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20 MARCH 1987

China Report

ECONOMIC AFFAIRS

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20 MARCH 1987

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NATIONAL AFFAIRS, POLICY

JINGJI YANJIU PROPOSES REAL OWNERSHIP BY LABORERS

HK011401 Beijing JINGJI YANJIU in Chinese No 11, 20 Nov 86 pp 6-12

[Article by Li Weisen [2621 4850 2773] of the Population Research Institute under the Shandong Provincial Academy of Social Sciences: "An Initial Concept of Establishing a System of Individual Real Ownership by Laborers"--written September 1986]

[Text] The continued impetus of our nation's economic structural reforms has run into the problem of enterprises' activities being irrational. The essence of this is that within our enterprises there is no transfer mechanism by which enterprise personnel's motivation for obtaining consumption income can be transferred into a motivation for increasing the enterprise's assets, thereby leading to a situation whereby the enterprises do not have the internal motive power for self development. Where then lies the basic reason for socialist enterprises and even the system of socialist economic movement lacking, in an overall way, internal motive power for development? Where lies the road for basically changing this chronic illness? Following this train of thought, people have continually carried out economic theory analysis of the deep-levelled structure of socioeconomic movement and, without exception, their attention has shifted back to the question of the ownership system. A fairly clear principle is that whoever owns the assets of an enterprise has the motivation to increase the assets of the enterprises. Thus, as long as property rights of enterprises remain in the hands of government organs at various levels, the development and extension of the enterprises and the expansion of reproduction will only be state matters, and it will not be possible for there to be any internal motivation within enterprises to increase assets. If we want our nation's enterprises to have an internal motivation for growth and thereby to automatically move towards a rationalization of their activities, we must reform the system of state ownership.

However, how is the state ownership system to be reformed? We cannot simply change state ownership into collective or enterprise ownership. Contract operations or leased operations can resolve the problem of short-term benefits for some small enterprises, but in the end they are unable to resolve the problems of large and medium-size enterprises or the problem of enterprises' long-term activities. Pursuing, in an overall way, the option of stock companies, by auctioning off the assets of state enterprises is, seen from the present situation, neither possible to achieve nor acceptable to the society. Here I would like to put forward another concept.

1. Basic Concept

We are all well aware of the following principle described by Marx in "Das Kapital": All of the capital in the hands of capitalists, regardless of its original provenance, has after passing through various production processes, become an accumulation of surplus value created by the labor of workers, becoming capital through the accumulation of surplus value. (See Marx: "Das Kapital" Vol. 1, p. 625, People's Publishing House 1975 ed. (Same below)). If we use this principle to look at our nation's economic situation today, we can obtain a similar conclusion: Regardless of whether we speak of a state-owned enterprise, a collective enterprise, a township enterprise, a joint enterprise or an individual enterprise, and regardless of where the funds initially came from, after passing through various production processes, the value of all the enterprise's assets (including C and V) becomes, without doubt, a crystallization of the accumulated labor of the laborers of that enterprise. There is nothing difficult to understand in this. As far as an individual laborer is concerned how much of the value he has created through his labor is precipitated in the assets of that enterprise? Or, to put it another way, in the value of that enterprise's assets, what share was formed by each laborer through his own precipitated labor? At present we do not know. However, can this share be calculated by some method? I believe that it can. If this share can be calculated, why then can we not link the condensed labor of each laborer precipitated in the enterprise's assets with his ownership of the enterprise's property? Here we cannot help but think of Marx' great prophesy and idea when he proposed in "Das Kapital" for future society: "On the basis of cooperation and the common possession of land and those means of production which rely on labor itself in production, an individual ownership system will be reestablished." (Marx: "Das Kapital" Vol. 1, p. 832).

Under the state ownership system, the laborers' ownership of the means of production is exercised through the intermediary of state organs. It is precisely because of these intermediaries that the laborers in enterprises actually lose the right of control over the means of production and they cannot, on an economic benefits level, realize their ownership. Thereby this ownership becomes a type of "empty ownership", a purely theoretical concept and legal provision. Following this, there is produced the phenomenon whereby, although in our enterprises, in theory, there is a direct integration of the laborers, who have ownership rights, and the means of production, one cannot find anyone who can represent the enterprise's assets. Now we want to ask: While Marx, on the basis of the principle that the assets of an enterprise are all crystallizations of the labor of the enterprise's laborers, proposed that workers expropriation of the capitalists property was only the recovery of their own previously lost property, why then can we not remove the intermediary of state organs which has been inserted in the ownership relationship between the laborers who are the main owners of the means of production, and allow the laborers to directly own the creations of their own labor. In accordance with the above-mentioned principle of Marx, and specifically aimed at the fact that state ownership is "empty ownership" by individual laborers, I propose the concept of "individual real ownership by laborers" of the means of production, with individual labor by the enterprises' laborers as its basis. Following this train of thought, I propose breaking free of the

bottleneck situation in our nation's present economic structural reforms as follows: We should reform the state ownership system and establish a new form of public ownership whereby there is "individual real ownership by laborers."

