] and 440,000 tons is the less common types of chemical fertilizer [xiao hua fei 1420 0553 5142], will be subject to the province's centralized distribution, 150,000 tons more than the 1.2 million tons in last year's plan. We plan to produce 10,000 tons of agricultural plastic sheeting this year, 1,200 tons more than we did last year. This plastic sheeting can cover land with a total area of 113,000 hectares, 13,000 hectares more than that covered last year. Regarding the chemical fertilizer and diesel sold at original prices (the amount of chemical fertilizer provided for each 50 kg of wheat or corn will increase to 10 kg and that for soya bean or husked rice will increase to 15 kg) "in connection with three things" to be provided after the fulfillment of contracts for the procurement of grain, it is necessary to make sure that

deposits will be delivered. In accordance with state regulations, the provincial supply and marketing cooperative will monopolize the supply of chemical fertilizer, agricultural plastic sheeting, and farm chemicals. It is necessary to act strictly in accordance with the supply policy, to reduce the number of intermediate links, to enhance openness in supply work, and to keep retail prices under control, so that we can make supply timely and make things convenient for the peasants and the peasants will not miss the farming season.

Fourth, we will speed up agricultural capital construction and strive to improve production conditions. It is necessary to properly maintain existing water and irrigation works. In addition, it is also necessary to concentrate energy on the diversion of water from Datong He into Gansu, the construction of the Second Phase of the Jing Power Plant, the reconstruction of the Beiyuan Canal in Linxia, the construction of the Bajiazui Electric Pumping Station in Qingyang, the Second Phase of the Liuchuan Project, the construction of the Xingbaozichuan and Hexi Regulatory Reservoirs, and the lining of canals, and to invite tenders for these projects. Another 10,700 hectares of land will be put under effective irrigation. It is necessary to continue to drill wells in the Hexi area and to spend another 1 million yuan on the transformation of old wells. This year, the total area of the "three types of farmland" will increase by 50,000 hectares, and the subsidies for each mu of these "three types of farmland" will increase from 20 yuan to 30 yuan.

Fifth, we will develop science and technology; establish and develop a scientific and technical cooperation and popularization network and a double-track contract system for scientific and technological work in the rural areas; continue to execute the "Spark Program" and the "Bumper-Harvest Program"; and, depending on local conditions, finalize projects aimed at increasing agricultural output and developing forestry and fruit production, dry-farming technical projects, and small animal and fowl breeding projects. We will teach the peasants to pay close attention to the application of chemical fertilizer in a scientific way, improve application methods, and make the use of chemical fertilizer more efficient. In addition, we will also apply more manure and try to improve the soil and reduce agricultural production costs.

Sixth, we will vigorously develop animal husbandry. In addition to speeding up the construction of pastoral areas, it is necessary to pay close attention to the development of animal husbandry in regular farming areas. It is necessary to keep the number of large animals growing steadily. Our target is 5.8 million large animals and 11.28 million sheep and goats in stock. It is necessary to continue to implement the policy regarding the production and procurement of pigs, to try our best to help households raise pigs, to keep operations on an appropriate scale, and to speed up the construction of

the Lanzhou Pig Farm and the commodity pig production bases in 12 counties. Seventh, it is necessary to continue to pay close attention to the growing of trees and grass. We will build another 133,000 hectares of forests and plant 250,000 hectares of grass. We will focus our attention on the use of the three types of wasteland and combine this work with the development of small drainage areas. We will continue to strengthen the construction of the "three northern" shelter-forest belts, devote vigorous efforts to building woods in farmland, expand the large contiguous forested areas, properly plant fast-growing trees, try to make a success of the construction of economic forestry bases, and strive to raise the survival and preservation rates.

Eighth, we will, on the one hand, pay close attention to consolidating and improving things and, on the other, continue to support the development of township and town enterprises by implementing the principle of expansion and development. At present, not many of the existing township and town enterprises are industrial enterprises. Their products are mostly low-grade products, and their technical know-how and management are quite inferior. We will guide them to concentrate energy on strengthening their technical transformation, improving their operational mechanisms, and improving the quality of their products, so that they can produce better results, survive, and develop. According to our industrial policy, township and town enterprises that produce good economic results and products with great competitive power and are capable of increasing the effective supply will continue to be given vigorous support in terms of capital, energy, and raw and processed materials.

Ninth, we will vigorously propel and deepen the rural reforms. We will continue to stabilize and perfect the output-related system of contracted responsibility, which is being applied mainly on a household basis, continue to support township and town cooperative organizations, and strengthen agricultural social services. We will continue to stabilize and implement the "three links" and "five contracted responsibilities (for output, procurement, marketing, transportation, and financing)" policies regarding grain production, in order to arouse the peasants' enthusiasm for grain production.

And tenth, we will do our best to eradicate poverty. In addition to concentrating energy on developing the Hexi area, we will devote further efforts to developing the old revolutionary bases, areas inhabited by minority nationalities, border areas, and poverty-stricken areas and to helping the poor there. The current policy of giving preferential treatment to these areas and the financial support for them will remain unchanged. Funds allotted through various channels for helping the poor will be used in a centralized way and in accordance with overall plans and will be organically combined with the funds raised by the masses, so that they can do the most good. We will continue to pay close attention to the execution of the "food-and-clothing project," which is aimed at eradicating poverty, and combine projects aimed at

helping the counties, townships, villages, and combines of various types with efforts to eradicate poverty by means of science, technology, and knowledge. We will pay close attention to the development of mountain areas and adopt measures to solve their transportation and electricity supply problems. **Second, it is necessary, while focusing our attention on the attainment of better economic results, to keep industrial production growing in a steady and coordinated way.**

Our plans aim for an industrial growth rate of 7.5 percent this year. This figure has been arrived at after taking into balanced consideration such matters as the province's energy resources, its supply of raw and processed materials, and its transportation capacities. readjustments, to tap potentials, to upgrade technology, and to improve management, in order to keep industrial production growing in a steady and coordinated way. First, we will, in accordance with our industrial policy and in the light of market demand, readjust the product mix and vigorously develop those products which can help us increase the effective supply. We will focus attention on: The power industry, coal industry, and energy industry, which includes the production of finished-product oil; chemical fertilizers, agricultural plastic sheeting, farm chemicals, farm machines, and other goods produced to support agriculture; industrial goods for daily use, such as matches, soap, and washing powder; marketable light industrial goods and textile goods and those household electrical appliances which are in great demand on the market; and rolled steel, nonferrous metals, rubber, and other badly needed raw materials. We will organize the production of regular mechanical and electrical products and processed industrial goods strictly in accordance with contracts and decide on their output on the basis of their marketability. As for those products the production of which is energy-consuming and for the production of which we cannot ensure an adequate supply of raw and processed materials, such as those of small ferroalloy plants, small calcium carbide plants, small cement plants, and small factories engaged in the processing of plastic goods, it is necessary to resolutely reduce their output, and some of these enterprises will have to switch to the production of other goods.

Second, we will vigorously make efforts to bring about technological advances, pay close attention to the development of new series of products and to export, introduce goods to substitute for imported products, assimilate products, and develop light and textile products to meet the great demand on the market. According to our plans, we will put automatic washing machines and automatic cameras on the market and make efforts to bring about progress in the development of flax-fiber products and polyurethane products. In addition, we will develop 700 provincial-level [sheng ji 4164 4787] new products and test-produce 540 of them, so that the output value derived from new products will constitute 8 percent of the total output value.

Third, we will continue with the "double-increase, double-economy" drive. We will seriously try to reduce energy consumption," in order to practice economy and increase production. We will try to reduce energy consumption by 3 percent and the consumption of raw and processed materials by 1.3 percent. State-owned enterprises will have to raise their efficiency by 5 percent. It is necessary to strengthen the management of working funds and to ensure that funds are not held by people for a long time. The industrial and commercial enterprises in the province will have to shorten the time for the turnover of working funds by 4 percent, in order to alleviate the problem of the shortage of funds. We will further strengthen enterprise management and try to solve some enterprises' problems of poor management, lax discipline, and poorly organized labor forces. We will do our best to upgrade enterprises.

Fourth, in the collective sector of the urban economy, we will focus our attention on the implementation of the principle of "one plant, two systems"; consolidate the collective enterprises established and run by existing large and medium enterprises; develop new enterprises in a step-by-step manner; and through merging, leasing, auctioning, and the issuance of stocks, put some small state-owned enterprises under collective ownership. This year, we will try to increase the product of society [she hui chan zhi 4357 2585 3934 0237] contributed from the collective sector of the urban economy by 40 percent, to 1.13 billion yuan, and ensure that industrial output value accounts for 60 percent of this sum.

Fifth, we will try to improve production safety, particularly at small coalpits and small mines and in transportation, where accidents frequently occur.

**Third, it is necessary to reduce investments, readjust investment distribution, and improve investment returns.**

This year, the state has adopted a series of measures to keep investment in fixed assets under strict control. Not only will it reduce investment, it also will put collective and individual investment, which in the past was not subject to assessment, under control. Investment in technical transformation, which in the past was subject to control by guidance plans, will now be subject to control by mandatory plans. So far, the amounts of loans to be granted by the banks have not been fixed. Some special loan tasks will not be assigned until the financial situation has become more stable in the second half of the year. However, there are going to be major cuts. Since industrial construction projects mainly rely on loans, we will find it difficult to put some projects into commission as planned. The pace of the execution of some ongoing key projects will have to be slowed down, and some proposals will be reconsidered anew and some of them will have to be curtailed. In addition, we will readjust the technology and equipment employed for the execution of some projects. All this may cause some losses.



Given these circumstances and the need to curtail the investment in fixed assets, we will try our best to make structural readjustments and improve investment returns. First, we will do our best to check up on ongoing projects. Projects that we are required to suspend, particularly nonproductive projects such as the construction of ceremonial and amenity buildings, will have to be resolutely suspended. Second, in accordance with our industrial policy and order of development, we will rationally arrange investment and readjust its distribution. Capital construction will be carried out mainly in the fields of agriculture, aid-agriculture industries, water works construction, education, the energy industry, and the production of badly needed products. Technical transformation will be arranged mainly for the light industry, textile industry, aid-agriculture industries, the production of export and foreign-exchange yielding products, the production of mechanical and electrical products designed by China itself, and the production of hi-tech products with great competitive power. Whether in capital construction or technical transformation, we will first ensure the completion of state and provincial key construction projects and those we hope to put into commission this year. Third, we will put the initiation of new projects under strict control. According to the State Council's instructions, except for the necessary agricultural projects, forestry projects, irrigation projects, educational projects, chemical fertilizer projects, export and foreign-exchange yielding projects, projects for which contracts have been signed with foreigners, housing projects, which will be launched with the approval of the State Council, no one is allowed to start new projects before the end of July this year. Whether or not they will be approved in August and the ensuing months will depend on the economic situation and the extent to which investment has been curtailed. Fourth, both the scale of investment projects financed with bank loans and the amounts of loans for them must be kept within certain limits, and independently raised credit funds must not be used to provide loans for projects not included in the plans [ji hua wai xiang mu bu neng zhan yong zi chou zhi biao fa fang dai kuan 6060 0439 1120 7309 4158 0008 5174 0594 3938 5261 4693 2172 2871 4099 2397 6313 2949]. It is also necessary to seriously check up on and curtail the construction projects launched by collectives and individuals in both the urban and rural areas. Fifth, it is necessary, while trying to improve the quality of our work in the execution of capital construction projects, to strive to reduce costs. It is necessary to reduce investment in capital construction by 5 percent. Sixth, in passing down specific investment plans, it is necessary to arrange projects one by one when funds are available and other conditions ripe. Specific arrangements are as follows:

#### A. Capital construction:

This year, according to the State's tentative arrangements, local units in the province will invest 736 million yuan in capital construction, 9.4 percent less than last year. Of this sum, 197 million yuan will be raised locally,

7.6 million yuan will be bank loans, 50 million yuan will be foreign capital, 177.5 million yuan will be jointly raised by local units and central ministries and commissions, and 214 million yuan will be independently raised by the province.

Funds totaling 500 million yuan can be directly distributed and used by the province. The funds consist of the following portions: 197 million yuan raised by localities; 45 million yuan raised by the provincial financial department; 40 million yuan collected by the energy and communication sector, 120 million yuan resulting from the increase of electricity charges of 2 fen per kilowatt-hour for industrial enterprises, special funds of 90 million yuan for the Hexi and Dingxi areas, 39 million yuan of proposed credits for development provided by the people's bank, and credits of 28 million yuan earmarked for supporting the border areas.

1) Funds raised by localities and provincial financial departments totaling 242 million yuan will be invested in various trades with last year's level being maintained.

2) For the time being, we are considering providing 39 million yuan loans of development mainly for industrial items covered by state planning, which are connected with raw and processed materials. The loans can be officially used only after the promulgation of the loan planning of the state during the second half of the year. At that time, some necessary readjustments might be made.

3) We are considering providing loans of 28 million yuan for supporting the border areas, and the loans will mainly be used in industrial construction of the old liberated area and areas inhabited by minority nationalities. The loans will be arranged in accordance with the importance of the related investment projects.

4) Funds totaling 40 million collected by the energy sector will mainly be used for the development of coal industry, construction of Baozhong Railway, Sino-foreign venture projects at Lianyungang port, and other key projects connected with energy conservation, postal and telecommunications service, and so on.

5) Electricity construction funds of 120 million yuan will entirely be used in the construction of Jingyuan Power Plant, and the No.2 Heat and Power Plant in Lanzhou, and the No.110 Electric Power Transmitting and Transforming Project.

#### B. Technical transformation:

Funds totaling 614 million yuan will be initially arranged for technical transformation projects this year. Before the targets of bank loans are set, loans valued at 100 million yuan will be arranged for the first group of 56 projects which can be completed by this year. The total investment for these 56 projects is 488 million yuan. By the end of last year investment of 151 million yuan was

already made, of which 102 million yuan were loans provided by the bank, and 49 million yuan was raised by enterprises themselves. The second group of projects will be arranged after the announcement of the loan targets of banks and the amount of special loans provided by the state.

**Fourth, we should truly make good arrangements for urban and rural markets to improve people's livelihood.**

To conform with the needs of continuing to improve people's livelihood in the urban and rural areas, according to the draft plan, total retail sale volume of social commodity in 1989 will be 12.2 billion yuan, an increase of 19.1 percent over 1988. The key to maintaining a balance between commodity supply and social purchasing power lies in grasping well the production and supplies of agricultural and side-line products such as grain, edible oil, meat, fowl, vegetables, and so on, as well as daily necessities needed by the people, increasing their effective supplies, and making efforts to stabilize market.

Specific measures which should be taken include the following. 1) We should employ a method of commodity economy to carry out a "vegetable basket" project. With regard to production and marketing of vegetables, we should resolutely implement a policy of linking grain with vegetables, stabilize areas sown to them, raise their production output, increase their variety, and basically maintain the price stability of "vegetables of average quality" in urban areas. 2) We should tap the potentials of the existing enterprises, greatly increase production output of marketable products, and make more efforts to purchase agricultural and side-line products, and to open up new sources of commodities. Industrial and commercial enterprises inside the province should strictly implement the plans for allocation and transfer of goods and contracts for purchase and marketing of products. Market demand for commodities in short supply inside the province should, first of all, be satisfied. 3) We should strengthen the management of important commodities, and strictly restrict purchasing power of social groups. Our social purchasing power this year should be 20 percent lower than last year. 4) Commercial, supply and marketing departments should act as the main channel in commodity circulation, widely open up new sources of goods, stabilize the stock of goods, and increase the variety of colors and designs to avoid the selling out of goods needed by the people in their daily life. 5) We should strengthen the development of market system, and continue to perfect and develop various kinds of markets. Active measures must be taken to promote the real estate market, and the market of enterprise property right. We should promote new service items and curb social purchasing power. We should turn some consumption funds into production funds to ease pressure on the market.

**Fifth, we should expand exports in foreign trade to ensure a balance of foreign exchange earnings and outlays.**

In foreign trade, we should take increasing foreign exchange earnings through promoting exports as a central task. We should overcome difficulties due to an insufficient supply of goods, price hikes and so on to actively fulfill the export plan of a base figure, and steadily overfulfill the export plan to ensure that we can turn over foreign exchange to the central government and the province through the promotion of foreign exchange. In accordance with the changing new situation where some of our province's raw and processed materials, which were originally our strong point, can no longer be exported, or the exports will be limited by quotas set by the state, we should further readjust our export product mix, and vigorously expand the exports of machinery and electrical appliances, and increase the percentage of the export of garments, light industrial and textile products, arts and handicrafts products, sophisticated chemical industrial products, chemical industrial products for medical use, and so on. We should continue to strengthen the construction of our export bases. We should actively carry out bilateral barter trade with the Soviet Union, Eastern Europe and the Third World countries. We should vigorously develop tourism and increase foreign exchange income through non-commercial undertaking.

This year the contradiction between the demand and supply of foreign exchange in our province is still very acute. In accordance with the principle of "keeping expenditures within the limits of incomes," foreign exchange valued at \$110 million will be used in the whole year. Foreign exchange of localities should be mainly spent on the following items: goods and materials which concern our economic development and people's livelihood; goods and materials for agricultural use such as chemical fertilizer, farm chemicals, plastic film for agricultural use, and so on; raw materials in short supply and urgently needed at home such as special steel products, chemical industrial raw materials, wood pulp for making paper needed for students' textbooks, and chemical fibers, and so on; important market goods and materials such as raw materials for making washing powder, paper, medicines, and so on; materials for producing export products, advanced technology and facilities urgently needed at home; and necessary equipment and facilities for scientific research, teaching, and medical apparatus and instruments, and so on.

To do well in maintaining the balance of foreign exchange earnings and outlays to satisfy the demand of the imports of goods for industrial and agricultural production throughout the province, in accordance with the requirements of the state, foreign exchange must be used in a concentrated way, and efforts must be made to strengthen the management of foreign exchange of the whole society. With regard to the increase in foreign exchange through the promotion of export, the double contract system governing supply of goods and the increase in foreign exchange earnings should be implemented to arouse the enthusiasm of enterprises which are responsible for goods supply for exports, and of units

which are responsible for earning foreign exchange. In accordance with the principle of the State Council on the use of foreign exchange with compensation, starting this year, the use of foreign exchange retention of a base figure, and foreign exchange share of the excess amount must entirely be based on compensation. In the meantime, to avoid the continuation of the laying up of foreign exchange distributed to enterprises, or retained by enterprises, it has been stipulated that the retained foreign exchange which is not used by enterprises will be regulated by the province every August, and arrangements will be made for the use of foreign exchange with compensation. All foreign exchange incomes earned through noncommercial means by tourist units and hotels, and half of foreign exchange incomes earned by friendship stores, cultural relics shops, and arts and handicrafts shops should be used by the province in a unified way in accordance with the state rules and regulations. It will be mainly used to develop tourist undertakings.

**Sixth, we should make use of various means to curb inflation to ensure that margin of commodity price increase this year will be markedly smaller than last year.**

Ensuring that the margin of commodity price increase this year will be markedly smaller than last year is one of the main targets and basic tasks of this year's plan. According to our basic requirement, the margin of commodity price increase this year must be 3 to 5 percent lower than last year. We have now realized that this is a strenuous task. We should attach importance to it, adopt resolute measures, and strengthen management of commodity prices to ensure the attainment of the target.

1) Regarding commodities whose prices are set by the state, they should be sold at fixed prices. Commodity prices set by the province, prefectures and cities should be readjusted. Before readjustment is made, reports should be submitted to the higher authorities strictly in accordance with regulations. No department is allowed to overstep its power to examine and approve price increase. 2) Measures must be taken to strengthen control over commodity prices. With regard to important industrial consumption goods closely connected with the livelihood of the masses, circulation links should be reduced, and a method of setting differential rates aimed at exercising control should be employed. In the meantime, a system of reporting price change to the higher authorities must be followed. No price change is allowed before the report is approved. This year the prices and service charges of the following 19 items closely connected with people's livelihood will remain unchanged. They specifically include goods on ration such as rice, flour, edible oil, sugar, pork, beef for muslims, coal for civil use, vegetables of average quality, soy sauce, edible vinegar, milk powder for babies, matches for general use, soap, washing powder, pure wool, textbooks for primary and secondary school students, student exercise books, toilet paper, and medical costs. 3) Measure must be taken to stop unrestricted price increase of industrial and

agricultural means of production, and the practice of increasing prices arbitrarily. We should seriously deal with speculation and exploitation in the circulation field of means of production. Measures must be taken to consolidate various kinds of companies engaged in wholesale business, and supply and marketing companies of the responsible industrial departments. Retail shops including individual street peddlers must put goods on sale with the prices clearly marked, and accept supervision. 4) We must resolutely stabilize the prices of agricultural and side-line products, and such important commodities as meat, meat, eggs and so on in particular. The maximum prices of grain and edible oil on country markets should be set by the provincial grain bureau. Negotiated prices for selling should be strictly set in accordance with differential rates. 5) With regard to means of production which follow a "double track" price system, their prices not covered by the state planning must not exceed the maximum prices set by the state. 6) Efforts must be made to implement the responsibility system with a target to be met in an attempt to control price index. Governments at all levels should be responsible for the specific implementation of the responsibility system. 7) Measures must be taken to strengthen the examination, supervision and investigation of market prices. Provincial statistics bureaus should work together with departments in charge of goods prices, and industrial and commercial administrative departments to establish market price monitoring center to promptly have a good grasp of market prices. They should also establish commodity price supervision networks to regularly supervise market price changes, and systematize the work.

**Seventh, vigorously developing various social undertakings such as science and technology, education, hygiene, and so on.**

Efforts should be made to further establish and perfect mechanisms that closely link science and technology with economy, so that economic growth will gradually be set on the track of relying on scientific and technological progress. Efforts should also be made to continue to deepen the reform of scientific and technological systems, to enliven scientific research units, to encourage the flow of scientific and technical personnel, to implement in an all-round way various kinds of scientific and technical contracts, or technical contracts, to open up the technology market, and to speed up the application of advanced science and technology in production. Measures should be taken to actively pursue the "spark" plan, and to strengthen the work of supporting the poor areas with science and technology. This year a total of 230 projects will be covered by the "spark," or "torch" plan, with emphasis on demonstrating and popularizing the technology for high-yield crops, and studying and developing new products, new skills, high technology and new materials, as well as key technical items and advanced and appropriate technology which are of great significance to the national economy, and of marked economic results.

We should conscientiously develop an idea of taking education as our foundation, and assign education a strategic position in economic development, and do solid work in the popularizing of primary school education and 9-year compulsory education. In accordance with our province's characteristics of populous rural population and comparatively backward education, the focus of our educational work should be shifted to the rural area, and our emphasis should be laid on training junior and middle-ranking technical personnel characterized by all-round development in moral, intellectual and physical qualities. In the meantime, we should also pay attention to providing students for education at higher levels. We should vigorously develop education for minority nationalities, which conforms with the characteristics of the areas inhabited by minority nationalities, and practical demand. In accordance with the principle of readjusting the structure of higher education, recruiting students in light of actual demand and increasing educational quality, universities and colleges in the province should readjust their structure of specialties, and the size and proportions of the relevant fields of studies. The number of new students to be recruited by universities and colleges in general must be stabilized. We should continue to follow the method of mobilizing the force of various quarters in the society to open up more channels for running education. Although the financial budget for education is very tight this year, educational funds will still increase by 100 million yuan. Funds for education at the provincial level will be increased by 12 million yuan.

We should pursue family planning to control population growth. We should conscientiously and effectively grasp it as a very important strategic task. We should implement various policies and adopt various measures for family planning. We should vigorously advocate late marriage, giving birth to babies at a mature age, fewer births and the production of good offspring. The focus of family planning should be shifted to the rural area, and we should strengthen the measures for exercising control over the birth rates of floating population. In 1989, we should make efforts to control the population growth within the scope of 1.86 percent, with a natural growth rate of 1.26 percent. We should do environmental protection work well and continue to improve the quality of the environment.

We should further develop various cultural undertakings such as publication, broadcasting, television, literature and art, and so on in order to enrich people's cultural life and promote the building of socialist spiritual civilization.

Fellow deputies, we encounter many contradictions and difficulties while making arrangements for the 1989 plan, which are mainly reflected in the difficulties of maintaining a balance between the supplies and demands of funds, energy, transportation, raw and processed materials. The supply of funds is particularly

tight. This has greatly handicapped our economic development. This year the state will implement a policy of tightening money supply, and employ a method of "limiting credit quotas and determining them in accordance with the amount of bank deposits" with regard to bank credits. Although the demand for funds by various quarters has continued to increase, the newly increased quotas of the credits will be very small. Contradiction between supply and demand of funds will further sharpen. The situation of insufficient circulating funds will be particularly serious. Generally speaking, energy supply for this year will be inadequate. A balance between the supply and demand of electric power has been attained. However, some 1.8 billion kilowatt-hours of electric power will be further needed, which account for about 10 percent of the total electric power demand for this year. Under the prerequisite of guaranteeing the satisfaction of electric power demand by agriculture, municipal administration, traffic and communications, power supply for industry should be properly restricted. Coal production of 12 million tons will be arranged for the province this year. It is expected that 4 million tons of coal will be imported from other provinces. According to our actual demand, we still lack about 2 million tons of coal. Our railway transport capacity is not strong enough. However, over the past 2 years, we helped Xinjiang and Qinghai transport a considerable amount of salt to the interior, which partly affected our freight volume. This further aggravated the contradiction between freight volume needed and our transport capacity. Judging from the total amount of our social resources, the supply of our main raw and processed materials has increased. At present the problem is that the amount of raw and processed materials distributed by the state in a planned and unified way has decreased year by year. For example, in recent years the quota of steel products distributed by the state has annually decreased by about 10 percent. Some goods in short supply are out of stock, and the prices of goods not covered by state planning have increased by an excessive margin. It is difficult for enterprises to endure all this.