The specific method for achieving this idea is, within the enterprise to determine each worker's share of ownership in accordance with the length of time they have worked in the enterprise and the size of their labor contribution. That is each laborer's ownership will be equivalent to the value he has created himself through his crystallized labor precipitated in the assets of the enterprise. In order to ensure that this ownership truly becomes individual real ownership continually realizable in economic activities, it is possible to implement a system of ownership certificates. That is, in accordance with the amount of each laborer's individual crystallized labor precipitated in the value of the assets of the enterprise, each laborer will be given ownership certificates clearly demarcated with nominal amounts. Then, at the end of each year, the individual laborers will, through their ownership certificates, obtain their "fruits" as determined by the operational earning of the enterprise in that year. [Footnote: The economic earnings obtained by the staff and worker owners through their ownership certificates are referred to as "fruits" to differentiate them from dividends obtained through shares. The term "fruits" is often used in legal documents, but in this article it is given this special fixed meaning.] Each laborer's annual amount of ownership certificates can be calculated in accordance with the following formula:

$$Pq \text{ equal } W \times Pr / V$$

In this, Pq is the annual amount of ownership certificates to be received by each individual laborer. W is the individual laborer's annual wage. Pr is the enterprise's surplus profits and V is the total amount of the enterprise's annual wages.

In the above formula, Pr , which is the surplus profit of the enterprise, is the central category. It not only directly determines the coefficient Pr/V , which is used to calculate the amount of each laborer's ownership certificates, but in itself it is the total amount of crystallized labor precipitated in the assets of the enterprise created in that year by the total number of personnel of the enterprise. While the investment of those who invested in the enterprise has not been completely repaid, the enterprise must also rely on Pr to pay back the investment of the investors. Thus, how to calculate Pr is the crux of the question. An initial idea is that we can use the following formula to calculate Pr :

$$Pr \text{ equal } P - Tx - Ii - Mi - Oe$$

In this, P is the enterprise's gross profits, Tx is the tax payments to the state, Ii is the interest on the funds invested by the investors in the enterprise, Mi is the fruits of the ownership certificates of the enterprise's laborers and Oe is the various other expenditures of the enterprise which were not calculated in costs.

The above formula is still quite abstract, so let us take an example to explain the process by which individual real ownership by laborers is to be

achieved. Let us suppose a newly-established enterprise is completely funded through external investment of 100,000 yuan (irrespective of whether it is mainly investment by the state, a bank, an enterprise, foreign funds or any other persons) and in the organic structure of the assets, V: C equal 1:4, that is Viis 20,000 yuan and C is 80,000 yuan, that there is a wage profit margin of 100 percent and this 20,000 yuan of V can be used to employ 20 workers. After taking into consideration taxes to be paid to the state, the recovery of investment and interest by the investor, the fruits obtained by enterprise employees holding ownership certificates and other such factors, we can suppose a profit rate of 10 percent. We must also assume that production is being carried out under conditions of simple reproduction. Thereby, we can obtain the following chart. (The figures underlined indicate the value created by the labor of the enterprise's laborers precipitated in the enterprise's assets. That is, the enterprise's laborers own assets created through their own labor).

c plus V Plus M equals k plus M

1st Year					2nd Year				
(80,000 plus 0)					(76,000 plus 4,000)				
-					---				
plus					plus				
(20,000 plus 0)					(19,000 plus 1,000)				
-					---				
plus					plus				
20,000					20,000				
equals					equals				
(100,000 plus 0)					(95,000 plus 5,000)				
-					---				
plus					plus				
20,000					20,000				
.					.				
.....									
.					.				
Tx	Ii	Mj	Oe	Pr	Tx	Ii	Mj	Oe	Pr
4,000	10,000	0	1,000	5,000	4,000	9,500	500	1,000	5,000
(Returned Investment)					(Returned Investment)				

21st year

(0 plus 80,000)

 plus
 (0 plus 20,000)

 plus
 20,000
 equals
 (0 plus 100,000)

Figure 1 is a dot plot showing the distribution of the number of loci with significant differences between the two groups (Tx and Pr) for the five loci (Tx, Ii, Mj, Oe, Pr). The x-axis represents the number of loci (0 to 5,000) and the y-axis represents the number of individuals (4,000 to 20,000). The plot shows a single dot at the top for each locus, indicating a significant difference.

From the above chart, we can see that despite the fact that the initial investment of 100,000 yuan in funds was provided by an external investor, after 20 years the laborers of the enterprise have, through the surplus profits created by their own labor, repaid the principal and interest, so that Sigma Pr equals k . In this way, the value of the assets of the enterprise have completely become the crystallization of the labor of the enterprise's entire staff, and thus the enterprise's property is entirely owned by the 20 workers of the enterprise. At the same time, while the enterprise is repaying the principal and interest, we can use the formula $\text{Pq equals } w \times \text{Pr} / V$ to calculate the annual ownership certificates amount for each laborer. If we put the figures into the formula, we obtain the following:

In this way, after 20 years, each worker will have in his hands an average of 5,000 yuan of ownership certificates. If we assume the interest rate to be 10 percent, then in the 21st year, each laborer, apart from his wage income through his participation in labor, can also obtain from the enterprise 500 yuan of fruits as a realization of his ownership of the value manifested by his 5,000 yuan of precipitated labor in the enterprise's assets.