The province has attached great importance to the above mentioned difficulties in the process of arranging our plans. While considering the arrangements for this year's plan, we have repeatedly studied the plan, and have decided to take measures in various aspects in an attempt to ease the contradiction between supply and demand, and to ensure a normal economic development. With regard to the supply of funds, under the prerequisite of exercising control over total money supply, we should readjust credit structure, ensure a correct direction of the flow of capital, and vigorously support in terms of funds those sectors which can increase effective supply of goods. We should mobilize and organize the masses to deposit their money in banks with an aim of expanding the source of funds. We should also employ various methods to help enterprises solve the problem of insufficient circulating funds in order to maintain normal production.

Regarding the development of energy production, we should concentrate our efforts on grasping the development of electric power well. At present, the construction of the projects of Jingyuan Power Plant and the No. 2 Lanzhou Heat and Power Plant is in full swing. During the second half of the year, a generating unit of 200,000 kilowatts and another generating unit of 100,000 kilowatts will go into operation. We should firmly grasp the first phase of the projects of Yunchang Power Plant and Daxia Power Station. Apart from urging the state to make investments in coal projects, we should gradually increase our investment in coal mining, and step up our efforts to carry out the projects of constructing new coal mines, and transforming old wells. These projects mainly include Jingyuan mining area, Huating and Matigou coal mines, and coal wells in Jiutiaoling, Kuangshaquan, and so on. Weijiadi coal well in the Jingyuan mining area, which has a production capacity of 1.5 million ton, will go into operation this year. To ensure the production and supply of electric power and coal this year, while arranging our plan, we should, on the one hand, adopt measures to tap the production potential existing enterprises to increase production and supply. On the other hand, we should seek the aid from the state and other fraternal provinces so that they will provide us with more electric power and coal. In the meantime, we should do well in distributing electric power and coal in a planned way, and in economizing on them.

With regard to transportation, it will not be greatly increased this year. Our efforts should be concentrated on doing well in linking up, managing, coordinating and making full use of the existing facilities and capacity. We should rationally organize transportation to guarantee the fulfillment of the plan for transporting key materials and goods.

Regarding goods and materials, on the basis of reducing demand, we should strengthen our unified control over our limited goods and materials. With regard to important means of production which have a direct impact on the overall situation of our production and construction, they should be balanced and administered by the province in a unified way to ensure that they are well and effectively managed. We should fully make use of our province's strong points in raw and processed materials, and exchange them with other provinces for some goods and materials which are insufficiently supplied in our province. We can also make use of our local foreign exchange to import some raw and processed materials in short supply in an attempt to regulate and balance supply and demand. Through measures mentioned above, we should do our best to ease the strains on the supply of funds, energy, transportation, raw and processed materials, and so on. Strictly in accordance with our production policy and the readjustment of our product mix, we should distribute and use them in a rational way, so that problems in these aspects will be solved more effectively.

### **III. In the Course of Improving the Economic Environment and Rectifying the Economic Order, We Should Continue To Deepen the Reform, Strengthen and Improve Macroeconomic Control, and Fulfill Various Plans for 1989 in an All-Round Way**

Our tasks for the national economic and social development in 1989 are arduous. The key to fully fulfilling these tasks lies in satisfying the demands of improvement and rectification, deepening the reform in an all-round way, strengthening and improving macroeconomic control, sticking to the policy of stabilizing the economy, and promoting development amid retrenchment and stable growth.

1. We should continue to deepen enterprise reform and other reforms.

In accordance with the spirit of the 3d Plenum of the 13th CPC Central Committee, and practical conditions in our province, the emphasis of reform this year will be placed on enterprise reform and comprehensive reforms in other aspects. Regarding enterprise reform, we should continue to improve and develop the contract management responsibility system, enforce "Enterprise Law," strengthen and improve enterprise management, optimize organization of labor, and truly lead the enthusiasm of the broad masses of workers and staff members to tapping internal potentials, and enhancing economic results of enterprises. In the meantime, we should promote the integration and the merging of enterprises, develop enterprise groups in a guided, gradual way, and optimize the organizational structure of enterprises. We should actively and steadily carry out experiments in the shareholding system with public ownership as its principal component.

The emphasis on the reform of the system governing goods and materials should be placed on overcoming the chaotic situation on the market of the means of production, on solving the problems of barriers between higher and lower levels and between different departments or regions, and of overlapping business operations. In accordance with the principle of the state on grouping goods and materials management in different categories, measures should be taken to manage in a balanced way means of production which are in short supply and concern the overall situation of the production and construction of the whole province. We should properly readjust organs responsible for the supply and marketing of goods and materials, and consolidate and develop market of the means of production.

The emphasis of the reform in financial and monetary system should be placed on the implementation of financial supply system. In the meantime, we should reduce the total amount of bank credits and readjust capital supply structure to maintain financial stability.

With regard to reform in the circulation system, we should truly do well the work of checking up upon and consolidating companies. We should minimize the middleman's

exploitation in the circulation field. In particular, we should prohibit various kinds of illegal business operations. We should set up a market regulating fund, and increase the reserve of important commodities. We should work out market rules and regulations, and establish market order which conforms with the law of value.

2. We should improve and strengthen macroeconomic regulation and control over the economy.

To conform with the increasingly developing new situation of reform, opening up and enlivening, we should seek new means and methods for regulation and control. We should strengthen macroeconomic regulation and control over the economy to truly ensure that "excessive control and chaos can be avoided despite efforts to exercise regulation and control, and to enliven the economy." In accordance with the targets of macroeconomic regulation and control set by the state, and practical conditions in our province, while doing the current work of exercising macroeconomic regulation and control over the economy throughout the province, we should grasp the following items well. 1) We should strengthen and improve macroeconomic management of the investment in fixed assets of the whole society, and promote a planning system which covers the entire society. In particular, we should strengthen guidance and management of investments not covered by the state planning. 2) We should promote production chains, product lists and corresponding production policy which are suitable for the practical conditions in our province to further the readjustment of our production setup. 3) We should exercise control over over-rapid growth of the demand for consumption, and strengthen the management and guidance for the income and distribution of the whole society. We should gradually study and solve the problem of unfair income distribution of the whole society. 4) We should strengthen the management of mandatory planning to ensure the completion of mandatory planning. 5) We should strengthen the role of macroeconomic regulation and control of finance and banking to reduce expenses, tighten credits, increase bank savings, stabilize the finance, and limit money supply within the scope of state planning.

3. Efforts should be made to further shift the guidance thinking for economic work to the track of enhancing economic benefits and results.

The key to overcoming the current difficulties lies in enhancing the economic benefits and results of enterprises. Therefore, we should completely change our guidance for the organization of our production. In the past, we mainly relied on increasing investment, expanding production capability, seeking production value and raising prices to boost our incomes. Now we should mainly rely on strengthening management, improving technology, and enhancing economic results to increase our financial incomes. We should put forth great

strength to lower the consumption of goods and materials, improve product quality, and enhance labor productivity. The State Council has decided that starting from this year it will announce every month all-personnel industrial labor productivity, profit and tax rate of industrial sales, profit and tax rate of industrial funds, reduction rate of the costs of comparable industrial products, reduction rate of energy consumption in industry, and the balance and increase bank credits of various provinces, municipalities and autonomous regions. It will also announce how they attain the 8 main economic targets involving investment in fixed assets, total wages of workers and staff members, and so on. Every month we will also announce how various areas and trades in our province do in attaining the above mentioned targets, so that we can shift the attention of enterprises from merely seeking production value to increasing their economic benefits and results. This will continuously boost the economic benefits and results of various enterprises, departments and areas.

Our planning department is shouldering the task of working out plans and exercising macroeconomic regulation and control over the national economy. While doing well our professional work, we should also regard the promotion of clean and honest administration as an important task. We should make efforts to make public our system for handling affairs, and openly announce the results of the cases we have dealt with. We should rely on the supervision of the masses to maintain the cleanness and honesty of our party and government organs. We should constantly promote our self-development, further improve our work style, increase our work efficiency, and do well the work of improving coordination and providing service.

Fellow deputies, generally speaking, our plan for this year is formulated on the basis of austerity. A lot of work should be done in order to implement it. But there are many favorable conditions for the implementation of the plan. Last year our agricultural harvest was comparatively good, and we could guarantee the supply of main agricultural and side-line products such as grain, edible oil, meat, and so on. Our present weather conditions are beneficial to this year's agricultural production. With the deepening of enterprise reform, potentials of enterprises in implementing contract system can be further tapped. A number of new key construction projects, which have gone into operation, will make the investment yield results this year. What is particularly important is that the policy of the central authorities of improving the economic environment and rectifying the economic order, and the improvement of economic order will be beneficial to our efforts to overcome difficulties. We should mobilize and organize people of the whole province to unify our understanding, work with one heart and one mind, actively strive to make progress, follow a down-to-earth manner to do work in various quarters well, and fully fulfill various targets set by this year's plan to achieve sustained and stable development of the economy and social undertakings of the whole province.

**Report on 1988 Economic, Social Development;  
Plan for 1989**

*HK3003134189 Guangzhou NANFANG RIBAO  
in Chinese 12 Mar 89 pp 1, 2-3*

[Government work report by Guangdong Governor Ye Xuanping [5509 6693 1627]—delivered at the Second Session of the Seventh Guangdong Provincial People's Congress on 2 March 1989]

[Text] Dear Representatives:

I have the honor of representing the Guangdong Provincial Government in presenting a government work report to the Congress. Please deliberate on it and give your comments.

**I. Retrospective on Work in 1988**

1988 was the first year in which the Seventh Guangdong Provincial Government presided. Over the past year, we have thoroughly implemented the various policies of the CPC Central Committee and the State Council on deepening Guangdong's reform; expanding our opening up to the outside world; and quickening economic development. We have carried out an economic development strategy in the coastal regions and have developed experimental work on reform and opening to the outside world. Following the guidelines of the 3d Plenary Session of the 13th CPC Central Committee and in accordance with the actual situation in Guangdong, we have attained new accomplishments in improving the economic environment, rectifying the economic order, and ensuring the sustained development of economic construction and of various social enterprises such as science and technology, education, and culture. A great portion of the major economic and social development targets adopted at the first session of the 7th provincial People's Congress have been completed. The social gross output value of the whole province was 226.08 billion yuan and compared with the preceding year (same below) increased by 26.4 percent; the industrial and agricultural gross output value was 175.54 billion yuan, an increase of 29.6 percent; the gross value of domestic production was 111.54 billion yuan, an increase of 16.2 percent; the national income was 87.84 billion yuan, an increase of 16.9 percent; and financial revenues amounted to 10.46 billion yuan, an increase of 13.5 percent. In the past year, with reform dominating the whole situation, our major areas of work were as follows:

(1) We actively carried comprehensive pilot work on reform and the open policy and advanced various reforms.

—We enforced the contract responsibility system in a comprehensive way and continued to deepen enterprise reform. State-run industrial and commercial enterprises in the province have universally enforced the plant head (manager) responsibility system and over 90 percent of enterprises have implemented the contract system. An

increasing number have introduced competitive mechanisms, selected and appointed superior and talented entrepreneurs to positions, and have implemented contract systems at all levels. The practice of linking the gross volume of salaries and wages with economic benefits was universally carried out. Internal business accounting in enterprises was strengthened. We have continued to encourage lateral economic associations of enterprises and developed a number of enterprise groups. Certain enterprises implemented the stock-holding system on an experimental basis. The reform strengthened the ability of the enterprises to meet and bear changes.

—We improved household contracting, management, and carried out comprehensive structural reform of the rural villages. The control over rural contracting agreements was generally improved. Compensatory contracting of land in some of the rural villages in the Zhujiang Delta area has been carried out to an adequate degree. A portion of the counties organized a number of economic entities and production bases of a servicing, exemplary, and developing nature, and set up a healthy and sound service structure for rural commodity production. Seventy-two counties established 1,684 rural cooperative fund investment societies, thus widening the channels for rural capital funds. Reform of the rural comprehensive structure has expedited the development of the rural economy.

—We have improved the financial management and control structure, and aroused the enthusiasm at various levels for increasing revenue receipts and engaging in thrift. The central government has called for Guangdong to carry out a new financial system of increasing contracting progressively (if deliveries in 1987 are taken as the base, beginning from 1988 deliveries should increase 9 percent within three years), and on the condition that there be basically no change in the current financial contracting management system, the provincial government has called on cities to share the financial delivery tasks in accordance with their financial and economic conditions. As for Guangzhou's financial management system, it changed from the practice of "fixing a base figure and allowing a percentage of retention of increased yields" to "deliveries at a fixed amount." Over 70 percent of the townships (villages) in the province have set up finance bureaus and financial management systems at the township level was further improved. Improvement in the financial management system has expanded financial sources and increased financial revenues. —We reformed the foreign trade management structure and introduced competitive mechanisms into foreign trade enterprises. We implemented a system of "contract responsibility in department after department, contracting down to the enterprise level, and having departments guaranteeing each other and local units guaranteeing each other," all in accordance with the national plan for reform of the foreign trade system and Guangdong's actual situation. This system was adopted so that export contracting targets could be assigned to



each level among the foreign trade, industrial, and commercial enterprises. In departments engaged in foreign economic relations and trade, a system of analyzing export quantities was established to improve supervision and control over the fulfillment of export contracting targets. We improved management of exports and imports and made a rational distribution of permits for export quotas to limit blind competition. To ensure that foreign exchange is used correctly, we took the initial step of banning imports of certain consumer commodities, such as fruit. We implemented a policy that allowed localities retention and compensatory use of foreign exchange, limited imports, and encouraged expansion of exports. We took a big step in forming a new mechanism for conducting foreign trade through our reform of the foreign trade structure.

—In readjusting the prices of major agricultural products, we took a new step forward in price reform. Guangdong deregulated in succession the procurement and selling prices of edible oils, jute, ambari, blue dogbane, yellow dried tobacco, sugar cane, and refined sugar. We contracted for the delivery of refined sugar and deregulated its price sold outside the plan. We subsidized the cost of the means of production for those with whom we had contracts to buy a fixed amount of grain and raised the price of grain for residents buying within their quota for fixed purchase. The state-fixed price of timber from state-run forestry centers was changed to a guidance price. At present Guangdong has deregulated the prices of all agricultural products except for grain, sugar cane, and yellow flue-cured tobacco. The prices for those commodities are regulated by market mechanisms. We have simultaneously adjusted and deregulated the prices of some industrial products and charges for labor services. These reforms have substantially corrected the serious discrepancies between price and value.

—We have opened up a market for the essential elements of production and promoted the development and growth of the market system. Guangdong further developed trading centers for materials at all levels, specialized markets, and materials-marketing networks in rural areas, thus forming a multilevel and multichannel network for the circulation of production materials. The prices of the majority of the major means of production are already regulated by market mechanisms. The province has set up a number of new financial organs. The Guangdong Development Bank, a regional institution of the stockholding system, has opened for business on an experimental basis. There have been new developments in urban credit organizations. Companies that merge funds and centers for the adjustment and regulation of foreign exchange have been established in a number of cities and towns. Continued improvement was made in short-term funds borrowing and discounting centers and a number of enterprises have begun to float debentures and bonds in society. In the insurance sector, the range of services have been expanded and Guangdong has in the past four years in a row been first in the nation for the

amount of income from insurance. The province has engaged in labor exchange activities of various forms and varieties. Over 10 large and medium-sized cities and towns and 152 counties have set up management and service organs in the labor market. About 10.5 percent of the staff members and workers of enterprises under the system of ownership by the whole people have carried out the service contract system. Real estate business has also made certain developments, and Shenzhen and Guangzhou have experimented in the system of compensatory use of state-owned land. Some cities and counties have experimented with the commercialization and privatization of housing and has contributed to the advancement of housing reform in Guangdong.

We have deepened the reform of science and technology structures and further enlivened scientific and technological organs. Scientific research organs (institutes) began to introduce competition and gradually advanced various forms of technological and economic contracting responsibility systems. Their decision-making power was increased. A variety of organizations which combine science research and production were established. We completed reform of the funds allocation system for provincial-level scientific research units and improved the measures for the coordination and management of scientific research funds. We have for the most part completed evaluations of the technical functions of scientific research personnel and rapidly developed civilian-run scientific research organs. All these reforms have aroused the enthusiasm of scientific research personnel, increased scientific research results, and shortened the period required to convert scientific research to productive forces. In Guangdong's exchange activities in the technology market, we have achieved an initial scale of development and begun to grow from the domestic market to the international market. —We have made preparations for reforming the personnel system and the organization structure. Some organizations have begun to implement a system which entails open application for jobs, standardized examinations, and selection by employers of the best qualified cadres. In regard to the reform of organizations and agencies directly subordinate to the province and enforcement of the state public service system, special departments have been formed to begin investigation and research.

(2) Implementing the economic coastal development strategy; new development in an externally oriented economy.

—We have expanded the production bases of export commodities; foreign trade exports have continued to increase at a high rate. In Guangdong, 197 new projects were added to the exports production structure. At present, there are 1,445 foreign economic relations and trade enterprises at various levels under the self-operated and jointly operated export production structure. Of these projects, 927 have been completed and put into operation and their annual export value was \$1.58 billion. In exports, the proportion of industrial and trade



enterprises has been increased to a certain extent, with electrical machinery, textiles, electronics, and food products of high added-value showing large increases. The exports of self-operated industrial and trade enterprises also showed a relatively large development. Along with consolidating the traditional markets, exports to markets in North America, Western Europe, and Japan increased notably. The gross volume of exports during the year amounted to \$7.37 billion, an increase of 35.4 percent over the preceding year.

—We continued to improve the investment environment; there was a large-scale increase in the utilization of foreign capital. Governments at various levels have implemented the regulations governing investments by foreign businessmen, strengthened the management of the "sanzi" enterprises, i.e. enterprises of three capital sources: foreign, overseas Chinese, and Hong Kong and Macao, and employed many channels and methods in activities to solicit trade and investment as a result of which there was an increase in foreign capital investments. Compared with the preceding year, the number of new contracts for the utilization of foreign capital increased by 9.5 percent; the volume of foreign capital utilized as specified in the contracts increased by 88.7 percent; and actually-utilized foreign capital increased by 100 percent, of which direct investment by foreign businessmen increased by 54.7 percent. Much advancement was made in the utilization of loans from foreign governments. Through the year, 33 contracts were signed, involving \$165 million, of which \$40.46 million has been utilized. New changes were made in the structure of investments by foreign businessmen. Large and medium-sized projects of a capital- and technology-intensive nature have increased noticeably over the past years. So-called "sanlai" enterprises, i.e., enterprises engaged in the three forms of import processing and compensation trade extended from coastal regions to the hinterland. Their income from industrial processing fees for the year increased by 24.3 percent over the preceding year. Maritime customs, trade inspection, and port services all played an important role in ensuring our open policy.

—We quickened construction of the coastal, economic, and opened-up regions and enabled them to play their role as a pivot, externally and internally. The special economic zones, cities, towns, and coastal regions that have opened up to the outside have newly established a number of backbone enterprises which can steadily provide sources of export commodities. They have organized production step by step according to the quality and technical standards of international products and have followed international practices in managing enterprises in which foreign businessmen have invested to attain the goal that these enterprises operate by international market mechanisms. We have also increased the variety and volume of export products. At the same time, we have expanded lateral economic and technological associations with the hinterland so that advanced technology and management experiences from abroad can be

shifted inland. This has served to develop the economy of the hinterland and raises its technological level.

—We have made advances in work pertaining to overseas Chinese, foreign relations, and tourism, and taken advantage of Guangdong's advantage in having many overseas Chinese. We have improved our work pertaining to overseas Chinese, returned overseas Chinese, and families of overseas Chinese. We have continued to implement the various policies on overseas Chinese affairs, strengthened liaisons with overseas Chinese residents, introducing capital investment from overseas Chinese, and encouraged and solicited their contributions and endowments. Our work played the role of a bridge in our foreign relations, expanded our province's external influences, built closer relations between Guangdong, Hong Kong, and Macao, and promoted economic and cultural contact and exchange with the outside. In tourism, we have further improved the level of management and the quality of services rendered. During the year, the number of people entering Guangdong was 28.88 million, an increase of 14.3 percent over the preceding year. Of this, the number handled by the tourist department was 2.238 million, an increase of 2.6 percent. Foreign exchange earnings from tourism amounted to \$600 million, an increase of 11.3 percent.

(3) Improving production and construction and maintaining sustained economic growth.

—We firmly controlled agricultural production and stabilized the development of the rural economy. Due to frequent natural disasters, the sown area became reduced and production of grain and edible oils decreased, but there were still increases in varying degrees in the output of main agricultural products and in animal husbandry. Sugar cane increased by 14.9 percent, aquatic products by 12.3 percent, fruits by 5.3 percent, and the gross volume of meat by 11.9 percent. Successes in afforestation and planting trees were particularly notable. During the year, we afforested 14.5828 million mu of barren land, a record since the founding of the PRC. In the province, afforestation has been completed in 90 percent of the suitable areas. We have made new progress in construction and management in water conservancy and hydraulic power. We have effected an obvious change in the appearance of the hilly areas and poverty-stricken regions (including areas inhabited by minorities and the old revolutionary base areas). Hilly regions and counties (districts) paid close attention to thoroughly managing economic, social, and ecological benefits and took the road of the comprehensive development of resources, processing, and adding value. The province provided funds for the technical transformation of projects in 48 small hilly regions and counties. This was about 35 percent of gross investment in industrial and technical transformation throughout the province. In the economic development of 25 poverty-stricken counties, gradual steps were taken in the direction of principally relying on self accumulation for development and the per capita annual income exceeded

500 yuan. Town and township enterprises all quickened their technical transformation, improved their operations and management. Compared with the preceding year, their annual gross income increased by 35.4 percent and foreign exchange earnings by 40 percent. We improved land planning and management to a certain extent. The rural social gross output value of the province amounted to 91.92 billion yuan, an increase of 17.4 percent of which agricultural gross output value amounted to 44.058 yuan, an increase of 7.5 percent.

—We devoted great efforts to overcoming difficulties due to the stringent situation of energy, communications, and raw materials and registered sustained growth in industrial production. The industrial departments concentrated the use of limited supplies of electric power, transport capacity, raw materials, and capital funds on the production of marketable products. Production of chemical goods of daily use, household electrical appliances, textiles, food, and medicines all showed a relatively large increase and basically ensured an effective supply on the market. We continued to speed up technical transformation, develop a large number of new products, and improve the quality and grades of the products. In the industrial and transportation sectors, a total of 769 projects brought in technology and undertook technological transformation during 1988, and 352 new products were developed. In the inspection by the province of the quality of key products, 85 percent had steadily improved and 16 percent were superior products. In the assessment and evaluation, 844 products were declared superior products at the provincial level and 100 of them were deemed to have met international standards. The rising cost of raw materials and various expenses led state-run enterprises to adopt a policy of "two increases and two savings," by strengthening their internal basic management. They followed a policy of "two increases and two savings." They managed to show concomitant growth in output value, sales income, realized profits and tax deliveries to the state and their labor productivity rate rose by 19.8 percent. Guangdong's GVIO amounted to 131.488 billion yuan, a growth of 34.6 percent.

—We ensured the key projects and achieved notable results in the construction of basic facilities. We paid due attention to readjusting the investment structure and ensured the construction of major projects in communications, transportation, and electric power. Double-tracking of the entire Heng-Guang Railway section was completed. New tracks of 20.3 kilometers were laid on the yao-mao section of the San-Mao line. Construction work began on the Chang-ping Wei-zhou section of the Guang-Mei-San railway line. Five hundred kilometers of 2nd-grade highways and 1,200 kilometers of local highways were built or rebuilt. Construction of the Guangzhou-Foshan high-speed highway is nearing completion. Thirty large and medium-sized highway bridges including those at Jiujiang, Waihai, Luoxi, and Haiyen were completed. In the important harbors of Zhanjiang and Shekou, wharf construction was speeded up. Through

the year newly installed telephones accommodated a capacity of 450,000 kilowatts. The Guangzhou-Hong Kong light fiber communications engineering project was completed and put into operation. The gross capacity of urban-rural telephone exchange machines was increased by 258,000 sets, an increase of 38 percent over the preceding year. Railroad, highway, shipping and civil aviation departments were notably successful in ensuring the flow of major materials and goods and passengers. Work in the metallurgical, geological, and prospecting sectors, and in city construction all achieved new developments. —We firmly insisted on serving economic construction and opened new ground in science and technology. Taking the development of the externally-oriented economy as the central point, we tackled 104 major projects in science and technology in 1988. The "spark" plan called for 94 new projects and a total investment of 157 million yuan. At present, all cities and counties are engaged in the provincial "spark" projects and a great proportion of them have begun to yield economic results. Cities like Guangzhou, Shenzhen, Zhuhai, Foshan, Zhongshan, and Dongwan have begun to implement the "torch" plan which includes developing high technology and new technology. Altogether 44 projects have been planned. The planned gross investment was 730 million yuan. One hundred sixty provincial scientific and technology progress prizes were evaluated and awarded, and 379 scientific and technological research results were granted special patent rights.

—We expanded the circulation channels and urban and rural markets were prosperous and thriving. Guangdong has developed circulation networks which have many components, are of many varieties and channels, and further link up the province's domestic markets with those outside. State-run commercial and supply and marketing cooperatives played a leading role in the circulation of goods and the industrial, commercial, taxation and commodity price departments all increased management by the market, and under the conditions of thriving purchasing power, supply and demand was basically normal while purchases and sales of commodities increased on all sides. The gross volume of retail sales amounted to 63.39 billion yuan, an increase of 40.8 percent over the preceding year. In urban and rural trade fairs, the volume of transactions amounted to 16.3 billion yuan, an increase of 46.8 percent.

(4) Promoting the development of spiritual civilization and achieving new accomplishments in various aspects of society.

—We quickened educational reform and continued to improve conditions in schools. Governments at various levels have earnestly implemented the two decisions of the provincial CPC and the provincial government of reforming the structure of basic and higher education. In basic education we continued to carry out the system of running schools and managing schools by levels, of having a responsibility system for the school principal, and appointment of teachers. We have made new

progress in the 9-year-old system of free education and because of the universality of primary school education, the rate of primary school graduates going on to intermediate schools rose from 75.3 percent in the preceding year to 80.1 percent this year. We realized new developments in high school, middle, specialized, adult, and kindergarten education as well as in special education for the disabled. In higher education, autonomy of colleges and universities has been enlarged. Reforms were made in the teaching system, the student enrollment system and the graduates distribution system. Schools further showed their potential and the quality of teaching and of the academic level were both improved. In the institutions of higher learning, enrollment of new students increased by 28.8 percent over the preceding year and graduates by 23 percent. Thirteen institutions of higher learning were party to nearly 100 items of patented products in the province's first patented products exhibit and sales fair. The province as a whole has completed its assessment of the qualifications of teachers; improvement was made in their social status, salary, and welfare treatment. Governments at various levels used the increase in educational investments as the means by which to implement the "two decisions." They devoted their efforts to widening the channels for educational investment, increased their appropriations for educational expenses and started the collection of educational surcharges. Many cities, counties, and townships have set up educational investment funds. A continuous increase was seen in the public fundraising and also the contributions and endowments to schools made by overseas Chinese residents. As a whole, the conditions for establishing and running institutions of learning were further improved.

—In the course of reform and opening up to the outside, we have continued to improve culture, public health, sports, and recreation. In order to develop a socialist spiritual civilization and enrich the people's spiritual life, a lot of work has been done by the departments in charge of art and literature, news and publications, broadcasting and television, and in social science research. Popular cultural activities thrived. The interest shown in archives work, the compilation of records, and in literature and history increased. In the medical and public health sector, good results were achieved in preventing and curing diseases, developing Chinese herbalists, Chinese herbal medicine, and the training of rural public health technicians. The environmental protection departments devoted great efforts to actively treating environmental pollution to protect the natural ecosystem and the health of the masses. The sports and recreational departments kept extremely busy in such matters as developing mass sports activities, organizing classes and competitions, and promoting physical education. Our athletes continued their outstanding performances in domestic and international competitions. —We continued to do a good job in family planning and there was a certain lowering of the birth rate. Governments at various levels are firmly carrying out the

current family planning policy and have improved control of family planning among people who circulate from one place to another. The vast masses of family planning personnel did a lot of difficult and delicate work and to a certain degree, controlled the population's increase over the plan.

—We improved democracy and the development of the legal system. We ensured the advancement of reforms and the open policy. Governments at various levels devoted their efforts to establishing the system of social consultation and dialogue, accepted democratic supervision, and raised the degree of the democratization in political life. The province has implemented an administrative system in which cities administer counties. We have strengthened rural political power at the grassroots level and further enforced the policies toward minorities and religion. Government organs have universally developed education on honest and clean living and raised the consciousness of government workers for living an honest and clean life as officials. Guangdong has formulated a large volume of local legislation and regulations, conducted inspections for the adherence to law in major areas, intensively carried out basic law and education in national defense, improved the public's concept of law, national defense, and citizenship. We strengthened public safety units, the administration of justice, military police, and reserve national defense forces. This comprehensive treatment of public security has effectively countered serious criminal acts and economic crimes and helped to maintain public security and unity. We did much to help the distressed and victims of natural disasters, provide relief to the poor, and establish welfare enterprises, and these efforts were well received by society.

Dear Representatives:

The accomplishments over the past year were attained by abiding by the theories of the initial stage of socialism, acting under the leadership of the Guangdong Provincial CPC Committee and the supervision and support of the provincial people's congress, and firmly and irrevocably implementing the guidelines and policies of the CPC Central Committee and the State Council. They were the results of joint efforts of the various peoples in the province, the armed units stationed in Guangdong, the various democratic parties, people's bodies and patriotic people, and were also indivisible from the concern and support of the vast masses of Hong Kong and Macao compatriots and overseas Chinese.

However, it should be seen that in Guangdong's economic life certain serious problems still exist, centrally manifested in the oversharpest rise in commodity prices which was the crux of various contradictions. The general index of retail sales prices in the province rose by 30.2 percent over the preceding year, not seen since liberation. The people's livelihood was deeply affected by the rise in commodity prices. The peasants' per capita net income for the year was 809 yuan, an increase of 22.1

percent over the preceding year; urban residents' per capita income available for use on living expenses was 1,474 yuan, an increase of 22.1 percent. Eliminating the element of commodity price increase, a peasant's actual income increased by 2.7 percent and that of an urban resident decreased by 5.7 percent. The causes were: 1) The economy over-heated and the scale of fixed assets investments was too large, being far in excess of the province's ability to bear both in financial and material resources. In the province last year, over 10,000 projects were under construction. The gross scale of the fixed assets investments of all of society was over 60 billion yuan of which investments made during the year amounted to 29.7 billion yuan, an increase of 26.6 percent over the preceding year. This aggravated the supply-demand contradiction of the three major kinds of construction materials and led to the rise in commodity prices; 2) Consumption funds increased too rapidly, in particular the large volume of the purchasing power of social groups greatly increased the pressure on the supply of commodities. In Guangdong last year the purchasing power of social groups increased by 36.9 percent over the preceding year, and expenditures in salaries and wages increased by 40.8 percent. In addition, the distributed portion, which is not visible, and the increased income of the peasants and private entrepreneurs all contributed to a inflation in the consumption funds of society; 3) The growth rate of industrial production was too fast, particularly in the processing industry. This aggravated the tight supply and demand situation in energy and raw materials, and transportation. For 2 years in succession the industrial growth rate of the province exceeded 30 percent. Despite the fact that last year the growth in the volume of electricity supply exceeded that in the preceding year by 17.3 percent, the increase in power supply still could not catch up with the demand in production and in people's daily use; 4) The confusion in the circulation sector such as illegal trading, artificially raising of prices, seeking excessive profits, and other types of chaotic phenomena, all served to aggravate the mismatch between supply and demand in society and the inequities in distribution, as if fuel were added to the fire. In our opinion, these are problems and difficulties are ones to be encountered in the course of development and in moving forward. They are directly caused by the transition from the old structure to the new, the fact that new operating mechanisms are incomplete and that macroeconomic control and tactics having not been perfected. They also show we have not kept up in our management. Since October last year, we have firmly implemented the spirit of the 3d Plenary Session of the 13th CPC Central Committee, adopted a series of measures, completely carried out improvement and rectification and, starting with restricting excessive demand and increasing effective supply, we definitely improved control of commodity prices, firmly reduced the scale of fixed assets investment, made an overall clearing and liquidation of the projects under construction, strictly controlled the overly fast growth of consumption funds, squeezed the purchasing power of social groups in particular, controlled the issuance of credits and loans, and

in an all-round manner, rectified the undesirable phenomena in the circulation sector. All these measures have achieved initial results. However, if we wish to ensure that the scale of the rise in commodity prices this year will be smaller than last year's and, in an all-round manner carry out the State Council's requirements for improvement and rectification, the tasks are still very large and difficult. Meanwhile, many weak links are found in other lines of work. Dislocations are particularly manifest in the insufficient inputs into agriculture and in the weak regulation and control over grain's three stages of production, purchase, and marketing. There are some people in mountainous regions and impoverished areas who still have to worry about subsistence. The imbalance resulting from the uneven development of processing industries, infrastructure, and raw materials industries has worsened, and the economic efficiency of enterprises is not ideal. Developments in science, technology, and education are still unable to meet the demands of economic construction. Despite the vast improvement made in public security and safety, the number of crimes is still increasing, particularly crimes by bands of undesirable roaming elements. There is still corruption among some government employees. To solve the above-mentioned problems, we must be more resolved and make tireless efforts.

## **II. Correctly Understand Several of the Problems in the March Forward**

Reviewing the past year, the direction of the march forward was a correct one but it was not without mishaps with both experiences attained and lessons to be kept in mind. It is absolutely necessary that we make a general summary, correctly understand the new situation and new problems in the actual practices in Guangdong's reform and construction, unify our thoughts, further improve our consciousness in thoroughly implementing the spirit of the 3d Plenary Session of the 13th CPC Central Committee, and continue to push forward with various tasks.

(1) We have deepened our understanding of the policy made at the 3d Plenary Session of the 13th CPC Central Committee and closely linked management and consolidation with the deepening of reform and with expansion of the open policy.

In the 10 years of reform and opening up to the outside world, we have achieved enormous accomplishments. However, the outstanding problems currently confronting us such as currency inflation and the overly large scale of commodity price increases have already affected the forward thrust of reform and of our opening to the outside. The series of guidelines and policies advocated by the central government for managing the economic environment and consolidating economic order are precisely for the purpose of creating a better environment and better conditions for deepening reform and expanding our opening to the outside. Guangdong is the nation's comprehensive pilot region for reform and

opening to the outside. We in particular must clearly understand the importance and urgency of management and consolidation, seize the opportunity, speedily turn the overheated economy to a normal one, and rectify the various kinds of undesirable phenomena; otherwise it will be impossible to stabilize the economy and speed up the reform and opening up to the outside.

Improvement and rectification are closely related to deepening the reform. They are the necessary conditions for the overall deepening of reform and are also the important contents. Many of the measures to improve and rectify the economy are themselves important reform measures. In the course of improving and rectifying, we should strengthen macroeconomic adjustment and control over the economy on the part of the governments at various levels, gradually set up a macroeconomic adjustment and control structure, incorporate the national economy into a sphere subject to normal control, prevent large ups and downs in the economy, and enable the sustained and stable development of the economy. This is an important issue in the deepening of reform. Restricting the over-thriving demand, employing economic, legal, and necessary administrative measures, firmly halting the evil trend of raising prices at random, and preventing the irrational increase in commodity prices are precisely the primary content of the three-in-one combination of "deregulating, adjusting, and controlling" in the reform of commodity prices. Rectifying the chaotic phenomena in the circulation sector, liquidating and rectifying companies, adopting measures to separate government from enterprise functions and officials from doing business, rectifying the business orientation and conduct of the various kinds of enterprises and putting them on the right track of legal operation, are all measures in themselves for the purpose of promoting the healthy development of the market structure and are beneficial to the establishment of the new order of a commodity economy. Hence, we must combine improvement and rectification with the deepening of reform, use improvement and rectification to advance reform, use the requirements of reform to carry out improvement and rectification, and truly attain results.

Improvement and rectification is in essence an adjustment we must make in developing the economy. Actual practice has shown that economic development is always unbalanced and only when it is constantly readjusted can it maintain its stability. In Guangdong in particular, readjustment of the structures of industry, production, investment, credits and loans, and the market must be in line with the strategy of economic development in the coastal regions and only when they are can a breakthrough be attained in the development of an externally oriented economy. While improvement and rectification put definite pressure on us, they also provide us with opportunities. We must grasp the opportunities, work hard at readjusting the economic structure, fully utilize the advantageous conditions and strong points of our province, speedily increase the proportion of "putting

both ends abroad" and work out a path to economic construction which is more suited to national and provincial conditions. Only by so doing can Guangdong's economic structure be strengthened, the comprehensive and strong points of the productive forces be formed on an even higher level, and the economy achieve a new development on an even higher plane.

(2) The scale and speed of economic development must correspond with the ability to bear; the sustained, stable, and coordinated development of the national economy must be maintained.

The basic task of socialism is to develop the productive forces. Since implementing reform and opening up to the outside, the central government has carried out a special policy and flexible measures vis-a-vis our province, which have formed a good climate and relatively good investment environment advantageous to development. To rapidly change the backward condition of the productive forces in Guangdong, improve the people's livelihood and also consider the long-term development of the economy, we have made rather large inputs into economic construction. This has strengthened our originally weak economic foundation and has continuously improved such basic facilities as energy, transportation, and communications which used to be rather unsuited. In addition, this has ensured that a large number of enterprises made use of their continuously increasing production capacity and has thereby maintained the relatively fast development of the national economy, and enabled the province to greatly change its countenance.

But the scale and speed of economic construction are subject to the restrictions of conditions from various sides. The size and speed of the input must be controlled within a suitable "degree." We should judge the hour and size up the situation and act according to our means. On the one hand, we should start from the realities of our province, and act with due consideration to the conditions and strength of the province. Restrictive elements over Guangdong's economic development are from many sides. Energy and electric power are in particular the largest elements. It may be said that the speed of growth of electric power practically determines Guangdong's economic growth rate. Through the years various sides have tirelessly devoted their efforts to developing the power industry and since 1980 the power generation capacity of newly installed power generating equipment has exceeded the combined total of the past 30 years, with the result that for a time there has been a change for the better from the state of prolonged deficiency in power supply. Despite all this, Guangdong lacks necessary resources and raw materials, and the quickening of the development of power was restricted while the scale of other construction projects kept expanding. Because of the overly fast development of the processing industry in particular, the strained situation in power supply, though somewhat eased for a while, was revived. This is a harsh fact. Therefore, when we study the inputs in economic construction, we cannot but start from the

conditions of the province, first study the availability of energy supply and proceed after we have measured the electric power capacity. We cannot ignore the limitations that inadequate basic industries and infrastructure place on the development of the processing industry. These limitations also force long-term projects to come to the aid of short-term projects. Even less can we fail to consider whether bank credits, loans and the use of foreign capital can be repaid and the ability of the various sectors of society to repay. By so doing, we can control the scale and speed of growth so that it fits Guangdong's situation capabilities.

On the other hand, as Guangdong is one of the provinces of China, its economic development cannot be separated from the economic environment of the whole country. Guangdong must act with due consideration of national conditions and national strength and obey the state's policies and directions. Even though from Guangdong's standpoint certain projects are necessary and can be accomplished, they are not necessarily permissible when viewed from the conditions and capabilities of the country as a whole. Development of the electric power industry is one of Guangdong's urgent tasks. To avoid future difficulties, the provincial government at various levels likes to push the development of the electric power industry but the coal used in power generation must be shipped in large quantities from the north, which cannot necessarily be assured. Guangdong has definite advantages in vigorously developing light industries and the textile industry, but this is also constrained by the country's limited raw materials and transport capacity. Hence, the scale, structure, and speed of development not only depends on conforming with Guangdong's realities but also on fully considering national conditions, national strength, and properly handling the relations between the part and the whole. This is true with respect to the province vis-a-vis the country and the cities and counties vis-a-vis the province. If we operate only on the basis of Guangdong's interests or from our needs, we will only serve to blindly enlarge the scale of capital construction and compete with each other to develop the most quickly. The result will be that we will not be able to combine our hopes for fast development with reality. Our development will not be coordinated with the rest of the country and we will not attain our desired rate of growth. Hence, in order to maintain the sustained, stable, and coordinated development of the province's economy, it is necessary to carry out effective macroeconomic adjustment and control, make the scale and speed of economic development rational, and attain the best socioeconomic benefits.

(3) It is necessary to make the strengthening of agriculture an important priority in developing the provincial economy and pay high regard to grain production.

Agriculture is the foundation of the economy; we must put agriculture in the right position. Over the past 10 years, the sustained and stable development of the provincial economy was first of all due to the relatively

large development of agriculture and the important material foundation for industry and the entire provincial economy that agriculture provided. Facts have shown that under the new situation of reform and opening up to the outside world, not only has agriculture's position as the foundation of the provincial economy not changed, we must also truly put agriculture in an important position. We should never think that because Guangdong's industrial development has speeded up, agriculture's position as the foundation is no longer important. And we should never feel that because rural villages carry out the household contract responsibility system and peasants have acquired autonomy in farming, we can be lax in guiding agriculture. In the final analysis, agriculture is a strategic economic enterprise integrally related to the whole country. We must rectify any slighting or overlooking of agriculture and halt acts that weaken it. The actual state of agricultural development should be an important criterion in evaluating the performance of governments at various levels.

Putting agriculture in the right position first of all requires putting grain in the right position. Grain production is a weak link in the agriculture of our province, although in grain production, we have devoted great efforts and have achieved certain results. In these several years, following the development in commodity production, we have taken the necessary step of readjusting the geographic distribution of crops in accordance with what is suitable under Guangdong's natural and geographic conditions. But readjustment of the distribution of crops is necessarily constrained by the sources of grain and we cannot proceed blindly. Guangdong is a province that requires transfer of grain from other areas in the country and the amount of increase in the grain supplied is limited. Yet in recent years we have reduced or put to other use too many acres of grain fields and we neglected to continue increasing inputs and improving the conditions for grain production. As a result, after attaining in 1984, the highest historical level in grain production of the province, the gross output of grain has made no progress at all. At the same time, Guangdong's population and the immigration of people from other provinces have increased every year and the demand for grain has increased. In 10 years, Guangdong's grain output increased by 12.7 percent but during this period, consumption of grain increased 36.4 percent and the disparity between supply and demand became worse daily. If we depend on grain imports from abroad and transfers from other provinces, we not only face the problem of limited foreign exchange and funds, but also the restrictions imposed by sudden and myriad changes in the international and domestic grain markets. Facts have amply shown that undulations in grain supply affect all of society and the economy. Therefore, under the conditions of the not too lenient grain situation in the country, we need all the more to develop grain production in the province. Readjusting the agricultural structure must be carried out on the prerequisites of stabilizing grain acreage and maintaining grain production. The guidelines which we must adhere to for a long time are to

never loosen up on grain production and actively develop a diversified economy.

(4) It is necessary to strengthen ideological and political work and correctly lead the masses to positively support and participate in the reform.

Reform is a social revolution that liberates the mind and production. At present, the deepening of reform is at a crucial moment facing many new conditions and problems, and people are still in the process of getting used to reform. Now, on the one hand, the lives of a great majority of people have been greatly improved and on the other, new discontent and dissatisfaction have been generated; on the one hand, people's thoughts have been enlivened and on the other, confused. It especially requires us under the new conditions to strengthen ideology, resolve the various problems of ideology and understanding, unite the ideas and understanding of the vast masses of cadres and people to be united with the spirit of the 3d Plenary Session of the 11th CPC Central Committee and the 3d Plenary Session of the 13th CPC Central Committee and convert them into an enormous force to overcome difficulties and continue the advance.

Actual practice has shown that reform can progress smoothly and achieve success if it receives the understanding and support of the vast masses of the people. The successful experiences we attained in many of the past reforms were created by the population in the course of actual practice. Hence, it is necessary to guide the population to correctly open up discussion and comment on reforms, make use of their own interpretation to correctly understand the vast accomplishments of the reform, correctly treat the real nature of the problems and difficulties met with in the reform, correctly understand the various policies and measures of the party and the state, and continuously increase their acceptance of and confidence in the reform.

Basically speaking, the party's and the state's guidelines and policies manifest the people's interests and wishes. To achieve good results in ideology and political work it is necessary to fully play to socialist democracy. We must pay close attention to the understanding of the people's sentiments and desires. Only when the work of the government at various levels is built on the foundation of having listened to the views of the masses can it conform with reality and avoid errors. The activities of the leadership organs and the difficulties they encounter must be made known to the populace and only then can the problems be understood by the masses. There must be smooth and clear channels for the demands and desires of the masses to be constantly conveyed to the leadership. We must further increase the degree of publicity of the government's political activities and consciously accept the masses' supervision. On the one hand, through education of the situation we should let the populace know of the extremely good situation in the reform and in opening to the outside; and on the other hand we should clearly explain to and tell the populace

the current difficulties and methods taken to solve them so that the reform measures the government is now undertaking can receive the masses' endorsement and support. Many cities and counties have adopted the practice of giving publicity to their work and resorted to various forms to open up the channels of exchange with the masses, thus drawing closer the relations between the government and the masses and enhancing mutual understanding and trust between the government and the people. We should persist in adhering to these experiences and methods.

### III. Tasks of the Work in 1989

1989 is the second year in which Guangdong will carry out a comprehensive experiment with reform and opening up to the outside world and is also the pivotal year for carrying out the policy of improving and rectifying the economy. The principal tasks of the government's work are: Treatment of the economic environment, consolidation of the economic order, all-round intensification of the reform, safe and stable development of the economy and assuring that the rise in commodity prices will be obviously lower than the preceding year. The economic work should follow the policy of squeezing capital construction, adjusting the structure, ensuring production, grasping reform, seeking benefits, and providing guidance of a high level. We should firmly insist on combining improvement and rectification of the economy with the furthering of reform, and with enforcing the economic development strategy along the coastal regions. We should strengthen macroeconomic adjustment and control, devote great efforts to developing production, increase effective supply, develop various social enterprises, and improve the people's living standard. The main targets of the economic plan of the entire province are: In comparison with the preceding year, the gross value of domestic output should increase by 8.5 percent, the gross output value of agriculture should increase by 6 percent, the gross output value of industry should increase by 12 percent and financial revenues should increase by 6.5 percent. Based on the above-mentioned tasks, we should strive to do well in the following tasks.

**We should earnestly seek to improve and rectify the economy and create a good economic environment and economic order for deepening the reform.**

Governments at various levels must earnestly elevate their understanding, unify their thoughts, firmly insist on making improvement and rectification as the major points in reform and construction, and implement in an all-round manner the guidelines and various measures of the 3d Plenary Session of the 13th CPC Central Committee relating to improvement and rectification.

1. We should firmly cut down the scale of fixed assets investment and rationally readjust the investment structure. This is a decisive and determining stage in improvement and rectification of the whole situation.



We must start from the overall situation, act firmly and resolutely according to the prescription of the State Council, determinedly squeeze the excessively large scale of investment, and keep the fixed asset investment of the whole society controlled within financial and material resource capabilities. Projects under construction that do not conform with the State Council's conditions for construction must be stopped and dismantled. At the same time, a definite industrial policy must be formulated, readjustment of the investment structure and the credit and loan structure must be made, and all construction of a nonproductive nature and construction of the general type of processing must be cut down. Major construction related to energy, transportation, communications, and major raw materials industries must be ensured. The backbone of Guangdong's economic development must be augmented. The relevant departments must study and formulate effective measures to control the fixed asset investments of the whole society. Investments inside the plan must be controlled and investments outside the plan and budget must be controlled in particular. We must establish a sound management system over fixed assets and a way to ensure the relation between inputs and outputs by means of contracting. We must strive to improve the efficiency of investment. We must perform well the clean up of construction projects that have been suspended or temporarily slowed down, make proper arrangements for their staff members and workers, and cut losses to a minimum.

2. We must strictly control inflation of the consumption fund and restrict overheated demand. The targets of credit and loan scale and of currency issuance fixed by the state should be adhered to earnestly. The purchasing power of social groups must be kept under strict control and must not exceed the fixed purchasing limit. Control of salary and wage funds must be improved, the gross volume of salaries and wages must be kept under strict control, and the salaries and wages of an enterprise must be linked with its economic returns. The tightening of credit and loans must go with the stabilization of savings and accumulation, the number of points in the savings network must be increased, the varieties of savings accounts must be increased, better services must be rendered, and great efforts must be made to absorb deposits. We should let consumption funds branch out, and adopt various measures to encourage private individuals to buy housing and develop the insurance industry. A portion of the consumption fund should be converted into production funds.

3. We should continue to rectify the phenomena of chaos in the circulation sector, improve management and supervision, and put the various circulation stages on a normal operational track. Liquidating and consolidating the various categories of companies are the major goals in rectifying the state of chaos in the circulation sector. Earlier this year enterprises conducted internal inspections. Following on earlier inspections, enterprises should be inspected and checked in groups. Those companies in which government and enterprise functions are

not separated as well as those in which government cadres hold concurrent jobs in companies (enterprises) must be strictly dealt with in accordance with relevant regulations of the central authorities and the State Council. By means of liquidation and consolidation, the direction of economic endeavor among the various categories of companies can be set right, their operations can be standardized, their rational profits and principle of distribution can be regulated, and they can be incorporated into the sphere of management of finance and taxation so that they can run on a normal track. Departments in charge of industry, commerce, and administration should, after liquidating and consolidating the companies, perform well the work of screening, inspecting, registering and issuing certificates with regard to companies and should be strict and unyielding. We should strengthen management by the market, attack such illegal acts as buying or selling by force, monopolizing prices, mixing inferior goods with good ones, and other generally deceitful acts. We should put a stop to and ban illegal operations, protect legitimate trade, and protect the interests producers and consumers.

4. We should improve our control over commodity prices and control the increase in commodity prices. It is necessary to insist on the guideline combination of "deregulating, adjusting, and controlling," enforce in an all-round manner the various measures on commodity price controls formulated by Guangdong, and ensure that the increase in commodity prices in the entire province will be clearly lower than last year. We should establish a responsibility system in which government at various levels sets targets for commodity prices and strengthen measures that allow the market to regulate commodity prices. We should prescribe the price differential between the procurement price of goods and goods for wholesale, between goods for wholesale and goods for retail, and between the procurement price of goods and the customer's purchasing price. The links in business operations must be reduced. There should be only one channel for wholesale of goods that are important means of production and of commodities in short supply in the same given area—in certain cases monopoly should be allowed. The power of assessing and fixing commodity prices must be reaffirmed and the system of reporting and assessing price increases must be enforced. Supervision of commodity price must be strengthened and the inspection of the commodity prices, finances, and taxation of the whole province should be continued and carried out well. We should set up a system in which the masses can supervise and can report misdeeds. State-run commercial, grain, and supply and marketing departments should fully carry out their role as the principal channels of supply, regulate supply and demand, stabilize commodity prices, and carry out in an exemplary manner the state's policy on commodity prices.

**In the course of improvement and rectification, we should to make deepening of reforms the main goal and promote all kinds of coordinated reforms.**

Basically speaking, improvement and rectification is being conducted for the purpose of creating good conditions for the all-around deepening of reform. Hence, it is



necessary to combine improvement and rectification with the deepening of the reform. The spirit of reform must be used to guide our improvement and rectification of the economy and improvement and rectification of the economy should ensure reforms.

1. We should deepening enterprise reform. The main task in enterprise reform is to continue to do a good job in perfecting and coordinating the contract system and quicken the transformation of the mechanism by which enterprises are run. Enterprises using the contract system must, along with selecting the best and most suitable entrepreneur or manager, guard against short-term behavior, emphasize long-term benefits, and gradually set up mechanisms of self restraint. We should earnestly carry out the various coordinated measures of the contract, further reform the system of internal distribution and the personnel system, link up in an overall way total salaries with economic returns, guide the enthusiasm of the vast majority of staff members and workers to exploit their inner potential, improve economic efficiency, enhance enterprises' vitality, and their ability to absorb financial burdens. We should earnestly implement the "enterprise law," carry forward the separation of government from enterprise functions, and deregulate the operations of some enterprises which are ready. We should stop the practice of randomly imposing levies on enterprises. We should further lateral associations among enterprises, improve ties and cooperation, and actively and in a systematic manner develop and organize enterprise groups. We should select a number of progressive enterprises which perform relatively well and are nationally or provincially owned to develop production on a specialized and cooperative basis, using products of a well-known brand as the leading product. After earnestly summing up the experiences of enterprises that have tried out the stockholding system, we should proceed to experiment with different forms of the stockholding system and look for a formulation for a stockholding system that will conform with the actual conditions in Guangdong.

2. We should further form and develop markets. Under the conditions of tightening the money market, let us, through commercializing the specialized banks and deregulating the financial market, turn to society to raise funds, turn to the enterprise themselves to tap their potential to raise funds, and turn to the external and domestic markets to merge funds. We should select a number of enterprises with relatively good business conditions to float bonds and shares in society, sell a portion of the state-owned small enterprises to syndicates (groups) and individuals, and actively develop security markets. We should vigorously develop various categories of technology markets, actively combine science and technology and production, allow and open up the transfer of technological products, and encourage and develop scientific and technological export businesses. We need to further develop a labor force market and improve the management of labor. We should develop and improve the labor contract system, labor

cooperation, labor exportation, and open up and develop various kinds of activities for the interflow of labor. We should continue to develop the real estate market and gradually pave the way to provincewide reform of the residential housing system and hasten the privatization of housing. In cities and towns, we should try out systems for the compensatory use or transfer of state-owned land. The key to the formation and development of markets lies in bringing prices into better balance. Out of consideration for the ability of the state, enterprises, and people to withstand reform, the steps in price reform must be slower this year. We should strictly control the price of products introduced into the market. Aside from certain very irrational commodity prices which need to be readjusted according to the state's unified arrangements, it is necessary for us to pay attention to consolidating and improving the various price reform measures already ushered into the market.

3. We need to further improve the system of financial administration and management, further carry out the movement of the "double increase and double savings", firmly carry out the policy of financial retrenchment, and restrict the demand for funds. We must continue to improve the financial contracting structure in the cities and counties, and further develop the financial administration of townships (villages) and increase financial revenues by strengthening management, changing and improving technology, pushing production, improving benefits, and extensively opening up financial sources. We should readjust the distribution system, appropriately centralize funds, and ensure that the needs of reform and construction are met. We need to control the excessive growth of financial expenditures and accomplish the targets of ensuring some expenses while suppressing others, treat different situations differently, and ensure a normal financial outlay. We should, following state regulations, strictly collect taxes such as the individual income regulation tax and other taxes, improve tax collection, abide by the law in treating and collecting taxes, and refrain from random exemption of taxes. The public visibility of financial activities must be increased, supervision by the masses must be accepted, and financial administration must be strict and severe. We must firmly insist on keeping expenditures within the limits of income, fix expenditures on the basis of income, refrain from budget deficits, and ensure a balanced budget for the whole year.

4. We should actively and carefully reform the government structure and personnel system. Structural reform must be according to plan, which must be carried out in steps. This year we must principally continue doing a good job in preparatory work and, on the foundation of our extensive investigation and research, formulate a reform program. The principle of structural reform includes smoothing out relations, transforming functions, and gradually establishing an administrative control and management system which has relatively complete functions, a relatively rational composition, is relatively coordinated, and has a relatively high efficiency. We should continue to further the system of

appointing cadres through the open competitive examination process. The method of applying individual measures, which now can be universally used in the civil service system, can be applied in organizations as a founding step in the widespread utilization of the civil service system.

5. We should improve and further develop macroeconomic regulation and control. This is called for in the improvement and rectification of the economy and is an important objective of reform. In improving and rectifying the economy, government at various levels must strengthen macroeconomic supervision and measurement, engage in both periodic and occasional macroeconomic analysis of the overall situation or of particular aspect of the economy, and gradually set up system of macroeconomic regulation and control as we convert from the old economic structure to the new. Government control over the economy should gradually change from being principally one of direct control to being principally one of indirect control that relies on such indirect controls as economic policy and economic statutes. Government control must start with maintaining a basic balance between social gross supply and social gross demand, promoting scientific progress and enhancing the industrial structure, and hastening macroeconomic management reform. The goal in planning and management should shift to the formulation of an industrial policy, and, through the comprehensive use of various economic measures, the full exploitation of various kinds of economic levers to bring about the realization of the industrial policy. In funds management, the position and role of banks in macroeconomic regulation and control should be strengthened. The granting and issuance of loans should be made according to the industrial policy and the investment schedule, and the credit and loan structure should be readjusted so as to promote the readjustment of the economic structure and economic coordination. In short, strengthening and improving macroeconomic regulation and control require the comprehensive use of economic, administrative, legal, disciplinary, ideological, and political measures.

**In improving and rectifying the economy, we should firmly and irrevocably implement the economic development strategy of the coastal regions and develop an externally-oriented economy.**

The economic development strategy of the coastal regions is a long-term guided policy. We should make full use of Guangdong's strong points in human and geographic relations and when improving and rectifying the economy, firmly and irrevocably implement the economic development strategy of the coastal regions and fully utilize all possible conditions to vigorously develop an externally-oriented economy in which raw materials originate abroad and finished goods are sold abroad. At the same time, it is absolutely necessary to set targets on what can be achieved with effort. We must seize opportunities, and firmly, unwaveringly, and steadily advance.

1. We must vigorously developing exports in foreign trade. We should intensify the reform of the foreign trade structure and work hard to complete the contracted export tasks. We should continue to push the trade-industry-agriculture policy, establish a complete production system for exports, do a good job in self-run export enterprises in industry (agriculture) and trade, in export bases for electrical machine products, light industry and textile products, and allow more enterprises to go directly to international markets. We should readjust the structure of export products and devote efforts to increasing the export of processed and finished products, particularly the export of light industry and textile products, electrical products, construction materials, materials for interior decorating, and agricultural products that can earn foreign exchange. We should gradually increase the proportion of products with "both ends abroad." After solidifying and increasing the Hong Kong and Macao markets, we should make major efforts to open up the markets in North America and Western Europe, actively expand the exports to Japan and countries and areas in the Middle East and Southeast Asia, and develop trade with the Soviet Union and Eastern Europe. We should strive to improve the quality and the grades of export products, increase the varieties of products, make strides in advanced processing, subsequently adding value, lower the cost of production and improve the economic efficiency of export. At the same time, we should actively develop technology and labor exports and engage in contracting of engineering projects abroad so as to earn more foreign exchange for the state.

2. We should actively advance our utilization of foreign capital. We should continue to improve the investment environment, do a good job in the construction of ports and harbors, and ensure a good environment and order in the ports. We should augment the work of the customs service, supervise and control it according to law, and raise its work efficiency. We should faithfully observe the terms of agreements with foreigners so as to maintain the good impression and reputation of the open policy. We should firmly insist on making improvement of economic efficiency as the main goal, and rationally readjust the foreign investment structure. In considering foreign investment projects, we should fully consider the feasibility of funds, energy supply, raw materials, and the foreign exchange balance and always choose the more advantageous projects. In using foreign exchange, we should firmly adhere to the principle that foreign exchange must be created and the amount of foreign exchange created must be larger than the amount used. We should emphasize the introduction of projects that use high technology, are of high efficiency, that will benefit the expansion of exports, and that are long lasting, and ensure such projects the necessary funds and construction and production conditions. We should encourage foreign businessmen to establish wholly owned enterprises and to utilize old enterprises as conduits for the bringing in of foreign capital, advanced technology, and management expertise, and form enterprises that are contractually managed or managed only

by the foreign business. Once we approve of the enterprises invested in by foreign businesses, we must enter the required conditions into both the state and local plans so as to ensure that foreign capital usage is accomplished in a down-to-earth manner.

3. We should improve control of foreign exchange. We should make the system covering the inspection, approval, and control of imports strict and rigid. Guangdong should appropriately centralize foreign exchange and confine its major use to the import of raw materials that are badly needed in production and to the introduction of advanced technology. Strict control must be exercised over the import of consumer goods such as foreign cigarettes, foreign wines, foreign fruits, and other items. We must adopt strict and forceful measures to stop the loss of foreign exchange so as to ensure that the province uses foreign exchange where it is most needed.

4. We should improve our relations with Overseas Chinese. We should fully use to our advantage the large number of Overseas Chinese and having many Macao and Hong Kong compatriots close by. We should strengthen our economic cooperation and our scientific, technological, and cultural exchanges with our Hong Kong and Macao compatriots and with Overseas Chinese and push the development of an externally oriented economy. We should continue to implement our Overseas Chinese policy, and do a particularly good job, from beginning to end, in carrying out the policy regarding housing for Overseas Chinese in our towns and villages, and actively fulfill the various tasks relating to Overseas Chinese affairs.

5. We should vigorously develop the tourist industry. We should strengthen the development of a tourism network centered in Guangzhou, further carry out reform of the tourist industry's management system, establish a sound and healthy management system over the industry, and improve the overall quality of services in tourism.

**We should steadily develop the economy and protect effective supply.**

Along with improving the economic environment, rectifying the economic order, and restraining social gross demand, we must have firm control of industrial and agricultural production, increase effective supply, do a good job in organizing market supplies and arranging the people's lives.

1. We should try every means to obtain the whole year's agricultural harvest. The state of agricultural production, particularly grain production, is exceedingly important in protecting effective supply, controlling commodity price increases, and giving the people peace of mind. To strengthen agriculture, it is especially essential to ensure an increase in grain production. We must strictly forbid the unauthorized usurpation and use of cultivated land and ensure that the area sown in grain for the whole year

will not be less than 56.5 million mu, that the transformation of field areas of low yield will be as much as 3 million mu and that the gross grain output will amount to 17.5 million tons. These targets should be treated as mandatory to be forwarded downward, level by level, and to be subjected to inspection and assessment unit by unit. Let us try hard to make the grain production amount to 18 million tons. At the same time, let us vigorously develop the production of upland rice and pasture lands and expand Guangdong's sources of grain and feed. In coastal regions with the necessary conditions, reclamation of land from the sea may be carried out. Management of grain production contracting should be improved. Responsibility systems for the production, procurement, and marketing of grain must be established so as to stabilize the grain market. All industries and trades should be frugal in the use of grain and adhere to the policy of "never being lax in grain production and actively developing diverse economic undertakings." We must exert the utmost effort to step up production in agriculture, forestry, animal husbandry, and fishery. This year the task of afforestation of barren hills suitable for tree planting must be completely fulfilled. We must extensively push the planting of broadleaf trees, grow mixed forests, and further raise the standard for forest cultivation. We should adopt measures to ensure the sustained increase in output in animal husbandry and aquaculture and increase the supply of agricultural products. We should continue to develop agriculture that will earn foreign exchange. We need to steadily township and town enterprises.

A series of coordinated measures is required in the development of agriculture. First, we must rely on policy. It is necessary to make improvement of the household contract system the principal objective, actively and reliably promote rural reforms, and improve the rural structure of dual business operations, set up a complete system of agricultural production services in the counties and towns (townships), and develop an appropriate scale of operations. Second, we must rely on science and technology. We must perfect the agricultural science and technology networks at all levels, develop the scope of agricultural science, train core agricultural technicians, increase the peasants' scientific knowledge, earnestly push and popularize the seasoned results of research in agricultural science, introduce and popularize superior strains and the high-yield planting techniques required of these varieties, and gradually turn those engaged in agriculture into workers who can farm scientifically. Third, we should rely on increased inputs. In order to ensure that there is a stable source of funds for agricultural development, the provincial government has decided to establish, beginning this year, an agricultural development fund and to increase the channels of inputs into agriculture. At the same time, agricultural loans have been increased by 10 percent over the preceding year. It also decreed that governments at various levels, when arranging their budget expenditures, must increase the input into agriculture. Aside from inputs from the state, local collectives and peasants must rely more on

themselves to actively increase inputs, so as to strengthen the stamina of agricultural development, to ensure the stable growth of agriculture and the increase in grain production in particular.

We must earnestly strengthen the leadership in agriculture and mobilize the various industries and trades to support agriculture. The various departments and units should use their strong points to contribute to the development of agriculture and should work together with one purpose to obtain this year's harvest. We should make the economic development of the mountainous regions a priority and firmly support it with funds, technology, talented personnel, and materials resources. We should assist young and old in impoverished mountainside areas in developing their economy. Agencies directly subordinate to the provincial government should continue to do a good job in helping the poor and assisting mountainous regions and counties, using measures suited to local conditions, develop industries and enterprises that will be foundations of their economy, thereby enabling these regions to escape poverty and become rich as soon as possible.

2. We should rationally readjust the speed of industrial production and develop production using intensive means as the way to increase efficiency. We should eliminate the factors that cause prices to rise, increase financial revenues, ensure market supply, and rely in the final analysis, on the enterprises to develop production, push technological progress, and improve economic efficiency. This year, the speed of growth in industrial production should be appropriately lessened and earnest efforts must be made to push technological progress, tap internal potentials, and improve economic efficiency. From now on, the principal criterion to be used in assessing the work performance of the localities, departments, and enterprises is not whether the growth rate of output is high or low growth but whether the returns are large or small size.

The product mix must be readjusted. Along with controlling the speed of industrial growth, the production of marketable products must be increased. We should make major efforts to develop the electric power industry, coal industry, raw materials and products needed in agriculture, and increase production of daily necessities, and commodities in short supply which can be sold quickly and induce the return flow of currency to the treasury and marketable export commodities to the international markets. We should control the production of products in the processing industry which have already saturated the market and those products which require a lot of energy and grain in their production but are low in quality and poor in returns. After we have ensured an effective supply on the domestic market, we should expand the production of export products which have already secured a firm place in the international market. At the same time, we should develop new products and open up new markets.

We should strive to raise our level of technology and standard of management, tap potential of enterprises and their efficiency. We should make good use of the state's preferential policy on technological development and focus the enterprises' attention on the development of technology-intensive products and high value-added products. We need to actively adopt new industrial arts, new technology, new materials, promote technological progress, and changing of old products to new. We should continue to establish sound, strict and scientific management methods and systems, strengthen enterprise management and control, push the enterprises to improve in grade and in level, and encourage more enterprises to move into the ranks of the nationally and provincially advanced units.

We should improve product quality, firmly conserve energy, and lower consumption. We should make energy conservation and reduced consumption our goal and formulate concrete targets and measures. The main goal is to set up an energy management system centered on an energy consumption quota. We should do a good job in planning energy conservation projects and popularize new energy-saving technology. The reduction of materials consumption must be coordinated with efforts to improve the enterprises' basic work, reforms of the distribution system, and the promotion of modern management methods. At the same time, we should promote management by objective and improve safety in production. We should steadfastly do a good job in protecting the urban and rural environment and control pollution from the "three wastes."

3. We should enliven circulation and ensure market supply. Along with controlling growth in consumption funds, we need to continue to enliven circulation and invigorate the market. We should treat the work of ensuring supply, improving the people's living standard, and stabilizing the market as important tasks. We should develop by any means the supply of goods and have a handle on the purchase and supply of grain, edible oils, sugar, meat, eggs, poultry, light industrial products, textiles, and products of daily use. Governments at various levels should pay particular attention to the "vegetable basket;" establish production bases for non-staple foodstuffs in large and medium-sized cities and towns; and adopt preferential measures to encourage state-run, collective, or group units and specialized households to raise cattle and poultry to ensure the supply of nonstaple foodstuffs. We should improve coordination production and marketing and make sure that there is no interruption in the supply of commodities such as cotton textiles, coal, laundry detergent, soap, table salt, and matches.

**We should continue to strengthen science and technology.**

To maintain a long-term and stabilized economic development in Guangdong and to continue society's unceasing progress, it is necessary in our development strategy to pay close attention to discovering talented persons,

developing education, promoting science and technology, and improving the level of science, technology, and culture in the people's lives.

1. We should actively develop science and technology and raise the level of the productive forces. We should continue to push the reform of the science and technology structure, further improve the various kinds of technical and economic contracting systems, and gradually develop a lively situation in which the state, collectives, and individuals jointly engage in scientific and technological endeavors. We should firmly insist on the principle that science and technology be closely intertwined with economic development. Among the issues pertaining to Guangdong's economic development, we should make the development of an outward-oriented economy the major task, develop scientific research, and promote scientific and technological progress. We should carry out a new stage of the "spark" plan so that it can arrive at a substantive development, and spur rural areas to attain a higher level of development and efficiency. We should also carry out the "torch" plan and develop high technology and new technologies in Guangdong so they can serve the readjustment of the industrial structure and product mix. We should increase our use of technology to solve problems, utilize the fruits of scientific research, and raise the production level and the quality of products. We should support basic and applied research so that there will be technology to draw on for economic, scientific, and technological development. We need to establish science and technology development funds in the cities and counties, improve and perfect the province's scientific and technological management system, and do a good job in planning scientific research in the various localities. We should do a good job on patents and encourage discoveries and inventions.

2. We should vigorously develop education and train more talented people. We should continue to carry out the "two decisions" of the provincial CPC committee and the provincial government regarding education reform and speed up the reform of the educational system. Governments at various levels should increase their investment in education. This year the amount of educational expenses earmarked by Guangdong increased by 13 percent over the previous year. We must mobilize the various forces in society to support the improvement of education, firmly insist on raising funds from various channels to run schools, further improve the conditions for running schools, and improve the treatment and fringe benefits of the teaching staff. As for higher education, with the expansion of autonomy, we should continue to experiment with reforming the system of recruitment and the system of assigning jobs to graduates and recruit new students strictly according to plan. In accordance with the needs of social and economic development, we should readjust the curricula for specialized academic courses. We should improve adult education and step up the development of intermediate, vocational and technical education. In basic education,

we should continue to do a good job in reforming the schools' internal administration and management systems, and improve the efficiency of school operations and the quality of instruction. We should strive to realize the wholesale strengthening of education. We should strengthen and develop the system of 9 years of free education and augment moral education in the various types of schools. We should pay special attention to the development of education in regions inhabited by minorities and in the distant border areas.

**We should do a good job in work on other aspects of society.**

We should further improve work on culture. We should enliven the academic environment, promote theory, scholarly research, and make literature and art thrive and prosper. We should actively develop cultural and recreational facilities that are of an energetic sort, of great variety, are sound and healthy, and can enrich the cultural and spiritual lives of the masses. At the same time, we should improve and perfect management of culture. While we actively and steadily advance the reform of the ideological departments, we should step up improvement of art, news, broadcasting, television, and publication departments so that they will be better suited to, and serve socialist modernization.

1. We should develop public health and recreational facilities. We should further reform public health in an all-round manner and improve and perfect the contract responsibility system. We should correctly handle the relation between social benefits and economic benefits and constantly improve the quality of medicine and medical service. We should further restructure and develop public health institutions and gradually promote and push the planned immunization system and the medical insurance system. We should do a good job in developing basic level health insurance and speed up the changing of the water system in rural areas. We should develop Chinese herbalist medicine. We should continue to develop physical educational activities for the masses, improve the physical wellbeing of the population, improve our record in sports competition, and engage in intramural recreational activities.

2. It is necessary to be steadfastly and untiringly in control of family planning and control the population increase. The major emphasis point must be on stopping the practice of having too many children, and on doing an outstanding job in family planning in the rural areas. In this connection, control must be extended over the floating population and the loopholes in unplanned births must be blocked. By carrying out the responsibility system at all levels, we should ensure that the year's natural population growth rate will be at or below 12.5 per thousand. At the same time, by firmly and effectively controlling population growth, we should do a good job in eugenics and in work relating to the health of women and children to the end that the quality of the population is constantly improved. 3. We should strengthen and

improve the special care we give to disabled servicemen, family members of revolutionary martyrs, and servicemen, and do a good job in social welfare. We should gradually improve the tripartite system in which the state, collectives, and the people give special care to disabled servicemen, family members of revolutionary martyrs, and servicemen. We should make further steps in improving work in connection with separated and retired members of the armed forces, cadres who have changed to other jobs and our services to disbanded servicemen. We should pay special attention to the disabled and the aged, and generally improve relief services in urban and rural areas. We should continue to improve our work with minorities, increase and improve unity and solidarity among minorities, and continue to do a good job in religious affairs.

**We should make education on our situation the main content and work harder at developing a socialist spiritual civilization.**

At present, we face intensive social changes and reform. The people's thinking and concepts are undergoing drastic changes. We must firmly insist on grasping with both hands the guideline of developing a material and a spiritual civilization, strengthen ideological and political work and the development of a socialist spiritual civilization.

1. In developing our ideological and political work, we should at the moment take as the central content the improvement of the economic environment and the rectification of the economic order, intensify the reform overall, and strengthen education on the situation. All cadres have the responsibility of educating the people and also the responsibility of becoming educated. We should actively develop mutual exchanges between the government and the people and between the leadership and the masses. To carry out our work in an appropriate and corresponding manner, we should develop education on the situation based on a correct analysis, estimation, and assessment of the various sentiments in society. We must use the acts of the government itself and the experiences of the people in actual practice to lead the people to an all-round understanding of the accomplishments and trials of reform, increase their understanding of the law-abiding nature of reform, enhance their confidence in overcoming difficulties, revitalize their spirit so that they will actively support the improvement, rectification, and deepening of the reform.

2. At the same time that we develop education on the situation, it is necessary to develop the ideal sort of education in the various industries and trades, disciplinary education, and education on ethics. We need to develop the spirit of serving the people wholeheartedly and struggle to move forward. We should advocate a love for learning and for advancing, cultivate unity and friendliness among people, be honest and polite, be

healthy, engage in cultural activities, make the environment sanitary and beautiful, do things frugally, observe discipline and law, ban feudalism and superstition, change customs and practices, and generally establish a good social atmosphere.

3. We should improve the ability of government organs at various levels to develop themselves. The great majority of the personnel in our government organs at various levels are by far law-abiding, honest, frugal and self-disciplined, but among a certain portion of the personnel the phenomena of corruption definitely exists. This is an important problem which the present government organs at various levels must earnestly solve. They should handle it in a comprehensive manner and show outstanding results. It is absolutely necessary to enforce law and discipline, deal firmly with acts of corruption, bribery, and extortion, and remove the phenomena of various kinds of corruption. We must resolutely ban the trends of living luxuriously and extravagant practices such as the wanton use of public money, sending gifts, giving parties, showing off, and competing with others in spending lavishly. We should pay attention to and firmly develop a system of frugality in politics and a system of handling affairs in the open. The results of the handling of public affairs must be publicized and the public's supervision must be relied upon. The work of the auditing and supervisory departments must be strengthened; a perfect supervisory structure must be installed. Through the deepening of reform, let us reduce and even remove the soil in which corruption breeds. Let us strengthen education on being honest and frugal in political life, improve the quality of cadres in government organs, display the spirit of working hard, working diligently and frugally, be economical, earnestly improve our work style, penetrate to the grassroots level, engage in investigation and research, overcome bureaucraticism, and improve work efficiency.

**We should improve the formulation of legal statutes and build up our national defense reserved strength and maintain social stability and unity.**

The improvement of a legal system and the maintenance of social stability and unity are important guarantees of the improvement of the economy, the rectification of the economic order, and the deepening of reform. We must, based on Guangdong's particular experiences in reform and opening up to the outside world, strengthen our economy, administration, and legal system, and strengthen the work of legal inspections. We should make full use of legal methods and promote the use of law in determining policy, in running our operations, and in our management. On the one hand, we should support and protect legal and management personnel in the legal use of their power; and on the other hand, improve supervision over them, so that they can fully exercise their functions in economic and social affairs.

We should intensify our work in the popularization of law and raise the consciousness of the masses regarding

the observation of law and discipline. This year Guangdong will basically complete the 5-year task of popularizing law. By means of educating people to the widespread use of law, we can develop consciousness for law as well as legal organizations and the legal system. At the same time that we publicize regulations related to the improvement of the economy and rectification of the economic environment, we should make the cadres and the masses develop the concept of law so as to ensure the actual implementation of laws, regulations, the rapid improvement of the economy, and rectification of the economic environment.

Let us strengthen development of our national defense reserve strength, extensively develop national defense education for the militia, further carry out reform of the militia and reserve service system; be in firm control of the work of organizing and training militia, speed up the development of national defense training bases at the county level, and fulfill the year's conscription and militia quotas and the training tasks of the reserve service corps. In short, we should give full play to the important role of the militia and the reserve corps in complementing active military units in defending the coastal regions.

We should determinedly and resolutely deal with all law-breaking and criminal activities and maintain public order. We should continue to deal severe blows on

serious economic crimes and series law-breaking activities, as well as on the activities of smugglers who have cooperation from both inside and outside the province, and on the activities of spies who pose a serious threat to the country's security. We must firmly investigate and ban various kinds of evil social phenomena. We must consolidate and develop the work of the masses on security in urban and rural areas and improve our work at the grassroots level regarding public security. We should strictly enforce public order and administrative control. We should strive to do a good job in traffic control and fire fighting to ensure our economic development.

Dear representatives!

1989 is the 40th anniversary of the founding of the PRC. We should perform our work for this year well since it has an important significance for the fulfillment of the various tasks advocated at the 3d Plenary Session of the 13th CPC Central Committee. Let us be united, firmly insist on the four cardinal principles, and firmly insist on following the general direction of the reform and opening up to the outside world. We should be of one mind and soul, toil hard in the struggle, work in a serious and realistic manner, and use the new successes in reform and construction to welcome the coming of the 40th National Day.

# Statistical Report on 1988 Economic, Social Development

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[Communique on the Statistics for 1988 Economic and Social Development—issued by the Statistical Bureau of Jiangxi Province on 1 March]

[Text] In 1988, the people in our province, under the leadership of the provincial CPC committee and provincial government, insisted on the four cardinal principles and a policy of reform and opening to the outside world. As a result, new achievements were recorded in reforms and construction. The provincial economy continued to progress and economic might was strengthened. Scientific-technological, cultural, educational, public health, and physical educational undertakings recorded new achievements. According to initial calculations, the annual GNP reached 32 billion yuan, an increase of 10.9 percent from 1987.<sup>1</sup> National income came to 25.4 billion yuan, 9.5 percent more than the previous year. The total industrial and agricultural output was 37,506 million yuan, an increase of 14.1 percent over the previous year.<sup>2</sup> Local financial income reached 3,169 million yuan, an increase of 12.3 percent, or 16.8 percent if calculated in terms of comparable items. The major problems in economic development were a sharpening of the contradiction between supply and demand and of the structural contradictions accumulated over the years, an overheated social demand, a hasty price-hike, and an evident inflation. Some initial results were realized in the ongoing drive to implement the policy of improving the economic environment and rectifying economic order after the Third Plenary Session of the 13th CPC Central Committee.

## 1. Agriculture

A relatively good harvest was reaped because we overcame natural disasters. In 1988, although our province suffered from many natural disasters such as cold weather, flooding, droughts, plants diseases, and insect pests, the total agricultural output value reached 11.08 billion yuan, an increase of 2.7 percent over 1987. Of the total agricultural output value, that of forest, animal husbandry, fishery, and sideline products was up 13.2 percent, bringing its proportion in the total agricultural output to 44.8 percent from 40.6 percent in 1987.

Agricultural products decreased because of natural disasters. The total grain output was 15,159,000 metric tons, a decrease of 3 percent from the 1987 figure. There were increases and decreases in economic crops. Tobacco production increased greatly because of an enlarging acreage of tobacco crops. Cotton production decreased dramatically because of natural disasters.

The yield of major agricultural products was as follows:

	1988 (tons)	Increase over 1987 (percent)
Grain	1,515.90	-3.
Cotton	3.25	-45.1
Oil-bearing crops	32.83	-8
of which		
Peanut	13.81	-12.5
Rapeseed	17.48	1.8
Sugarcane	173.58	-9
Jute, ambary hemp	2.09	-25.7
Ramie	1.92	-42.6
Cured tobacco	7,699.00	118.4
Sun-cured tobacco	5,890.00	-0.6
Silkworm cocoons	953.00	27.6
Tea	1.87	8.3
Fruit	14.61	-15.5
of which		
Orange	9.16-2	7.2

More attention was paid to afforestation and to promoting economic results. The acreage of afforestation in the province was 1,300,000 mu last year, an increase of 37.1 percent over that of 1987. Forest administration improved. The output of oil tea camellia, a major product from the forests, was 12.4 metric tons, and a decrease of 11.3 percent from the 1987 figure. The productions of raw lacquer, tung oil tree seeds, walnuts, and Chinese chestnut grew greatly. However, wanton felling of trees is very serious in some places.

The output of animal husbandry increased rapidly. The number of pigs slaughtered and live pigs increased. The number of herbivorous animals increased quickly. The output of meat, poultry, eggs, and milk continued to grow.

The output of major animal by-products and livestock headage were as follows:

	1988 (tons)	Increase over 1987 (percent)
Pork, beef, and mutton	90.5	15.9
Milk	2.3	3
Eggs	15.1	16.8
Pigs slaughtered	1,168.5	9.1
Large animals at year's end	295.5	3.9
Pigs at year's end	1,454.5	4.8
Sheep at year's end	12.9	21.1

Fishery kept expanding. The output of aquatic products was 25.6 tons, up by 13.3 percent over the previous year.

There was an improvement in conditions for agricultural production. By the end of 1988, the aggregate power used by the province's farm machinery reached 6.52



billion watts, a 6.9 percent increase over the previous year. There were 24,000 large and medium-sized tractors, a decrease of 4 percent from the 1987 figure; 84,000 small and hand tractors, a 5 percent rise; 21,000 trucks, a 5 percent rise; and the power used by irrigation and drainage equipment was 1.49 billion watts, up 8 percent. A total of 738,000 tons of hemical fertilizers were applied throughout the year, up 11.1 percent. The electricity consumption in rural areas amounted to 1.34 billion kwh, an increase of 14.5 percent.

Reforms in rural areas continued to increase. The implementation of an all-out battle in agricultural development added vitality to economic progress in rural economy. According to initial calculations, in 1988 the total social output value in rural areas in the province was 27.54 billion yuan, 23.4 percent up over 1987.<sup>3</sup> Of that sum, the nonagricultural output value went up by 29.4 percent, bringing its proportion in the total agricultural output from 35.3 percent in 1987 to 37.1 percent.

## 2. Industry

Industrial production increased steadily. Total industrial output value in 1988 was 26.426 billion yuan, up 19.7 percent over 1987, fulfilling 109.9 percent of the annual plan. If the industries at and below the village level are excluded, the figure would be 22.676 billion yuan, up 16.4 percent. The total industrial output value of state-run industrial enterprises increased by 13.9 percent, collective-run industrial enterprises, 33.3 percent, and industrial enterprises run by other economic sectors, 49.8 percent. Output value of village and town enterprises reached 5.942 billion yuan, a 42.9-percent increase.

Some readjustments were made in the industrial structure, leading to a more coordinated development of light and heavy industries. Those light industries using nonagricultural products as raw materials developed more rapidly, and the production of various kinds of durable expensive consumer goods as well as brandname, special, superior, and new products increased more quickly. In heavy industry, processing industries grew faster than the excavating and the raw materials industries. However, structural contradictions still remain a prominent issue in industrial production.

The output of major industrial products is as follows:

	1988	Increase over 1987 (percent)
Cotton yarn	86,666 metric tons	0.4
Cloth	332.19 million meters	-3.0
Machine-made paper, paper board	256,200 metric tons	2.9
Machine-made sugar	120,500 metric tons	3.4
Alcoholic beverages	298,500 metric tons	13.8
Cigarettes	391,700 boxes	19.1
Bicycles	560,100 units	9.2
Sewing machines	41,000 units	35.8

Wrist watches	830,000 pieces	22.6
Television sets	329,400 units	45.2
of which:		
Color TV sets	107,200 units	27.9
Audio tape recorders	366,600 units	-23.3
Cameras	238,300 units	25.4
Electri fans	557,100 units	-5.3
Crude Coal	20,491,900 metric tons	4.0
Processed crude oil	1,435,500 metric tons	6.4
Electricity generated	11,566 billion kwh	12.5
Steel	1,059,100 metric tons	-0.1
Rolled steel	940,400 metric tons	3.4
Pig iron	349,500 metric tons	1.1
Ten nonferrous metals	86,548 metric tons	26.6
Industrial timber	1,546,800 cubic meters	
Cement	5,030,000 metric tons	13.4
Sulphuric acid	401,900 metric tons	9.3
Caustic soda	51,700 metric tons	-1.7
Agricultural chemical fertilizer (effective com- position)	299,200 metric tons	5.5
AC electric motors	1,142,000 kwh	9.3
Industrial boilers	808 metric tons in evaporative capacity	-5.2
Machine tools	6,875 units	7.0
Automobiles	11,065 units	37.0
Small tractors	23,540 units	20.3

Industrial enterprises further improved their economic results. In 1988 budgeted industrial enterprises recorded 1.871 billion yuan in profits and taxes, topping 1987 by 24 percent, and basically in keeping with the growth of the comparable total output values and sales revenues. In 1988 the turnover period for fixed-amount working funds was shortened to 108 days from 123 days of 1987. Although the rate between sales and profit-taxes dropped to 14.86 percent from 15.52 percent of 1987, the rate between capital and profit-taxes rose to 20.79 percent from 18.48 percent of 1987. Labor productivity of state-run industrial enterprises that implement independent accounting system was 13,564 yuan per person, topping 1987 by 9.7 percent. Energy consumption for each 10,000 yuan (in terms of standard coal) at industrial enterprises at and above the county level dropped to 5.11 metric tons from 5.45 metric tons of 1987, the rate of energy saving being 6.2 percent. However, product costs of comparable products of budgeted state-owned industrial enterprises rose by 17 percent, and the deficits of losing enterprises rose by 3.7 percent.

New achievements were made in reform in industrial enterprises. In 1988, 94.2 percent of the large and medium-sized state-owned enterprises implemented the contract management responsibility system. By the end of 1988, industrial enterprises at and above the county level throughout the province had established 55 joint economic entities with extremely or fairly close cooperative relationship.

### 3. Investment in Fixed Assets and the Building Industry

In 1988 the province's total investment in fixed assets totaled 7,624 million yuan, up 29.7 percent over 1987. After deduction of the price factors, the actual investment increased slightly. Of the total, 3,911 million yuan went to state-owned enterprises, up 21 percent; and 853 million yuan went to collective-run enterprises, up 55.8 percent. Private investment was 2,861 million yuan, up 36.4 percent. Of the province's total investment in fixed assets, local investment projects accounted for 6,444 million yuan, up 34.4 percent over 1987.

Capital construction investment in the units of public ownership was 2,130 million yuan, up 13.5 percent over 1987. Of the total investment, 526 million yuan went to the departments of energy industry, up 6 percent over 1987; 345 million yuan went to the departments of raw and semifinished materials industry, up 15.8 percent; 175 million yuan went to cultural, educational and health departments, up 24.3 percent; 128 million yuan went to transport, posts and telecommunications departments, down 6.3 percent; and 182 million yuan went to agricultural, forestry, and water resources departments, down 1.5 percent. The proportion of investment in basic industries and infrastructure facilities like energy, transport and raw and semifinished industries dropped to 46.9 percent from 49.6 percent of 1987. Grouped according to the purpose of construction, investment in production construction projects accounted for 1,422 million yuan, accounting for 66.8 percent, down from 69.2 percent of 1987; and investment in non-production construction projects was 708 million yuan, accounting for 33.2 percent, up from 30.8 percent. Of the investment in non-production construction projects, 263 million yuan went to housing projects, accounting for 12.3 percent, up from 11.1 percent.

A number of key construction projects were completed and put into operation, among them are the Nanchang Power Plant's 125,000-kw generating set, the Jiusha railway trunk line, the Jiulian special-purpose railway line, the Lianhua Power Plant's 12,000-kw generating set, the Jiujiang-Nanchang optic communications project, the Jiangxi-Guangdong west-line highway.

The province added 1,114 billion yuan in fixed assets in capital construction, down 14 percent from 1987. The major newly added production capacities in capital construction include 137,000 kw of power generating and installed capacity, 180,000 kva of power transforming equipment of 180,000 kva, 546,000 metric tons of cement, 3,500 metric tons of soda ash, 10,000 pieces of cotton yarn spindle, 25,000 metric tons of alcoholic beverages, including 19,000 metric tons of beer, 100,000 metric tons of tap water supply daily, 20,000 boxes of cigarettes, and 100,000 bicycles.

Enterprises hastened the pace of technical transformation. In 1988 state-owned units invested 1,739 million yuan in upgrading equipment and transforming technology, up 31.3 percent over 1987, and accounting for 44.5

percent of the investment in fixed assets by state-owned units, up from 41 percent of 1987. Of the investment in upgrading equipment and technical transformation, 847 million yuan went to the purchase of equipment and tools, up 31.5 percent; 482 million yuan was used for improving product quality, conserving energy and increasing product varieties, up 62.8 percent. The amount used for improving product quality increased by 30.7 percent. In 1988, 892 projects for upgrading equipment and technical transformation were completed and put into operation, newly adding 791 million yuan of investment in fixed assets, down 17.1 percent from 1987.

New progress was made in the building industry. Some 2,335 projects of local state-owned construction enterprises implemented contract responsibility system, and their construction area was 3.509 million square meters, accounting for 95 percent of the overall total. Of these, 508 projects with a construction area of 1.386 million square meters were contracted through bidding, accounting for 37.5 percent of the total construction area. Reform has promoted production. In 1988 total output value and labor productivity of local state-owned construction enterprises were respectively 11.7 percent and 11.3 percent higher than 1987.

New achievements were made in geological surveys. In 1988, 14 major mining bases were discovered or reported new progress. Verified reserves of 10 kinds of minerals increased.

### 4. Transport, Posts and Telecommunications

Transport departments increased reform, made new headway, and constantly enhanced transportation capacity in the drive to step up work. In 1988 communications and transport departments handled 23.921 billion metric ton-kilometers of freight, up 2.1 percent over 1987. Freight handled by rail went up 3.1 percent; highway, up 1.1 percent; and water transport, down 2.4 percent. Total volume of passenger transportation was 15.955 billion person-kilometers, up 7.4 percent over 1987. Passengers transported by rail went up 15.1 percent; highway, down 2.1 percent; water transport, by 1.4 percent; and civil aviation, up 4 percent.

Fairly big development was made in posts and telecommunications. In 1988 the volume of business of posts and telecommunications departments in the province was 110.11 million yuan, up 26.4 percent over 1987. By the end of 1988, Jiangxi boasted 76,400 city telephone subscribers, 12,400 more than 1987. Revenues from posts and telecommunications services reached 134.298 million yuan, 36.1 percent over 1987.

### 5. Domestic Commerce, Supply and Marketing

Domestic commerce was prosperous and vigorous. Thanks to the development of agricultural and industrial production and active arrangement of commodities supply by commercial departments, the circulation domain

was prosperous and vigorous. In 1988, the total purchasing amount of commercial products was 10.91 billion yuan, an increase of 25.3 percent over the previous year. Of the sum, the purchase of industrial products increased 31.8 percent, and that of agricultural and side-line products increased 14.5 percent. The total retail sales volume of social commodities was 16.42 billion yuan, an increase of 30.2 percent over the previous year; when price increases are factored in, the percentage of its real growth was 6.9 percent. Of the total retail sales volume of social commodities, that of consumer commodities was 14 billion yuan, an increase of 28.7 percent, including 29.4 percent and 22.1 percent increases of consumer commodities retail sales to citizens and social collectives respectively. The retail sales of agricultural means of production was 2.42 billion, an increase of 39.2 percent. The retail sales volume of various economic types jumped greatly over the 1987 figure. For example, the retail sales volume of state-owned commercial enterprises was up 29.6 percent; that of co-operatives rose 29.6 percent; that of the enterprises of other collective ownerships went up by 19.4 percent; that of joint ownerships went up by 1.1 percent; and that of individual ownerships went up by 40.6 percent. The retail sales volume of goods that farmers sold to non-agricultural people increased by 33.9 percent. The retail sales volume of various consumer goods increased generally. Increases included food, 31.6 percent over the previous year; clothing, 23.6 percent; and articles of daily use, 27.5 percent.

Retail prices rose sharply in 1988. The general index of retail prices in 1988 increased by 21.8 percent above 1987. Prices of commodities under 73 large, medium, and small categories all went up to a varying degree, according to survey and statistics. In urban areas, prices went up by 24.7 percent, and in the countryside, 19.4 percent. Prices of foodstuffs rose by 28.6 percent; prices of clothes went up by 12.4 percent; articles of everyday use, 13.8 percent; medicine and medical articles, 25.6 percent; fuel, 14.7 percent; and agricultural means of production, 17.4 percent.

The general level of living cost for urban residents in Jiangxi in 1988 went up by 23.7 percent over the previous year. The general index of the purchase prices for agricultural and sideline products rose by 28.6 percent above 1987.

There was an overwhelming demand for means of production. The various means of production sold by the province's material departments valued 3.6 billion yuan, an increase of 55.1 percent over the year before. Rolled steel sold by the material departments was 915,000 metric tons, 14.2 percent over 1987; pig iron, 171,000 metric tons, up 29.2 percent; and cement, 566,000 metric tons, up 8.5 percent.

Because of inflation, commodity prices soared high. The sharp price hike triggered off a few big shopping rushes among residents in 1988. The influence was widespread.

As a result, quite a few commodities became in short supply. However, the fourth season saw the momentum of price hikes weaken.

#### 6. Foreign Trade, Lateral Coordination and Tourism

Import and export trade volume increased by large margins. The 1988 total import and export value amounted to \$598.5 million, a 23.7 percent increase over 1987. Exports totaled \$489.38 million, up 21.7 percent; and imports, \$109.12 million, up 33.4 percent.

Marked results were achieved in using foreign capital and importing technology. The province signed 115 new contracts on using foreign capital totaling \$128.07 million. In 1988 the province actually used foreign capital totaling \$36.92 million, 19.4 percent more than in 1987. As of the end of 1988, 33 enterprises partially or wholly owned by foreign investors had been established and opened in Jiangxi.

Further progress was made in lateral economic and technical cooperation. During the year a total of 4,706 economic and technical cooperation contracts were signed. Of these, 2,470 were cooperation projects with other provinces, and 2,236 were within the province. The province used 467.54 million yuan in outside capital, of which 262.01 million yuan was from interprovincial cooperation. Materials imported into and exported from the province totaled 3,873 million yuan. Some 12,667 skilled personnel were attracted to Jiangxi from outside the province.

The tourist industry developed quickly. In 1988 the province received 26514 tourists and other visitors who came for various exchange activities from foreign countries, Hong Kong, Macao, and Taiwan, 69.5 percent more than in 1987. Foreign exchange earned from tourism during the year amounted to 10.22 million yuan (foreign exchange certificates), up 28.9 percent over 1987.

#### 7. Science, Technology, Education, and Culture

New progress was achieved in science and technology. Prizes were given to 69 scientific and technological research results for achievements in technological advances. Of these, 12 won the first grade awards; 10 the second grade; and 58 the third grade. Four inventions and discoveries won state prizes. Patent work scored marked results in 1988. According to incomplete statistics, during the year 401 patent applications were examined, and 140 were approved. Further efforts were made to popularize technical advances and applied technologies with a view to promoting economic construction. The province had 475 technical service organizations, which signed a total of 2,264 contracts worth 45,668,000 yuan during the year. Eighty-five "Spark Program" projects were completed, providing training to 100,000 rural technical personnel. A number of social sciences projects were completed and part of their findings were

already adopted by departments concerned, producing fine social benefit [she hui xiao yi 4357 2585 2400 2654] and economic benefit. The meteorological departments made relatively accurate and timely forecast on weather, improving the social and economic benefits and meteorological services.

The ranks of scientists and technicians continued to expand. In 1988, 494,000 science professionals were employed in state-owned units. Of these, 257,000 were in natural sciences, an increase of 21,000 persons over the previous year; and 237,000 were in social sciences, an increase of 51,000 persons. By the end of 1988, there were 129 independent research and development institutions owned by state-owned units at and above the county level with 17,000 workers and staff.

Education was further developed. In 1988, the province enrolled 230 new postgraduates. There were 618 postgraduates in study, and 173 postgraduates completed their degrees. Ordinary institutions of higher learning admitted 18,928 new students, an increase up 2,690 students over the previous year. There were 52,152 students studying in such institutions, showing a slight increase over the preceding year. A total of 18,593 students graduated from institutions of higher learning, 5,140 more than the preceding year.

Vocational secondary schools were further developed. There were 165,000 students studying in various vocational and technical senior middle schools (including 25,000 students in skilled worker schools), accounting for 37.8 percent of the total enrollment of senior middle schools, which stood at 436,000.

Adult education was further developed. There were 23,000 students in adult colleges and universities and another 23,000 students in adult vocational secondary schools. During the year 102,000 self-taught students took part in college equivalence examinations; 55,000 received certificates for single subjects and 6,364 received college diplomas.

Further progress was made in popularizing 9-year compulsory education and preschool education. Throughout the province, there were 1,504,000 students studying in junior-middle schools and 5,082,000 students in primary schools. Among school-age children, the percentage of those actually attending schools rose to 97.2 percent. There were 328,000 children in kindergartens.

Cultural undertakings played an important role in promoting the socialist spiritual civilization. Over the province, there were 5,252 movie-projection units of one kind or another, 99 art troupes, 114 cultural halls, 105 public libraries, and 81 museums. In addition, the province had 7 broadcasting stations and 17 radio transmitting and relay stations which were capable of reaching to 62.3 percent of the population. There were also 10

television stations and 297 television transmitters and relay stations capable of reaching to 81.9 percent of the population. New progress was also made in newspaper and book publishing.

## 8. Public Health and Sports

Medical and public health conditions were further improved. In 1988 the province had 111,765 technical personnel doing various kinds of public health work, exceeding the preceding year's figure by 3,700. Among them, there were 49,000 medical doctors, an increase of 5.8 percent, and 25,000 nurses, an increase of 12.7 percent. Hospital beds numbered 80,342, an increase of 1,038.

New achievements were made in developing sports. The athletes of our province won 35 golds, 38 silvers, and 27 bronzes in major international and domestic contests. Of these, 16 golds, 9 silvers, and 6 bronzes were won in international contests. Meanwhile, mass sports were further developed. In 1988, 2,296 sports meets at or above the county level were held in the province with 662,000 people taking part in them.

## 9. Living Standards

The monetary income earned by residents continued to increase. According to sample surveys conducted in urban and rural areas, the per capita income for living expenses reached 864.61 yuan, up by 18.7 percent compared with the preceding year. Because of the relatively big price hike, the gap between the incomes of different families was somewhat enlarged, and the actual income of some residents showed a decline. Sample surveys in rural areas showed that the annual per-capita net income of peasant households in the province reached 488.16 yuan. This was 58.87 yuan more than the figure for the preceding year, or an increase of 13.7 percent. After deducting the consumer price hike, the actual increase was 4.2 percent.

In 1988, 160,000 people were provided employment. By the end of the year, there were 3,792,000 staff members and workers in the province, exceeding the number at the preceding year's end by 139,000. The annual wages for these staff members and workers totaled 5.33 billion yuan, a rise of 23.5 percent above the preceding year. There were 282,000 contracted staff members and workers in state-owned units, up by 34,000 compared with the number at the preceding yearend. Urban self-employed workers numbered 188,000, an increase of 51,000.

Savings deposits of both urban and rural residents showed an increase. By the end of the year, their savings deposits amounted to 8,114 million yuan. This was 1,646 million yuan more than that at the preceding year-end, or an increase of 25.4 percent.

Housing conditions also improved in both urban and rural areas. In the province, 4,095,000 square meters of new houses were built. According to estimates based on sample surveys, 35.8 million square meters of new houses were built in rural areas. By the end of the year, the housing space for each peasant averaged 19.3 square meters, a 4.7 percent increase compared with the preceding year.

Social welfare undertakings developed further. In 1988, the province had 93 welfare units, caring for as many as 30,000 people.

The social insurance business also showed rapid development. By the end of 1988, the total amount of various kinds of property insurance was 39.67 billion yuan, up by 29.2 percent compared with the preceding year. A total of 219,800 families had property insurance, and 6.71 million people had life insurance. Receipts from premiums on domestic property insurance for the year totaled 209 million yuan, an increase of 35.9 percent over the preceding year. Domestic property insurance dealt with 107,700 compensation claims, and the total amount of indemnity paid was 77.73 million yuan. This played a due role in helping the enterprises, families, and individuals concerned to promptly resume their production work or meet their daily needs.

## 10. Population

According to sample surveys of the changes in population in the province, the 1988 birth rate was 19.79 per thousand, and the mortality rate 5.8 per thousand. The natural growth rate was 13.99 per thousand. By the end of the year, the total population in the province was 36.09 million.

### Footnotes

1. The GNP and national income listed here are calculated in terms of the prices of the same year, and the rate of growth over the previous year is calculated in accordance with comparable prices. The GNP refers to the increased value in material and nonmaterial producing sectors. The value of products and labor services consumed by intermediate units are not included.
2. Figures for total industrial and agricultural output are calculated in terms of 1980 constant prices. The total industrial output value includes industrial output at and below the village level.
3. Total social output value in rural areas is calculated according to the current prices and the increasing rate, according to the comparable prices. It includes the total output value of agriculture and of collectively and privately owned rural industries, building industry, transport service, and commerce.

# Statistical Report on 1988 Economic, Social Development

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["Communique on Sichuan's Economic and Social Development in 1988" issued by the provincial statistics bureau on 18 March—Note: Figures listed in the communique, including the GNP, national income, and gross output value of various items are based on 1988 prices, and growth from the previous year is based on comparable prices]

[Text] The year 1988 witnessed Sichuan Province enjoying a continuous growth in its national economy, an expansion in foreign economic ties, and new progress in all social undertakings, including education, science, technology, culture, and public health, with economic construction as the key, and reform commanding the whole situation. The province has also scored some results in improving the economic environment, and rectifying the economic order, which began in the fourth quarter of the year. The province's 1988 GNP (note: the GNP refers to the increased value of both material and nonmaterial production departments and net income from other provinces, excluding products consumed in the process of production, and labor service value) was 89.5 billion yuan, an 11 percent increase over the previous year. The province's national income was 77.1 billion yuan, up 10.8 percent. The province's gross industrial and agricultural output value was 143.2 billion yuan, but 104.74 billion yuan, calculated at the 1980 constant prices, a 14.3 percent increase. They all exceeded the planned growth rates. The major problems in the province's national economic development were: Total demand of society outstripping total supply, price rocketing, marked inflation, confusion in the economic order, especially the circulation order, a downturn in the output of major farm produce, grave shortage in energy and funds, and continuous strain in communication and transport. These problems should be earnestly resolved in improvement, rectification, and reform from now on.

## I. Agriculture

In 1988, Sichuan did its best to increase agricultural input, enthusiastically did a good job in supplying agricultural production materials, spreading and applying agricultural science and technology, and worked hard to fight against natural disasters and to provide disaster relief. Such efforts greatly reduced losses resulting from various natural disasters that happened successively. As a result, agricultural output value increased somewhat. The province's gross agricultural output value was 47.6 billion yuan (29.78 billion yuan calculated at constant prices of 1980), a 2.7 percent increase over 1987. The 1988 output value of farming dropped 1.4 percent, output of forestry dropped 2.2 percent, output of animal husbandry went up 10.7 percent, output of sideline produce rose 8.7 percent, and output of fishery increased by 15.9 percent.

Output went up in such major farm products as cured tobacco, silkworm cocoons, and tea, but dropped in grain, cotton, edible oil, sugarcane, and fruits. The downturn in the output of grain and cotton in particular aggravated the supply-demand contradiction in farm products.

The output of major farm products was as follows:

	1988	Increase Over 1987 (Percentage)
Grain	38.783 million tons	-1.1
Cotton	88,000 tons	-13.7
Oil-bearing crops	1.459 million tons	-9.7
of which:		
Rapeseed	1.184 million tons	-11.3
Sugarcane	2.335 million tons	-2.9
Jute, ambary hemp	128,000 tons	-3.00
Cured Tobacco	87,000 tons	67.3
Tea	56,000 tons	3.7
Silkworm cocoons	128,000 tons	13.3
Fruits	828,000 tons	-20.9
Fruits	828,000 tons	-20.9

Output of major forestry products went up by various degrees. The annual output of bancoul nuts was 134,000 tons, and raw lacquer 540 tons, up by 22.9 percent and 2.5 percent respectively from 1987. The output of sasanqua seed and walnut increased somewhat. The area of afforestation was 376,000 hectares, and the 1987 level was basically maintained.

The province adopted the policy of stabilizing animal husbandry and cattle output, while lifting restrictions on purchasing and marketing prices for pork. This promoted the development of animal husbandry and pig-raising especially. The number of hogs slaughtered increased by a large margin for 10 consecutive years. The number of large animals, pigs, sheep, and goats at yearend continued to grow. The output of meat, milk, eggs, and poultry kept growing. The output of major animal by-products and head of livestock were as follows:

	1988	Increase Over 1987 (Percentage)
Pork, beef and mutton products	3.771 million tons	12.2
Among which:		
Pork	3.679 million tons	12.2
Milk	250,000 tons	2.5
Sheep wool	2,487 tons	-2.6
Hogs slaughtered	56,898,000 head	11.3
Large animal at yearend	10,416,000 head	1.5
Among which:		
Cattle	9.845 million head	1.2
Pigs at yearend	63,817,000 head	2.9
Sheep and goats at yearend	9.109 million head	2.9

Fishery production made great progress. The annual output of aquatic products reached 202,000 tons, a 17.4 percent increase over the previous year; breeding area expanded to 2.623 million mu from 2.576 mu in 1987.

Conditions for agricultural production improved somewhat. The province's aggregate power capacity of farm machines reached 11.66 billion kw at yearend 1988, a 7.2 percent increase over 1987. Of the aggregate power capacity, irrigation and drainage equipment accounted for 2.73 billion kw, a 1.9 percent increase; the number of small capacity and walking tractors was 180,000, up by 6.5 percent; and the number of trucks was 40,000, up by 11.8 percent. The total consumption of electricity in rural areas was 3.5 billion kwh, up by 6.7 percent. 1.498 million tons of chemical fertilizers (in purified form) were applied during the year, a 1.2 percent increase over the previous year. A new situation has surfaced in the building of farmland and irrigation networks since last winter, with great numbers of people participating in the projects, and better quality than ever. However, the number of farm cattle continued to drop.

The rural economy continued to develop. The gross output value of society reached 78.8 billion yuan, a 13.5 percent increase over the previous year. The gross output value of industry, the building industry, transportation and commerce increased by 30 percent, and their proportion in the gross output value of society rose to 39.6 percent from 37.1 percent of the previous year.

## II. Industry

Sichuan's industrial production continued to grow, with its economic results markedly improved. The province's gross industrial output value was 95.6 billion yuan (74.96 billion yuan calculated at constant prices of 1980), a 19.5 percent over the previous year. In the 1988 light industrial gross output value, industry of ownership by the whole people increased by 15.3 percent; industry of collective ownership, 24 percent; individual industry, 43.7 percent; and industry of joint ventures with Chinese and foreign investments, 52.9 percent.

The 1988 light industrial gross output value was 45.65 billion yuan, a 19.5 percent increase over the previous year. 1988 saw a slowdown in the growth of some major light industrial and textile products and manufactured goods for daily use, while the output of such high- and medium- grade durable consumer goods as television sets, household washing machines, and household refrigerators jumped considerably. The 1988 heavy industrial output value was 49.95 billion yuan, a 19.5 percent increase over the previous year. The growth of energy resources and raw materials industries was lower than that of the processing industry. Structural contradictions inside industry enlarged. The output of major industrial products was as follows:

	1988	Increase over 1987 (percentage)
Chemical fibers	27,700 tons	17.9
Cotton yarn	169,000 tons	-1.1
Cloth	890 million meters	7.7
Silk	13,500 tons	2.3
Silk fabrics	97.086 million meters	7.9
Woolen fabrics	3.3668 million meters	11.1
Machine-made paper and paper board	767,800 tons	8.5
Sugar	154,100 tons	-4.4
Raw salt	2.0097 million tons	8.8
Cigarettes	1.6795 cartons	9.7
Television sets	14,618	36.6
of which:		
Color Television sets	849,800	59.8
Household washing machines	634,100	24.8
Household refrigerators	559,600	80.4
Energy resources (calculated in standard coal)	60.706 million tons	7.9
Raw coal	67.0717 million tons	9.4
Natural gas	6.034 billion cubic meters	0.8
Electricity	29.761 kwh	13.2
of which:		
Hydro-electricity	13.2 billion kwh	13.8
Steel	4.492 million tons	4.5
Rolled steel or steel products	3.3676 million tons	8.3
Cement	14.0486 million tons	13.1
Timber	3.6277 million cubic meters	-15.1
Sulphuric acid	960,000 tons	9.5
Soda ash	220,000 tons	20.1
Caustic Soda	206,700 tons	17.4
Chemical Fertilizers (in purified form)	1.5971 million tons	4.5
of which:		
Nitrogenous fertilizer,	1.1514 million tons	2.5
Chemical insecticides	5,400 tons	31.7
Metal-cutting machine tool	8,815	4.
Motor vehicles	27,800	75.4
Small-type tractors	25,500	-17.4

Sichuan's 1988 per capita labor productivity of industrial enterprises with ownership by the whole people was 14,662 yuan/person, a 12.6 percent increase over the previous year. The province scored some results in economizing energy resources, with per 10,000 yuan in the gross industrial output value consuming an average 6.11 ton of standard coal, a 7.3 percent drop from the previous year, saving energy in terms of 2.74 million tons of standard coal. State-run industrial enterprises inside local budget realized taxable profits in terms of 5.49 billion yuan in 1988, of which 2.994 billion yuan of

taxes and profits was handed over to the state, increasing by 41.5 percent and 24.2 percent respectively. The number of enterprises suffering from deficits dropped by 4.6 percentage points, with the volume of deficits dropping by 10 percent over the previous years. However, industrial production cost of comparable products rose by 15.9 percent.

New progress was made in industrial enterprise reform. The contracted responsibility system continued to spread in industrial enterprises, with rather good results. Experiments on "reform ahead of schedule" were conducted in 10 large and medium-type enterprises. The system of total payroll linking to economic results was realized in 491 enterprises. Contracted responsibility, lease, merger, and horizontal combination between enterprises further developed, and the experiment on the joint-stock system has already begun. However, short-term behavior of contracted operation was rather conspicuous.

### III. Investments in Fixed Assets and the Building Industry

The province scored initial results in reducing investment scope and readjusting the investment structure in 1988. Sichuan put an investment of 14.68 billion yuan in fixed assets for units of ownership by the whole people, a 14.2 percent increase over the previous year, far lower than the 22.4 percent growth in 1987. An investment of 7.22 billion yuan was put into capital construction, up 10.7 percent increase; investments in renovation and transformation projects reached 6.19 billion yuan, up 24.3 percent; and investments in other fixed assets came to 1.27 billion yuan, a 6.3 percent drop from the previous year.

The number of capital construction projects was cut back somewhat, with large- and medium-type backbone projects satisfactorily completed and put into production. 6,574 capital construction projects were under way in 1988, with a cut of 628 from the previous year. 2,447 projects broke ground in 1988, with a cutback of 1,494 from the previous year. Through screening and reducing projects under construction, Sichuan halted or postponed the construction of 658 projects, involving an investment of 1.05 billion yuan. 140 projects as such fell into the category of luxurious buildings, involving an investment of 400 million yuan. An investment of 2.13 billion yuan was put into 49 large and medium-type projects in the plan, accounting for 98.1 percent in the annual plan. Neijiang Baima Power Plant, Chongqing Sanhuiba No. 2 Coal Pit, and Furonggong No. 1 Coal Pit were all put into production in 1988 as scheduled.

The investment structure underwent some changes, with building of energy resources strengthened. In capital construction investments, 4.65 billion yuan was put into production projects in 1988, up 20.1 percent, and its proportion in the investment volume rose to 64.4 percent from 59.4 percent of 1987. An investment of 2.57

billion yuan was put into non-production projects, cutting back by 2.9 percent, with a corresponding drop of its proportion in the investment volume. There was also a drop in the investment in resident houses compared with 1987. Regarding the different departments in the investment structure, 1.78 billion yuan was put into the investment of energy resources, a 35.6 percent increase over the previous year, with its proportion in the investment volume rising to 24.7 percent from 20.2 percent of the previous year. In this category, an investment of 1.32 billion yuan was put into power industry, a 47.6 percent increase over the previous year; an investment of 280 million yuan was put into coal industry, a 12.8 percent increase; and an investment of 180 million yuan was put into oil and natural gas industry, up 6.4 percent. An investment of 1.1 billion yuan was put into raw materials industrial departments, a 10.8 percent increase over the previous year. An investment of 232 million yuan was put into agricultural, forestry, water conservancy, and meteorological departments, a 6.5 percent increase. An investment of 24 million yuan was put into science and technological research institutes, up 29.9 percent. And an investment of 1.08 billion yuan was put into cultural, educational, public health, social welfare departments, a 33.2 percent increase over 1987. However, only the same level of investment as 1987 was put into departments of transportation, posts, and telecommunications in 1988.

The province's newly acquired production capacities and effects through capital construction were: a capacity of excavating 1.5 million tons of coal, a capacity of 30 million cubic meters of natural gas to form a whole range, an installed capacity of power in terms of 351,000 kw, a capacity of felling and conveying 45,000 cubic meters of timber, a capacity of producing 40,000 tons of soda ashes, a capacity of manufacturing 1,157 trucks, a capacity of turning out 550 locomotives, newly-built highways with a total length of 474 km, and another 254 km of highways reconstructed, an area of 170,000 mu under efficient irrigation, 417,000 new seats for schools of various categories, and an additional 4,657 hospital beds.

New progress was made in existing enterprises through renovation and transformation. Of the 6,551 renovation and transformation projects under way in the province in 1988, 3,559 were completed and put into production, with an investment of 4 billion yuan put into additional fixed assets, while increased were the production capacities of such major products as sulphuric acid, caustic soda, synthetic ammonia, chemical fertilizers, cement, machine-made paper and paper board, household refrigerators, and cigarettes. In investments in renovation and transformation, the investment put into economizing the consumption of energy resources increased by 39.7 percent over 1987, the investment put into increasing the output of products increased by 49.3 percent, and the investment put into improving product quality increased by 18.7 percent. This has played an important role in pushing forward technological progress in existing enterprises. Managerial structural reform of building and



installation enterprises continued to develop in depth. 65.3 percent of the province's building and installation enterprises implemented the system under which contracts may also be signed to fix the amount of wage for every 100 yuan's worth of finished work. The system of contracted responsibility was implemented in 87.6 percent of the 9,123 projects under construction in various forms, including inviting bids for contracts, and budgetary estimate in contracts. The province put an investment of 4.83 billion yuan into building and installation enterprises of ownership by the whole people, a 20.1 percent increase over the previous year, the per capita productivity calculated in gross output value was 10,814 yuan, a 17 percent increase over the previous year.

#### IV. Transportation, Posts and Telecommunications

Under the great strain in transportation capacity, the province's communication and transportation departments actively tapped potential to increase the volume of transportation. The volume of work handled by various transportation means was as follows:

	1988	Increase over 1987 (percentage)
Volume of cargo handled	47.723 billion ton-kilometer	5.5
Of which:		
Railway handled	35.146 billion ton-kilometer	4.6
Truck handled	2.656 billion ton-kilometer	-0.4
Ships and boats handled	9.876 billion ton-kilometer	10.9
Planes handled	45 million ton-kilometer	-8.8
Volume of Passenger transportation	36.67 billion person-kilometer	6.1
of which:		
Railway	14.209 billion person-kilometer	10.2
Road passenger transportation	17.607 billion person-kilometer	4.00
Waterway passenger transportation	3,095 billion person-kilometer	12.3
Air passenger transportation	1,759 billion person-kilometer	-11.3

(Note: In the categories of road and water transportation, the volume of cargo handled and volume of passenger transportation does not include the volume of transportation handled by non-communication and transportation departments.)

The province's waterway transportation continued to develop in 1988. The volume of cargo handled by local communications and transportation departments by ships and boats out of the province along the Chang

Jiang was 2.411 million tons, and the volume of goods in circulation was 3.72 billion km, increasing by 16.5 percent and 17 percent respectively over the previous year.

The operational volume of posts and telecommunications in the province continued to grow in 1988. Transactions throughout the province last year amounted to 240 million yuan, a 19.3 percent increase over the previous year. The number of letters handled went up 9.1 percent; newspapers and magazines distributed dropped 16.1 percent; long-distance telephone calls grew by 17.5 percent; the number of telegrams rose by 25 percent. The yearend number of telephone subscribers in urban areas totaled 151,000, a 17.3 percent increase over 1987.

#### V. Domestic Trade and Supply and Marketing of Materials

Urban and rural markets thrived provincewide in 1988. The province's 1988 retail sales reached 47.75 billion yuan, rose 28.4 percent from the previous year, and 7 percent if price increases are factored in. Of total retail sales, the volume of consumer goods was 41.74 billion yuan, a 28.4 percent increase over 1987. Of the volume of consumer goods, purchases by institutions accounted for 3.86 billion yuan, a 27.9 percent increase over 1987. The retail sales of agricultural production materials accounted for 6.01 billion yuan, a 27.9 percent increase over the previous year. Retail sales in various categories of the economy universally increased in 1988, with the sector of individual commercial households growing the fastest. The 1988 retail sales of commercial enterprises of ownership by the whole people reached 16.24 billion yuan, a 28.5 percent over 1987, accounting for 34 percent of the entire retail sales of the society, which was on a par with the 1987 level. Retail sales of supply and marketing cooperatives reached 8.26 million yuan, a 25.7 percent increase over 1987, while the proportion in the entire retail sales dropped from 17.7 percent in 1987 to 17.3 percent in 1988. Retail sales of other collective ownership reached 9.55 billion yuan, a 22.9 percent increase, while the proportion in the entire retail sales dropped from 20.9 percent in 1987 to 20 percent in 1988. Retail sales of joint ventures reached 50 million yuan, a 446 percent increase over the previous year, with the proportion in the entire retail sales growing from 0.1 percent in 1987 to 0.2 percent in 1988. Retail sales of individual households reached 9.54 billion yuan, a 33.7 percent increase, with the proportion in the entire retail sales rose from 19.2 percent in 1987 to 20 percent in 1988. Retail sales of peasants to nonpeasants reached 4.11 billion yuan, a 34.1 percent increase over 1987, with the proportion in the entire retail sales growing from 8.2 percent in the previous year to 8.6 percent in 1988.

Retail sales of all kinds of consumer goods grew without exception. Retail sales of food increased by 36.1 percent, garments 21.7 percent, and articles of daily use 22.1 percent. The increase was 9.3 percent, 7.9 percent, and

4.7 percent respectively, if price increases are factored in. With inflation and panic purchase on several occasions, retail sales of such commodities as grain, salt, television sets, and household refrigerators soared extraordinarily.

1988 saw a continuous increase in the volume of commodities purchased by commercial departments. The net volume of commodity purchase in the province's commerce reached 39.02 billion yuan, a 29.6 percent over the previous year. The purchase of farm products increased by 23.3 percent, and industrial products 32.6 percent. The transfer of 13.84 billion yuan worth of commodities from other provinces under the conditions of tight money and difficulties in transportation played an important role in stabilizing the market.

The province's urban and rural fair trade thrived in 1988. The annual transaction reached 12.81 billion yuan, a 33 percent increase over the previous year. The number of fair trade sites increased from 6,920 in 1987 to 7,045 in 1988.

The economic results of commerce improved. In 1988, the province's eight major state-run and collective commercial departments, including the supply and marketing and grain systems realized profits and taxes in terms of 1.748 billion yuan, a 48.9 percent increase over the previous year, with a volume of 1.534 billion yuan of profits and taxes handed over to the state, a 28.3 percent increase over the previous year. The profit and tax rates against capital rose by 23.3 percent from 1987. Labor productivity rose by 15 percent or so, with period of time involved in capital circulation basically maintained at the 1987 level.

New accomplishments were scored in commercial structural reform. 5,508 state-run and cooperative commercial enterprises implemented contracted responsibility with management province-wide, and 960 medium- and small-type enterprises were in lease, with 7 enterprises being engaged in auction. Consequently, commercial enterprises were invigorated in their operation.

Retail prices rose excessively. 1988 retail price index went up 20 percent from 1987, which was 23.7 percent in urban areas, and 18.7 percent in rural areas. Food prices went up 24.5 percent, of which grain went up 12.8 percent; meat, poultry, and eggs, 36.9 percent; vegetables, 33.1 percent; fruits, 30.6 percent; garments, 12.8 percent; articles of daily use, 12.8 percent; medicines and medicinal apparatus, 30.6 percent; fuels, 15.6 percent, and agricultural production materials, 20.5 percent.

The 1988 general index of cost of living for workers and staff rose by 22.9 percent over 1987.

Demand in production materials was excessively great, with a rather wide price-hike range. The province's 1988 gross value of production materials of various categories marketed by goods and materials system reached 8.835

billion yuan, a 56.1 percent increase over the previous year. Marketed were 2.26 million tons of steel products, increasing by 18.5 percent, 1.71 million tons of cement, a 8.5 percent increase, 260,000 cubic meters of timber, a 13.2 percent increase, and 730,000 tons of coal, a 17.7 percent increase over the previous year. The volume of production materials marketed by various production enterprises on their own also grew quickly. In 1988, enterprises marketed 1.32 million tons of steel products on their own, a 41.4 percent increase, 6.71 million tons of cement, a 24.7 percent increase, and 11.17 million tons of raw coal, a 33.3 percent increase over the previous year.

## VI. Foreign Trade, Economic and Technological Cooperation, and Tourism

Sichuan's import and export continued to expand in 1988 as a result of active development in foreign trade, and the spread of structural reform by taking contracted responsibility with foreign trade at city and prefectural levels as the key. The annual volume of import and export was \$1.117 billion, a 14.5 percent increase over the previous year; export volume was \$863 million, an 18.2 percent increase, and import volume was \$254 million, a 3.7 percent increase.

The annual revenues in foreign exchange of non-trade departments amounted to \$19.96 million, up 12 percent; and expenditures totalled \$570,000, up 9 percent.

A volume of \$230 million of foreign capital was utilized in 1988, a 27.1 percent increase over the previous year. The number of joint ventures with Chinese and foreign investments and cooperative enterprises was 73 at yearend, increasing by 34 in number over the previous year.

The province signed contracts on projects and labor services overseas that involved \$109 million, a 7.6 percent cut from the previous year, with an income of \$87 million derived from operation, up by 16 percent from the previous year.

Sichuan further developed interprovince combination and cooperation, and initialled accords on 3,200 projects of economic and technological cooperation with other provinces. Operation in this category involved 2.5 billion yuan worth of goods and materials coming in or out of the province, and the province imported 200 million yuan of funds from other provinces.

The province received some 70,800 tourists, visitors or personalities on business in various fields from abroad, including Hong Kong, Macao, and Taiwan, a 4.8 percent shrink from the previous year. Revenues derived from tourism reached 110 million yuan in foreign exchange, a 31.4 percent increase over the previous year. Compared with 1987, the number of domestic tourists visiting key scenic spots in the province dropped by 670,000, with a 3 percent drop in the income derived from this category.

## VII. Science, Technology, Education, and Culture

The province further unfolded structural reform in science and technology. The role of science and technology strengthened in economic and social development. The province's researchers in natural sciences scored results in 964 important projects. 53 projects were awarded with prizes at national level, of which, 4 were awarded with national prizes for invention, 43 were awarded with prizes for progress in science and technology, and 6 were awarded with "prairie fire prizes." 298 projects were awarded with prizes at provincial level. The D Excellent "63" hybrid rice in new combination that won first-grade national prize for invention and provincial special prize, and the successful breeding of Luhong No.1 early rice that won the first-grade provincial prize will play an important role in increasing the grain output in South China's rice-growing areas. "The optimization of the parameter system in the technique for vanadium extraction—completion and perfection of the technique for vanadium extraction," a research paper by one of the province's iron and steel work is up to world advanced level. The province completed 91.6 percent of its key projects in scientific research. 414 projects in the "prairie fire plan" were implemented in 1988, which would bring about an additional 110 million yuan in output value. Some 25,000 contracts were signed in the technological market, involving a sum of 340 million yuan in transaction. Mass activities in science and technology developed on an extensive scale, and the activities in spreading science thrived. There were 4,107 occasions of activities in academic exchange at provincial and city levels, involving 430,500 participants. 28,500 academic papers were submitted for discussion. Popular science association were set up in 69.6 percent of the province's towns and townships. 125 research topics in soft science were approved of in 1988. The provincial government commended the results of 199 research items in social sciences.

Progress was made in the area of patents. The province approved patent rights to 531 inventions, a 32.1 percent increase over the previous year.

Education developed in the course of reform. The number of postgraduates on campus was 6,811 in 1988, with 2,476 receiving their diplomas. 43,600 students were enrolled in institutes of tertiary education, a 6.9 percent increase over the previous year. The number of fresh college graduates was 35,900, up by 8.5 percent from 1987. The number of students on campus was 140,800, a 5.2 percent increase over the previous year. Colleges of adult education of various categories enrolled 34,800 students, and the number of students on campus was 75,500. A total of 187,700 sat for qualification examinations through self-study, with 7,300 qualified for college graduates with certificates, an equal to 20.3 percent of the number of graduates from ordinary institutes of tertiary education. New changes took place in the province's intermediate educational structure in 1988. The number of students in intermediate vocational schools of

various categories was 409,100, a 7.9 percent increase over the previous year, an equal to 77.5 percent of the 528,000 students in ordinary high schools. The number of students in intermediate schools for adults was 246,000. The number of students in technical training schools was 1.1178 million.

The number of pupils in junior middle schools was 3.4627 million, a 1.1 percent cut from 1987. The number of pupils in primary schools was 11.1478 million, down 1.5 percent. The at school rate of school age children was 95.4 percent. A survey showed that 95 counties were up to the standards for compulsory primary school education. The number of children in kindergartens was 1.292 million; the number of pupils in schools for the blind, deaf and mute, and mentally deficient was 1,562, basically maintaining the 1987 level.

Satisfactory results were scored in schools run by society. The number of pupils in private high schools was 24,900 province-wide in 1988, a 53.2 percent increase over the previous year. The number of primary school pupils in this category was 9,700, basically maintaining the 1987 level.

Cultural undertakings thrived. Nine feature movies were made, 202 movies in various categories circulated, 40 radio plays along with 80 teleplays were produced in 1988. The province had 11 cabled radio broadcasting stations, which boasted 16 programs, and had 14 television broadcasting stations, boasting 15 programs. The province has built 450 television ground reception stations, with the audience coverage rate rising from 62.7 percent in 1987 to 65 percent in 1988. The province had 14,200 movie houses or units projecting movies in various categories. There were 165 troupes of artistic performance, 208 cultural centers, 132 public libraries, 38 museums, and 267 archives. The province published 1.477 billion copies of local newspapers, up 2.17 percent; 6.658 million copies of magazines of various descriptions, with a slight cut; and 3,876 books in various categories, a 34.07 percent increase.

## VIII. Public Health and Sports

Public health undertakings continued to develop, with further improvement in medical conditions. The province boasted 205,900 hospital beds, up 3.2 percent, and 137,300 professional health workers, up 6.2 percent. The number of nurses was 50,600, up 9.6 percent. Certain results were scored in preventing, and keeping major infectious and chronic diseases under control, with the incidence of infectious diseases somewhat lowered. However, the shortage of medicare and medicine continued, with the absence of medical centers in one-fifth of the villages.

Sports made new breakthroughs. The province's athletes won four gold medals, three silvers, and five bronzes in world events, national contests, and 46 golds, 37 silvers, and 38 bronzes in 1988 national events. The athletes also broke one Asian record and eight national records.

A total of 4,320 sportsmeets were held at and above county levels, with the participation of 1.0474 million athletes/occasions. 4.2777 million people were up to the "National Criteria for Physical Training," increasing by 48,000.

### IX. Living Standards

According to a sampling survey of 2,100 urban households in 20 cities and counties, the per capita annual income of the urban populace was 1,036.69 yuan, a 167.46 yuan and 19.3 percent increase over the previous year. With deduction of price rises factor in the cost of living, a 3 percent shrinkage was seen in the actual income (excluding income in kind issued by the units in which they worked) of workers and staff. The per capita cost of living was 1,100.94 yuan, a 211.53 yuan and 23.8 percent increase. This also reflected the universal phenomenon by which saving deposits were withdrawn for panic purchase. The consumption structure underwent some changes, the proportion of food in expenditures dropped from 52.9 percent in 1987 to 51.1 percent in 1988, the proportion of clothing rose to 13.7 percent from 12.8 percent in 1987, the proportion of articles of daily use rose from 23.4 percent in 1987 to 25.2 percent, fuel rose from 1 percent to 1.1 percent, and other non-commodity expenditures dropped from 9.9 percent to 8.9 percent. Based on the sampling survey of 5,500 rural households in 55 counties, the 1988 per capita net income was 448.85 yuan (income derived from price rise factor for farm products included,) a 79.39 yuan and 21.5 percent increase over the past year, with the price rises factor of consumer goods calculated, the actual increase was 10.1 percent. In the per capita net income of the peasants, net income derived from production was 406.51 yuan, up 21.7 percent. Because of the differences in income levels, 5.4 percent of peasant households had a per capita net income less than 200 yuan. Things could be very difficult for them to subsist.

Every 100 urban households owned 99.3 television sets, of which 46.2 were color television sets, 28.7 household refrigerators, 73.8 household laundry machines, 60 radio-cassette recorders, and 18.5 cameras at yearend of 1988. Every 100 rural households owned 25.6 television sets, 2 laundry machines, 8.5 radio-cassette recorders, 0.04 refrigerators, 41.8 bicycles, 17.4 sewing machines, and 157.3 wristwatches.

More jobs were created with indepth reform of the labor system. In 1988, the province made work arrangement for 269,000 waiting-for-job people. The number of workers and staff provincewide at yearend was 9.127 million, a 315,000 increase over the previous year at yearend; among which, the number of contracted workers in enterprises of ownership of the whole people was 467,000, up by 130,000 over the previous year at yearend. The number of individual laborers in towns and townships was 450,000, increasing by 59,000.

The volume of urban and rural savings deposits rose. The balance of citizens' savings deposits reached 19.548 billion yuan in 1988 at yearend, a 2.8 billion yuan and 16.6 percent increase.

The living conditions of urban and rural populace improved somewhat. In 1988, a floor space of 12,594 million square meters of new resident houses were built in the urban, and a floor space of 43,156 square meters of new resident houses was built in the rural areas.

Social welfare undertakings strengthened. Some 639 counties province-wide built social security networks in 1988. The number of installation for community services reached 41,400. Social welfare centers boasted 48,100 beds, with 34,000 people provided with shelter and board. The number of people enjoying the five guarantees (childless and infirm old persons who are guaranteed food, clothing, medical care, housing, and burial expenses) in rural collectives was 275,900. Work arrangements were made to 1.2 million of the disabled. New progress was also made in supporting the impoverished.

The number of people buying life insurance was 18.9538 million, a 20.7 percent increase over the previous year. The number of households buying properties insurance was 11.7359 million, a 7.3 percent drop from 1987.

### X. The Economy and Culture of Nationality Areas

Nationality areas in the province continued to implement in depth the "Law of Autonomy in Nationality Regions" to step up economic development, with further economic and cultural development in 1988. The gross industrial and agricultural output value of Garze, Aba, Liangshan, Qianjiang autonomous prefectures, and Maban and Ebian autonomous counties reached 6.377 billion yuan, an 11.5 percent increase over 1987.

Rather great progress was made in agriculture and animal husbandry. The 1988 gross agricultural output value was 3.6 billion yuan, a 7.2 percent increase over the previous year. In the wake of a stalemate lasting several years, grain output was in an upturn. Gross grain output was 2.5981 million tons, up 6 percent. Output of most economic crops rose; the 1988 sugar cane output was 379,200 tons, up 3.9 percent, cured tobacco 38,200 tons, up 52.6 percent; oil-bearing crops 40,400 tons, up 2.6 percent, fruits 105,900 tons, up 1.8 percent, tea 2,178 tons, up 1.3 percent. The number of animals in stock and animal byproducts increased; the number of large animals at yearend was 5.9575 million heads, up 2.3 percent; the number of pigs in stock at yearend was 4.8746 million heads, up 6 percent; and the number of sheep and goats in stock at yearend was 6.6736 heads, up 2 percent. The volume of pork, beef and mutton products was 223,800 tons, up 14 percent; and milk 163,200 tons, maintaining the same level as 1987. Wool output was 2,583 tons, a slight drop from 1987. Industrial production continued to grow. The 1988 gross industrial output

value reached 2.777 billion yuan, up 17.3 percent from 1987. Light industrial output value was 1.012 billion yuan, up 10.4 percent; and heavy industrial output value 1,765 billion yuan, a 22.2 percent increase.

The total payroll of workers and staff of enterprises of ownership by the whole people and town and township enterprises of collective ownership reached 886 million yuan, up 20.9 percent; per capita annual wage of workers and staff was 1,679 yuan, up 18.3 percent. Balance in savings deposits of urban and rural populace reached 1.062 billion yuan, a 19 percent increase, of which, the volume of rural savings deposits was 315 million yuan, up 16.6 percent. Total retail sales value reached 2.63 billion yuan, up 27.2 percent, of which retail sales value of consumer goods was 2.373 billion yuan, up 27.5 percent.

The number of nationality health workers and technicians at yearend reached 23,100, with 17,486 hospital

beds. Among the students at school in various categories: 4,192 were in college, and 216,900 in common high school; both increased somewhat over the previous year. The number of students in intermediate vocational schools reached 11,833, and the number of primary school pupils was 790,800, both categories dropped somewhat from 1987.

#### **XI. Population**

Based on a sampling survey, the 1988 birth rate was 18.29 percent, the death rate 6.59 percent, and the natural growth rate 11.7 percent. The province's population was 105.897 million at yearend, a 1.313 million increase from yearend 1987. The number of women in the child-bearing age group has continued to grow with each passing year; the province is facing the peak of a population growth, and it can be very difficult to keep the population explosion under control.

**Report on 1988 Economic, Social Development;  
Plan for 1989**

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[Report by Yang Jianqiang 2799 0256 1730, chairman of the Planning Commission, Yunnan Provincial People's Government, given at the Second Session of the Seventh Yunnan Provincial People's Congress on 1 March 1989: "Report on the Draft Plan for the Economic and Social Development of Yunnan Province in 1989"]

[Text] Delegates! I am charged by the provincial people's government to report to the Congress on the implementation during the past year of Yunnan's 1988 plan for economic and social development and on suggested arrangements for the 1989 plan. Please examine these ideas and deliberate on them.

**I. Implementation of the 1988 Plan**

In 1988, Yunnan Province earnestly implemented the policy of "stabilization of the economy and deepening of the reform," and by effectively applying measures of administrative regulation and rectification, and by the joint efforts of people of all ethnic groups throughout the province, we have accomplished our plan for economic and social development. The overall economic situation of the province is good. Our economy is making steady progress, our measures of administrative regulation and rectification show initial success, and new developments have been achieved in economic construction and various social undertakings. During the year, gross output value rose 14.7 percent over the previous year, gross industrial and agricultural output value rose 12.9 percent, and new achievements are reported from all fronts.

**A. Good Harvests in the Rural Areas, Steady Progress in the Rural Economy**

During the year, gross agricultural output value increased 6.1 percent over the preceding year. Apart from only a slight increase in grain and a decline in oil crops, all major agricultural products had very large increases. The gross income of township enterprises increased 23.3 percent, and the rate at which agricultural products were turned into marketable commodities rose from 55 percent in the preceding year to 60 percent.

**B. Steady Increase in Industrial Production, Higher Economic Returns**

During the year, gross industrial output value increased 16.6 percent over the preceding year, with a 20 percent increase in light industry, and a 13.5 percent increase in heavy industry. Of 60 industrial items under plan control, plan norms were fulfilled ahead of time or overfulfilled in the case of 50 items. Different measures of increases were achieved in energy sources, raw and semiprocessed materials, in goods serving the needs of agriculture, and in easily marketable products. Even though prices for means of production increased steeply,

it was still possible to achieve higher economic returns. Productivity of all employees rose 13.4 percent, and there was a steady rise in the rate of the acceptable quality of products, the rate rising to 86.8 percent as against 78.5 percent in the preceding year. Communication and transportation tasks were satisfactorily completed, exports from Yunnan by rail increased 7.2 percent, and plan norms were fulfilled for passenger transport by the Civil Aviation Corporation and in the postal and telecommunication services.

**C. Fixed Asset Investments Initially Brought Under Control, Investment Structure Improved**

In the spirit of notifications from the State Council, all items under construction throughout the province were initially cleared up and reduced. Up to the middle of February this year, 282 construction projects were stopped or postponed, which reduced investments by 512 million yuan. The main items cleared out and reduced were high-rise buildings, auditoriums, guest-houses, and hotels. Out of 61 of these projects, either planned or in the process of construction, falling within the scope of those to be cleared up, 39 projects were divided into 3 lots, to be postponed in stages, a reduction that covered 260,000 square meters of area and reduced expenditure by 160 million yuan. Completed projects with local investments in society-owned fixed assets increased 17.2 percent over the preceding year. Among these, projects with local investments in fixed assets owned by the whole people increased 20.9 percent. Completion of capital construction investment projects was essentially the same as in the preceding year. Completion of investment projects for renovation and transformation increased 44.4 percent. Investment structure was improved. Investment in agriculture increased 14.5 percent, in energy sources 26.1 percent, investments in the scientific research system was increased 3-times over, and investment in education was increased 4.6 percent. Good progress was made in key construction projects. Twelve large and medium-size projects and single engineering projects were completed according to plan and put into operation, among them the No 4 generator at the Lubuge power station.

**D. Increased Provincial Revenue, Control Over Excessive Bank Loans and Currency Circulation Restored**

Provincial revenue throughout the year increased 35.4 percent over the preceding year, and financial expenditure increased 20.3 percent. Through measures of administrative regulation and rectification, total purchasing power of social groups throughout the province declined 10.4 percent, compared to the preceding year, and the trend of rapid increases in administrative expenses and consumption funds was slowed down. The various deposit balances in banks at the end of the year increased 11.5 percent, various loan balances increased 17.4 percent, cash receipts throughout the year increased 41.6 percent, cash disbursements increased 43.6 percent.

The net amount of currency placed into circulation throughout the year was controlled within the adjustment plan transmitted to us by the state government.

#### **E. Brisk Urban and Rural Markets, Vigorous Buying and Selling Activities**

Throughout the year, net purchases increased 45.9 percent, net sales increased 36.2 percent over the preceding year. The total amount of commodities shipped out of the province increased 62.2 percent, and the total amount of commodities brought into the province increased 5.8 percent. The total amount of retail sales of social commodities increased 32.4 percent. Transactions at fair markets increased 26.8 percent.

#### **F. Expansion of Foreign Trade, Substantial Increase in Foreign Exchange Earnings From Exports**

During the year, total import-export trade increased 29.8 percent. The amount of foreign exchange earnings from exports increased 30.5 percent, the amount of imported goods delivered increased 27.5 percent, utilization of foreign capital increased 144.1 percent. The latter was involved in the construction of five projects, among them the Huize lead-zinc smelting plant and the Qilin plant. Exports in border trade more than doubled.

#### **G. Further Development of Social Undertakings, Such as Science and Technology, Education, Cultural Affairs, Public Health, and Sports**

The province completed 45 key scientific research projects, and in the last 2 years, made arrangements for 47 projects under the state and provincial "spark plan," of which 39 projects were completed and put into operation, achieving very gratifying economy returns. Compared to the preceding year, there was an increase of 1,123 students at institutions of higher learning, an increase of 4,542 students at secondary vocational schools, an increase of over 3,600 students at senior middle schools, an increase of over 4,400 students at junior middle schools, and an increase of 4,700 students at adult classes of institutions of higher learning. According to an investigation by sampling performed by the statistics bureau, the total population in the province at the end of the year was 35,940,000, and the natural growth rate of the population was 16.88 per thousand.

#### **H. Providing for the Livelihood of People in the Earthquake Devastated Areas, Further Increases in Urban and Rural Personal Incomes**

Last year, when the impoverished regions in the southwest of the province, inhabited by borderland ethnic groups, suffered a serious earthquake, the state, the province, and local authorities allocated special disaster relief funds and promptly dispatched large amounts of grain, foodstuffs, items of daily necessity, as well as petroleum, steel products, cement, and other disaster relief materials to the disaster-stricken region. The problem of providing food, clothing, and simple shelter for

the population in the disaster region has been initially solved, and rebuilding of their homes is underway. Relief for the poor was increased, and arrangements were made for certain developmental projects to bring economic progress to impoverished regions, which solved the food and shelter problem for a part of the population. As production developed, personal incomes further increased throughout the province. According to sampling investigations, the average per capita net income of peasants in the province increased by 63.1 yuan over the preceding year. The average per capita living expenditure income of the urban and rural population increased 15.6 percent, their savings deposit balances at the end of the year had increased 15 percent.

Fulfillment of the 1988 plan has been well accomplished, but many economic difficulties and problems remain, the outstanding ones being: Grain production did not regain the level of past record years. Commodity prices rose too steeply, and production of daily necessities, such as salt, matches, etc., was insufficient to meet demand. Energy sources, raw and semiprocessed materials, such as electricity, caustic soda, steel materials, nonferrous metals, etc., were in short supply. Investments in fixed assets was inordinately large, and the investment structure was irrational. Arrangements in this year's plan will stress finding solutions for these outstanding problems. We shall further implement the spirit of the 3d Plenary Session of the 13th CPC Central Committee, gradually cool down the overheated economy, make efforts to increase the grain harvest, stop inflation, and bring about an improved economic condition in the province.

## **II. Suggested Arrangements for the 1989 Plan**

In the spirit of the 3d Plenary Session of the 13th CPC Central Committee, and according to the dispositions of the National Planning Conference and the Provincial Conference on Rural Work, the guiding ideas in this year's economic and social development in Yunnan is the earnest implementation of the policy of regulating the economic environment, of restoring economic order, and of overall deepening of the reform. We shall improve and increase effective supplies, restrain excessive total social demand, adjust the economic structure, raise economic returns, take firmly in hand rebuilding of homes in the earthquake district, actively arrange for township markets, strive for bumper harvests of grain, make energetic efforts to hold the inflation rate to markedly below last year's, and promote continued steady economic progress throughout the entire province.

The main tasks of the 1989 plan are:

1) Adjustment of the economic structure, increases in effective supplies. We shall strive to achieve bumper harvests in agriculture, and have grain production regain the level of past record years. We shall also continue to steadily increase the cultivation of cash crops. We shall maintain an appropriate industrial growth rate, make

efforts to increase production of goods serving the needs of agriculture and of high-quality famous-brand products, also of the people's daily necessities, of export goods that will bring in foreign exchange earnings, and of articles that will withdraw substantial amounts of currency from circulation. We shall reduce production of products that consume much energy, of industrial products that consume comparatively large amounts of such raw and semiprocessed materials that are in short supply, and of products for which the state has ordered restricted production.

2) According to industrial policy, we shall adjust the investment structure, reduce the scope of investments in fixed assets, increase investments in agriculture, mainly in water conservancy projects, arrange for developmental projects in the earthquake districts, appropriately increase investments in such key construction as industries serving the needs of agriculture, energy sources, communications, and education. We shall reduce investments in unproductive constructions, stop or postpone constructions now in progress of projects that are productive but only in a general way. We shall strictly control the start of new projects and shall definitely stop new construction of high-rise buildings, auditoriums, guesthouses, and hostels.

3) Strict control of any too rapid increase in consumption demands. We shall continue to restrain the purchasing power of social groups, rectify order in the circulation area, actively organize commodity production and supplies to the markets, guide the rational flow of the citizens' purchasing power, strengthen supervision and control of commodities, make efforts to care well for the livelihood of the urban and rural population, especially make appropriate provisions for the livelihood of people in the earthquake devastated districts.

4) Integrating readjustments and administrative regulation with the reform. We shall continue to pursue enterprise reform in greater depth, stress as a key concern perfection and incorporation of the contract system, develop lateral economic linkages, raise the quality and managerial excellence of enterprises, strengthen macroeconomic regulation and control, and actively pursue the reform of our macroeconomic regulation and control.

Main objectives of this year's plan are:

Gross value of industrial and agricultural output to reach 28.12 billion yuan, an increase of 7.7 percent, of which agricultural output value is to be 9.06 billion yuan, with an increase of 4 percent, and industrial output value of 19.06 billion yuan, with an increase of 9.5 percent.

A grain production of 10 million tons, an increase of 6.8 percent.

Total income of township enterprises to be 6.5 billion yuan, an increase of 18.2 percent.

Local financial revenue to be 5.28 billion yuan, an increase of 4.5 percent.

Foreign exchange earnings from exports to amount to \$270 million, while efforts shall be made to exceed the actual foreign exchange earnings of last year.

Total amount of retail sales of social commodities to reach 1.8 billion yuan, an increase of 20 percent.

The index of market retail prices for commodities to register a rate of increases that shall be conspicuously lower than shown last year.

The natural population growth rate to be controlled to remain within a rate of 15.51 percent.

Key points in the provisions of the 1989 plan are:

#### **A. Improving Agricultural Production, Grain Production To Regain the Level of Past Record Years**

The grain problem has become a conspicuous contradiction in the economic development of Yunnan Province; it is also a crucial issue in the administrative regulation, readjustment, and stabilization of commodity prices in the market. It requires adopting a slanted policy, namely toward an adjustment of the structure of rural production, strong support for grain production, energetic development of diversified cultivation and development of township enterprises, thus promoting the development of the rural economy in a comprehensive way.

In order to achieve this year's objectives of agricultural production, it is necessary to continue to earnestly incorporate in the provisions of our plan all tasks and measures proposed at the provincial conference on rural work.

1) Rational use of arable land, adjustment of the structure of crop cultivation. The plan provides for the planting of 52 million mu of grain, an increase of 732,500 mu over the preceding year. For oil crops, some policy measures shall be taken to avoid that their production continues to slide down. The area to be planted to tobacco shall be reduced by 460,000 mu, to be stabilized at 3 million mu, and emphasis should be on higher per unit area yield and improved quality. The area to be planted to sugar cane shall be 1.6 million mu, an increase of 120,000 mu, and emphasis should be on higher per unit area yield and a higher rate of sugar content. High yield fields must be adjusted to raise grain, tobacco, and sugar cane, of which cultivation should be extended into mountainous areas. Soil utilization plans must be strictly implemented, and use for nonagricultural purposes must be most strictly controlled. It is strictly prohibited to destroy forests to gain arable land, or to indiscriminately occupy and misuse arable land.



2) Increased investments in agriculture. The provincial budget provides an increase of 28 million yuan in investments for agricultural capital constructions, which is a 36.6 percent increase over the preceding year, to be mainly used for large and medium-size water conservancy projects and for the construction of commodity bases for key agricultural and sideline products. In the said sum, investments for water conservancy projects were increased 59 percent. All localities must increase their investments in agriculture, in particular for grain production. Organizations of the rural cooperative economy must also contribute a portion of their collective reserve funds for investment in local agricultural projects.

3) Preferential provisions are made for the supply of material for agricultural use. This year's plan provides for 2.6 million standard commercial tons of chemical fertilizer, an increase of 200,000 tons over the preceding year. Apart from a few types of chemical fertilizer which the provincial government has approved for shipment out of the province, no chemical fertilizer may be sold for shipment out of the province. All localities must ensure fulfillment of their fertilizer shipment tasks between different regions and must not cut off shipments and retain chemical fertilizer. Improvements must also be made in the structure of fertilizer use. All peasants are encouraged to grow green manure crops and actively create farmyard manure. The plan provides for the supply of 12,000 tons of plastic film for agricultural use, an increase of 2,000 tons, the supply of 12,000 tons of pesticides, an increase of 210 tons, and also for the importation of 78,000 tons of urea, 15,000 tons of potassium sulfate, 4,700 tons of high pressure polyethylene, and \$3 million of pesticides.

4) Promoting scientific and technological methods for increased production, raising the per unit area yield for grain. It is planned to have 1.26 million mu planted to maize, with a technique of raising seedlings in paper cartons and transplanting them closely for high yield, to expand planting of crossbred paddy rice to 200,000 mu, to expand planting of crossbred maize to 1.1 million mu, to do something to solve the food and shelter problem in impoverished districts, and to expand the area of film-covered maize plantation to 1 million mu. The normalized cultivation of paddy rice shall be firmly taken in hand over an area of 4 million mu, promoting tetrapoly-sodium phosphate fertilizing over 500,000 mu. We shall strengthen the establishment of a system to promote the application of science and technology in agriculture, and shall firmly take in hand high quality seed propagation and bases for seed production. We shall organize trained agriculturists to visit the villages and start contractual acceptance of scientific methods, effective scientific services, and have science effectively applied to increase production.

5) We shall make efforts to develop animal husbandry. We shall consolidate a policy of appropriately linking

pork production and grain production, support development of basic counties for marketable pigs and the development of commercialized pig raising by specialized households and key households.

In line with industrial policy, township enterprises shall preferentially develop processing industries for agricultural and sideline products, related to the particular resources that are advantageously available locally. They should pursue opening of mines and operating mines in a joint arrangement between state-run and collectively-run enterprises, and should integrate exploitation of mineral resources with the development of the economy of ethnic minorities. In the case of enterprises that contend for electricity from the large power network, or in case of redundant construction, enterprises with high energy consumption, or those that seriously pollute, or enterprises and ongoing construction projects that are uneconomical, further development must be restricted or operations diverted to other production. Industries with high energy consumption that do not draw from the large power network, but are matched with small hydroelectric power plants may still be energetically developed.

We shall continue to support development of commodity economy in impoverished districts, assist underdeveloped districts in the disposition of capital, and the scope of recipients of our assistance will not be changed; the apportioning of the amounts will also not change. To derive greatest benefit from the use of capital funds, the various recipient counties are asked to use the funds in a relatively concentrated way where they would do most good.

In the districts affected by the earthquake, the "1989 Practical Plan for Rebuilding of Homes in the Earthquake Districts" shall be conscientiously implemented, and the funds for restoration and rebuilding shall be preferentially used on items closely linked with the livelihood of the people. Water reservoirs, highways, and hydroelectric projects that have suffered damage during the earthquake shall be restored as quickly as possible, and urgent restoration shall also be effected in the case of sugar mills, tea processing plants, cement works, smelters, brickyards, salt mines, and other industrial and mining enterprises, so as to have them resume full production.

#### **B. Efforts To Increase Effective Supplies, Ample Arrangements for Urban and Rural Markets and for the Livelihood of the People**

Our aim in the administrative regulation of the economic environment and in rectifying economic order is to hold down this year's increase in commodity prices to a rate that is conspicuously lower than last year's. All our efforts are directed toward realizing this objective. The plan provides the following measures toward that aim:

1) Efforts toward increased production and increased effective supplies. Increases shall mainly be effected in the production of agricultural and sideline products, products of the light and textile industries that are daily necessities of the people, products that serve agricultural production, export products that earn foreign exchange, and products that will serve to withdraw much currency from circulation, so as to raise the capacity for the supply of social commodities.

2) Ample arrangements for the supply of items that are important for the national economy and the people's livelihood. Planned sales of grain shall be 1.55 billion kilos, and the contract system shall be firmly maintained in the procurement, marketing, and transfer of grain, and in all financial matters. We shall carry out the "three linkages" and the policy of granting extra allowances for grain, ensuring fulfillment of the intra-province procurement plan, and we shall also make every effort to buy up some additional grain at market prices. We shall use outstanding specialties produced in Yunnan to organize cooperation and exchanges, and bring in some grain at market prices. We shall strictly control the quantity of grain being marketed, and economize on expenditures for rice. The plan provides for the sale of 2.2 million live pigs, of which 1.69 million will be sold in Yunnan and 500,000 will be shipped out of the province, essentially balancing supply and demand. The plan provides for the production in Yunnan Province of 350,000 tons of salt, and sources for salt supplies outside of Yunnan will be actively sought. Supplies of salt to the public will continue to be rationed to ensure meeting everyone's needs. The plan provides for the procurement of 308,000 tons of sugar, and in order to solve any problem in connection with the intra-province procurements and sales and the amounts to be delivered up to the state, all local authorities have been advised to ensure fulfillment of procurement plans. At the same time, ample arrangements are made for the production and supply of daily necessities for the people, such as cotton textiles, matches, laundry powder, soap, toilet paper, aluminumware, enamelware, etc. As regards electricity, raw and semiprocessed materials, their supply shall be ensured as far as possible; we shall support increased production and try to achieve a state of "no empty shelves and nothing out of stock."

3) We shall effectively arrange for supplies of urgently required means of production that are in short supply. Chemical fertilizer, pesticides, and plastic film for agricultural use shall be under exclusive state control, and the supply position is better than last year. For steel products, the provincial plan provides a distribution of 290,000 tons, which shall be mainly used for the production of items under directive-type planning, for the production of easily marketable items of the light and textile industries, for the production of products of service to agriculture, and mainly to ensure key capital constructions and key technological transformations. For timber, the provincial plan assigns to lower levels the task to produce 750,000 cubic meters, of this quantity the state in unified allotment will take over 600,000

cubic meters (including part at fixed quantity but not at fixed prices), and the province will take over in unified allocation 150,000 cubic meters. Timber taken over by the province will mainly ensure supplies for the production of matches, of mining timber, and for the needs of key construction and engineering projects.

4) Invigorating circulation, energetic development of commodity sources, intensified procurement and exchanges. We shall allocate a portion of Yunnan's specialty products and use them for exchanges with places outside of Yunnan in exchange for grain, for materials used in agriculture, and for urgently needed industrial items in short supply. Additional sources for commodities will also be sought in a variety of ways, such as by establishing lateral joint ventures, joint operations and joint marketing, and attracting products from outside the province to be displayed for sale. The provincial plan provides that electrical instruments, parts, and components, as well as color TV sets, electrical refrigerators and other articles in great demand, items manufactured with raw materials of the light and chemical industries, shall in principle be delivered to the commercial departments for sale inside the province, as a means of withdrawing currency from circulation.

5) Strict control to prevent too rapid an increase of the consumption funds. The purchasing power of social groups will this year be reduced 20 percent, based on actual expenditure last year. Compact cars allocated by the state plan and articles under exclusive state control, as prescribed by the State Council, will be subject to strictest investigation as to actual need before being approved; in principle compact cars will no more be imported. We shall strengthen the management of wage and other consumption funds. This year the total amount of salaries and wages for staff and workers will again be increased, but the issue of wages and bonuses in enterprises must comply with the standards set by the state. Banks shall refuse payments to enterprises that indiscriminately pay out bonuses, allowances, or pass out materials.

6) Active guidance and diversion of consumption funds. The transformation of houses into privately purchasable commodities shall be gradually expanded, based on the experiments of last year. Experiments with shareholding systems will be actively pursued. Efforts at increasing savings in city and countryside will be continued, and the province will centrally arrange for a portion of goods in great demand to be used as material rewards for saving, thus attracting and transforming a portion of social purchasing power and reduce pressure on the market by the demand for commodities.

7) Strengthening commodity price control in the market. For all commodities for which the state has prescribed fixed prices, such prices must be strictly enforced. For commodities for which the state has prescribed guidance prices, price ceilings must not be exceeded. For commodities for which prices have been deregulated, control

and guidance must be intensified. With the strict control of commodity prices, no one must exceed his authority and willfully raise prices or increase prices in a disguised form. While stricter supervision of commodity prices, and strict observance of laws and discipline with regard to commodity prices will be enforced, immediate action will be taken against anyone who violates the laws and regulations concerning commodity prices.

### **C. Active Adjustment of the Industrial Product Mix, Maintaining an Appropriate Growth Rate**

During this year's production in industry and in the field of communications, we shall continue to pursue enterprise reform in greater depth, adjust the product mix, increase effective supplies, start a "double increase and double economy" movement, develop lateral economic connections, promote technological progress, raise economic returns, and promote the continued steady development of industrial production.

The following are the main measures that we shall adopt to ensure fulfillment of our plan for production in industry and in the field of communications:

1) Efforts to increase production and supply of electricity. Full development of thermal power generation is called for, while hydroelectric power generation will depend on availability of water; consideration must be given not only to power generation, but also to the need for water in reservoirs. We shall emphasize the development of electric power project; we shall strive to have No 3 generator at the Lubuge power station in operation in the second quarter of this year. This will add 300 to 400 million kwh of electricity. The No 2 generator at Pudingcun will very soon be in normal operation; the unit that had been closed-down will restart operations this year. We shall energetically arrange for the small hydroelectric power plants to contribute 200 million kwh to the power network. We shall strive to buy additional electricity from Dukou and Guizhou; we shall continue our policy of granting bonuses as encouragement to the provincial electricity bureau for providing electricity above plan norm. We must use electricity according to plan, we must economize electricity, we must make best use of the supply of electricity, we must guarantee sufficient electricity for key product production, we must better balance distribution of electricity, and we must strive hard to reduce the use of the limited amount of electricity available.

2) Increase the volume of commodities shipped out of the province. To solve the problem of insufficient empties being sent in, rolling stock bought by the province will be in operation this year, and an effort will be made to have the volume of freight shipped out of the province reach an amount of 8.2 million tons.

3) We shall firmly take in hand production of urgently needed articles in short supply and consumer goods for daily use. As to sugar production, we shall strive to get

back to normal operation all sugar mills that had been destroyed by the earthquake, to ensure that all sugar cane will be crushed, our objective being to achieve a sugar production of 580,000 tons. In salt production, we shall implement and perfect a policy of rewards for overfulfilling production targets and have rewards replace subsidies. As to their needs of electricity and coal, we shall ensure supplies. We shall concentrate a part of our investments on technological transformation of presently operating salt mines and for the opening up of the Anning salt mine ahead of time, in efforts to alleviate as soon as possible the salt supply and demand disparity in the province. As to the production of other daily necessities, we shall also make an effort to solve the supply problem for raw and semiprocessed materials, exerting great efforts to increase production and satisfy market demand.

4) We shall make efforts to increase the production of chemical fertilizer, plastic film, and other articles that serve agriculture. We shall bring all our present capacity for the production of chemical fertilizer fully into play, and on the basis of the 3.75 million standard industrial tons (740,000 pure tons) provided for in the plan, we shall organize increased production, to have the total chemical fertilizer production of the province reach 4 million standard industrial tons (780,000 pure tons). As to agricultural plastic film, we must energetically recycle used agricultural film, and also import some raw materials, in an effort to have production attain 14,000 tons. In pesticides, the key task is to improve and perfect the chlorothalonil production process flow of the Yunnan Chemical Plant, and to restore production facilities for pesticides at the Kunming Agricultural Chemicals Plant. The plan provides for an increase of 1,570 tons of agricultural chemicals.

5) Reducing the production of common products of the processing industry which consume much energy and use up comparatively large quantities of raw and semiprocessed materials which are in short supply. We shall resolutely reduce small plants which manufacture calcium carbide, yellow phosphorus, and ferroalloys and have them turn to the production of other items, because these plants now compete in the electricity network with key large and medium enterprises. Production will be restricted for manufacturers of white spirit, aluminum doors and windows, common lathes, and small woolen mills, because they consume large quantities of grain or other raw and semiprocessed materials.

6) Reducing material consumption, economizing in energy sources, as well as in raw and semiprocessed materials, seeking increased production through economizing. The plan provides for the saving of 350,000 tons of raw coal, of 120 million kwh of electricity, and of 10,000 tons of steel products. This requires strict quota controls, a perfection of the responsibility system for economies, instituting rewards for savings and penalties for excessive use, and strict assessment and inspection. This will certainly reduce consumption.

#### **D. Resolute Reduction of Fixed Asset Investments, Rational Adjustment of the Investment Structure**

Fixed asset investments of the entire society of Yunnan Province will this year be provided to an amount of 2.611 billion yuan, in accordance with the state plan transmitted to us. This is a reduction of 47.2 percent, in which fixed asset investments of units owned by the whole people were reduced 50.4 percent, investments by units owned by urban and rural collective were reduced 43.1 percent, and individual investments were reduced 42.2 percent.

Investments in capital constructions, within the entire fixed asset investments by units owned by the whole people, amount to 647 million yuan, a reduction of 38.6 percent, compared to the preceding year.

The principle in this year's arrangements for capital construction investments is to effect an adjustment in the investment structure. This will be based on a sorting out and possibly eliminating ongoing projects, in accordance with the regulatory controls ordered by the state and the state's industrial policy. The main objective is to increase investments in agriculture, appropriately increase investments in education, ensure completion of key projects in the area of energy sources, communications, and production of raw and semiprocessed materials. These are investments which have been included in the state's development plan, and investments provided for by the province for the continuation of key projects in the final stage, to ensure that the state will continue its matching funds for large and medium-size projects. Strict control must be exercised in the case of new projects being started up locally, and all nonproductive construction projects must be restricted. New construction of high-rise buildings, auditoriums, guesthouses, and hotels is not allowed, and continuation or the new start of constructions must be stopped or postponed in the case of items for which initial reservations had been made, but which are explicitly listed by the State Council as not to be continued.

The portion of the energy source and communications funds retained by the province and of the electric power development fund are funds designated for special purposes and will provide funds for key construction projects in the area of energy sources and communications. These include the Manwan power station, the Xiaolongtan power plant, the Wujiaba machine building plant, restoration of trunk highways, and extension of the Xiaolongtan coal mine.

Loans granted by the People's Construction Bank of China on authorization from the treasury are mainly providing funds for important projects, such as the soda project connected with the Zhanyi Fertilizer Plant, the pyrethrum-ether project of the Kunming Pharmaceutical Company, the Yunnan Nitrogen Fertilizer Plant, and the Honghezhou Phosphate Fertilizer Plant.

From out of the investments provided in the budget and investments with capital raised by the province, one portions of the budgetary investment will be provided piecemeal to various localities for expenditure at the earlier stage of projects, and for discounting of interests on loans, and for other such fixed arrangements, while the province itself will directly dispose of the rest as investments on construction projects. This will be in detail:

Investments in the agricultural sector to account for 29.5 percent, mainly to be used for such continuing projects as introducing water chestnuts to Qiaojia, the Haozhi Dam at Yongshan, the Huangcao Dam at Xinping, the Duoyi forest at Lancang, a permanent timber storage at Gengma, maple planting at Yuanmei, diverting the Er River into the Bin River at Dali, newly opening the Songhua Dam water reservoir at Kunming, and other such medium-size water conservancy projects, also establishing a base for agricultural, forestry, and animal husbandry products, a base for the production of improved seeds, and continued support for establishment of township level agrotechnology stations.

Investment into agriculture-oriented industry to account for 4 percent, mainly to be used for transformation of fertilizer plants, the province assuming a certain portion of the balance outstanding at the Yunnan Nitrogen Fertilizer Plant and the Honghezhou Phosphate Fertilizer Plant projects.

The two above-mentioned items of investments in agriculture, with the addition of investments in agricultural science and technology, raise this year's provincial direct investments in agriculture to 35.3 percent of all available investments.

Investments in education to account for 16.9 percent. Investments in the educational sector are 1.26 million yuan higher than last year, and are mainly to be used on further construction work at such institutions of higher learning as the College for Ethnic Minorities, Yunnan University, Agricultural University, and on Yunnan Technical University, as well as for the continued construction work at the Ethnic Groups Teachers College. Necessary provisions are also made for continued construction work at institutions not under the educational departments, such as large and medium vocational colleges, chemical and industrial colleges, the Kunming Branch Architectural College, the Public Security College, agricultural schools of the prefectures and autonomous prefectures, the Provincial Textile College, and other industrial and commercial colleges.

Investments for continuing construction work in the areas of energy sources and communications, not including those for which special funds have been provided for, are to account for 18.1 percent, mainly to be used for local medium-size power stations, subsidies to remote border areas for key power transmission and transformer installations, subsidies to large and medium-size coal

mines, unified distribution coal mines and prefectural and county coal mines, subsidies to local airfields and highways, and the construction of airports, and important postal and telecommunications installations.

Investments in social undertakings, such as science, cultural affairs, public health, etc. to account for 10.3 percent, mainly to be used for continued construction for science and technology units, also for the construction of a provincial tumor hospital, for rebuilding the earthquake damaged gynecology and pediatrics buildings of the People's Hospital, the burn center attached to No 2 Hospital, and some photo-offset facilities to be added at the Xinhua Printing Plant for the printing of textbooks for middle and primary school students.

Provisions have also been made for continued construction and new constructions for the light and textile industries, for important raw and semiprocessed materials, and for such fields as city building, environmental protection, commerce, grain supply, and for the public security organs, procuratorial organs, and people's courts. Key points are the soda manufacturing facilities at the Zhanhua chemical plant, the No 5 Waterworks of Kunming, Kunming's sewage treatment plant, and the Kaiyuan grain storage facility.

Capital construction for administrative agencies of provincial rank account for 4 percent, a very substantial reduction compared to the preceding year, mainly to be used for ongoing constructions.

We shall continue to implement the principle of concentratedly condensing our financial and material strength to ensure completion of key tasks. There will be 40 key construction projects this year.

Expenditure for the first phase of our key construction projects will mainly be used on the Dazhaoshan power station, the Yudong reservoir, the Chaishitan reservoir, the Wulichong reservoir, the Simao paper mill, a 60,000-ton yellow phosphorus engineering project, a phosphate chemical project using a loan from the World Bank, the Nanning to Kunming railway line, and on the [Guangzhou-Dali] railway line.

The plan provides for 16 items using foreign capital; these investments amount to 62.67 million yuan. The emphasis in these is to continue ongoing constructions to increase exports, export substitution, and joint venture constructions. The investments will mainly be used for an aluminum foil project, potassium sulfate production at the Yunnan Phosphate Fertilizer Plant, and on the Yinghua Guesthouse.

The scope of investments by urban and rural collectives are made under guidance-type planning, but must also be subjected to conscientious control. This year's scope of investments by city and township collectives for capital constructions is 59.6 percent lower than last year. Fairly

large reductions have been made in the scope of investments centrally planned and provided by the province and those shared out to local authorities.

In this year's investments for renovations and transformations in units owned by the whole people a change was made from guidance-type planning to directive-type planning. The investments for renovations and transformations transmitted down to us by the state are 57.2 percent less than last year. A large reduction has been made in the piecemeal allocations to districts and departments; the portion centrally arranged and provided by the province will mainly be used on items accepted by the state and the province as important technological transformations, such as the transformation and extension at the Kunming Steel Mill and the technological transformation at the cigarette factory.

While retrenchments in investments for fixed assets are this year quite substantial, we must observe the unified dispositions of the central authorities, give consideration to the overall situation, exert joint efforts, and resolutely control investments so that they will remain within the plan norms of the state. We must exert efforts to adjust the investment structure and energetically carry out the following measures:

- 1) We must firmly take up and carry through to the end the clearing up and possible elimination of ongoing constructions. After having taken stock during the preceding phase, and on the basis of initial retrenchments, we must proceed strictly according to the notifications from the State Council, namely to stop or postpone all projects for which reservations had initially been made. As related to conditions in Yunnan, this means mainly that we must restrict all unplanned projects, duplicative constructions, heedlessly started projects, projects involving high energy consumption, and those that would rely on power supply from the large electric power network without assurance that such supplies will be forthcoming, and in general all nonproductive projects, especially the construction of high-rise buildings, auditoriums, guesthouses, and hotels.

- 2) Strict control over the start of new projects. We must resolutely implement the State Council orders and proceed in the spirit of the recent notification from the State Planning Commission. No new work must be started before the end of July this year, except certain necessary new construction in the areas of agriculture, forestry, water conservancy, education, chemical fertilizer production, exports to earn foreign exchange, also for items involving foreign parties where contracts have been signed, and for residential houses. Work on these projects may be started after their having been reported and approved according to regulations.

- 3) Strengthening of plan management with regard to fixed asset investments. Their scope must be strictly controlled. Investments in fixed assets owned by the whole people are subject to directive-type planning and

must be arranged according to the plan transmitted by the province. This scope must not be exceeded, and no unplanned construction is permitted. Strict limitation of authority for examination and approval shall be enforced, according to the procedure for examination and approval prescribed in Document reference number "yun zheng fa" (87) 163, and no one shall exceed the prescribed authority for examination and approval. A strict system of reporting the start of new work and a system of reapplying for new projects, and reporting the start of work on them, will be enforced. Without approval for the start of work, no new work shall be willfully started, and the banks shall not allocate funds for any such work.

4) Strengthening management of bank loans for fixed asset investments and of construction funds. Norms for bank investment loans shall be controlled by directive-type planning. Banks must not divert planned loans to unplanned projects. In case of reapplication for self-financed projects, it must be firmly insisted on that funds must have been deposited with the Construction Bank for a full 6 months before they may be used. The system shall be to first audit and then proceed with the construction. Constructions shall be included in the annual plan only after funds have actually been procured from a legitimate source and the work has been reported and approved according to proper procedure.

5) We shall continue to employ the system of calling for open bids and adopt the contract responsibility system. We shall strengthen management of key projects, establish a system of supervision and control of projects, make efforts to reduce the costs of executing projects, reduce the duration of the work, raise work quality, and thus use the limited construction funds in a way that will result in ever larger investment profits.

#### **E. Adjusting the Import and Export Commodity Mix, Energetically Develop Foreign Trade at a Steady Pace**

This year we are striving to exceed last year's actual earnings of foreign exchange from exports. We shall adopt the following measures: First, in accordance with the nation's demand that "It must help stabilize the domestic market, but not to the extent of creating a big landslide in our exports," we shall further expand our foreign trade, sensibly adjust our export commodity mix, stabilize exports of farm and sideline products, raise the export ratio of manufactured goods, and give priority to the exports of tea, flue-cured tobacco, cigarettes, nonferrous metals, chemicals, and machinery. Second, we shall conscientiously and effectively organize the procurement of export commodities, make further effective arrangements in the relationship between industry and trade, perfect the system of contractual responsibility of export sources, energetically promote agencies for export commodities, institute a policy of rewards to encourage exports, have the commodity sources effectively functioning right down to the enterprises, continue to firmly pursue establishment of export commodity bases and the

technological transformation of presently existing export enterprises, and thus strengthen the logistics for exports and for the earning of foreign exchange. Third, we must take advantage of the excellent opportunity presented by the relaxation in the overall situation in Southeast Asia, to continue our efforts to develop border trade. Fourth, we must take further effective measures in the work of utilizing foreign capital; it is planned to use 800 million yuan of foreign capital in this year's capital constructions. Fifth, we must actively expand processing on commission, compensation trade, effectively promote tourist trade and labor and technology exports, and thereby increase nontrade earnings of foreign exchange.

The plan provides for imports to the amount of \$150 million. Main items to be imported are raw and semi-processed materials essential to maintain our agriculture, preserve our markets, and for industrial production. At the same time, we shall also arrange for the importation of a certain amount of advanced equipment, parts and components, as well as chemical reagents. Any item for which we can find a domestic substitute will not be imported any more. This year, there is a great gap between needs for foreign exchange and exchange retained by the province, and it will be difficult to balance the foreign exchange account. We shall therefore transfer a portion of the foreign exchange needs of agriculture, imports of raw materials of the light and chemical industries, and home-use electrical instruments, parts, and components and have the local authorities and departments use their self-retained foreign exchange or the redistributed foreign exchange; any department which has capacity to use foreign exchange may then use this redistributed foreign exchange. The province will, according to relevant regulations, strengthen its guidance as to the direction in which redistributed foreign exchange is to be used. Every import or export enterprise that withholds foreign exchange is, according to regulations, subject to control by the province. According to state regulations, all commodities that must be imported must be included in the provincial import plan, must conform to the quotas issued by the state, and must be imported at the amounts fixed by the province.

#### **F. Further Development of Social Undertakings, Such as Science and Technology, Education, Cultural Affairs, Public Health, and Sports**

The plan provides for 50 key scientific and technological projects. In agriculture, priority shall be given to grain, the selection and propagation of high quality seeds of major cash crops, high yield cultivation techniques, improvement of medium and low yield fields, reform of the farming system, and other such technical measures to increase production. Attention must also be given to the cultivation of trees, fruit bearing plants, animal husbandry and fishery, the high yield cultivation of rare medicinal herbs, and to the study of breeding and cultivating techniques and to the prevention of diseases

and insect pests. In industry, technologies for the production of phosphoric acid from ardealite and cement production techniques shall be energetically promoted. Studies shall be accelerated of techniques for the use of alcohol-type substances as substitute fuel, techniques of intensified processing of nonferrous metals, techniques for processing fruit, techniques for the development of perfumes and beverages, and such techniques are to be widely applied and introduced to production processes as quickly as possible. As to medicines, effective bedside experiments with the "Jin E 1" anticancer drug will be continued, also the study of the commercial production of B-type liver cells and their application in the production of vaccines. The plan provides for 25 projects to be readied for the "spark plan." In line with the unified disposition of the state, let us implement the "spark plan" and strengthen the study and application of new high-tech technologies as they may be used in production and be converted to commodities.

We shall energetically develop various educational undertakings, continue to pursue the educational reform in greater depth, adjust the educational structure, improve the functional conditions of education, and raise the quality of education. The plan provides for the enrollment of 12,100 students in ordinary institutions of higher learning, for an appropriate expansion of the ratio of enrollments in special vocational training colleges, for an increase in the number of self-paying students, and of students of whose education we have been entrusted. We shall energetically develop education among the ethnic groups, medium special education, and vocational technical education. The plan provides for 24,300 students to be enrolled in intermediary vocational schools, and we shall strive to raise that number to 25,000. Vocational and agricultural middle schools have 33,000 students enrolled, an increase of 3,000. Technical schools will enroll 10,000 students, an increase of 2,900. Agricultural vocational middle schools, starting out from the need for more natural resources in the development of the local commodity economy, will enroll more graduates from senior and junior middle schools to be trained in applied techniques. We shall strengthen basic education; all

localities shall earnestly implement the "Law Governing Compulsory Education" and emphasize primarily universal elementary education and their work to eliminate illiteracy. The plan provides for the enrollment of 810,000 students in elementary classes, an increase of 25,000 over last year.

All social undertakings, such as general education, public health, sports, radio and television, will experience new developments.

The labor wage plan will be arranged according to control figures transmitted to us by the state. The number of employees in local units owned by the whole people has increased 9.9 percent over last year, and the amount of wages paid to them increased 12.7 percent.

We shall continue to emphasize family planning, and shall deal effectively with the relation between population control and economic development, in order to control too fast a population growth rate. We shall increase propaganda and education as well as the establishment of a technical service system, especially strengthen administrative control of the floating population as well as of early marriages and early child-bearing. We shall effectively attend to the production, supply, and issue of contraceptive medical devices. The plan provides that natural population growth shall be controlled at 15.51 percent.

Delegates! The year 1989 is critical for improving the economic environment and rectifying the economic order. Plan tasks are extremely arduous, and there are many contradictions and difficulties that we must solve and overcome. Only by unswervingly implementing, under the leadership of the provincial party committee, the spirit of the 3d Plenary Session of the 13th CPC Central Committee, by unification of thought, by joining together in the struggle, by exerting ourselves, by pursuing the reform in greater depth in the work of administrative regulation and rectification, and by seeking development within the framework of a stable economy, will it certainly be possible to achieve victory in fulfilling the 1989 plan, and will it certainly be possible for the national economy to make stable progress.