First, in terms of the enterprises, because we will have changed the state ownership system to a new concrete form of public ownership whereby there is individual real ownership by the laborers of the enterprise, it will cause the socialist ownership to become more specific, more concrete, more individualized, more quantifiable and more clear-cut. This will thereby basically resolve the present vagueness in terms of the principal of the property of our nation's enterprises, which has led to the problem whereby in the enterprises nobody can represent the assets and it is difficult to realize rational operations. This will further enable the state to give up its administrative intervention and control of enterprises, and allow the enterprises to become independent commodity producers which can take decisions for themselves and in which ownership and operating rights are internally

unified. As, after implementing this type of ownership system, the state will no longer have ownership rights over the property of enterprises, there will be no need for the state to appoint or delegate factory directors. This will also create conditions for workers' economic decision-making and democracy in socialist economic activities. After implementing this system of individual real ownership by laborers, the enterprise's staff and worker owners' (including those who are on the job, those who have retired and those who have been transferred to other units) representative conference (selection of representatives in accordance with ownership certificates held can be considered) can become the enterprise's highest organ of power. The enterprise's staff and worker owners' representative conference will produce a permanent committee (similar to a board of directors) and this will decide on and approve long-term and important operational strategies and the allocation ratio between accumulation and wage income. It will also invite applications and appoint the director of the enterprise. As soon as a director is appointed, he will organize and review the production operations department of the enterprise and establish and perfect the various management and functional organs of the whole factory and control and manage, in an overall way, the whole factory's production operations activities. At the same time, the trade union's supervisory power over the factory director and the production operations department will be strengthened. In this way, we will form a situation whereby there is a tripartite structure with the permanent committee produced by the enterprise staff and worker owners' representative conference, the factory director and the production operations department, and the trade union, each restricting and balancing the others. In terms of distribution forms within the enterprise, we can adopt the double-channel system. Workers on the one hand can obtain their wage income on the basis of the amount of the labor they have invested in the enterprise. On the other hand, they can obtain fruits, on the basis of the amount of their condensed labor precipitated in the enterprise's assets as attested by their ownership certificates. As far as retired workers are concerned, as they are no longer investing their own live labor in the enterprise, they have lost their qualifications for obtaining wage income. However, the retired workers, as their condensed labor from several decades of working for the enterprise is precipitated in the assets of the enterprise, will be able to annually obtain fruits from the enterprise through the ownership certificates. Thereby, the retirement fund system will have to be appropriately changed.

Second, in terms of the enterprise's external environment, after the system of individual real ownership by the laborers is implemented, we can consider establishing an ownership certificate trading exchange and allowing ownership certificates to be exchanged, to be bought and sold and to be inherited. The staff and workers should also be able to go to banks to discount their own ownership certificates. In the environmental external to the enterprise, an important aspect is that, following the establishment of the system of individual real ownership by laborers and the implementation of the ownership certificate system, there will be an overall relaxation of state control of pricing. Thereby there will be established a real system of commodity economic movement and a complete market mechanism. As soon as these external conditions are formed, the enterprise's economic income will be completely determined by the production operations situation of the enterprise.

In this way, within a complete system of commodity economic movement and a complete market mechanism, because different enterprises have differing production operation situations in different periods, there will be fluctuations in the fruits people will obtain from their enterprise through their ownership certificates. If the enterprise's operations are good, the laborers not only will obtain more wage income, but as owners they will obtain more fruits through their ownership certificates. In the other situation, if the enterprise's production operation situation is not good, every member of the staff will see a reduction in both of their incomes. If the enterprise goes bankrupt in competition, the laborers not only will face the danger of unemployment, but also face the situation where their ownership certificates, verifying their labor condensed in the enterprise's assets could become worthless. In this way, the double channels will force all of the staff members of the enterprise, looking from both their immediate and long-term interests, to concern themselves with the growth and development of the enterprise. This will undoubtedly form, on the basic level, a transfer mechanism by which the motivation of an enterprise's staff and workers to obtain consumption expenditure will be changed into a motivation to increase the assets of the enterprise, and thereby will lead to an automatic rationalization of the enterprise's activities.

After completing the change from the system of state ownership to a system of individual real ownership by laborers, the state will basically no longer be the main owner of the means of social production. This will further provide conditions for the separation of government and enterprise functions, for the political structural reforms and for the transfer of state economic functions from operational ones to regulatory ones.

What benefits are there in implementing this type of system of individual real ownership by laborers?

1. The "system of individual real ownership by laborers" is a new type of public ownership. It changes socialist public ownership from a theoretical hypothesis to an objective reality. Because the implementation of this system of individual real ownership by laborers maintains the prescribed nature of the basic social form, that is our nation's socialist public ownership, it also maintains the socialist nature of our nation's economy, and does away with the problem which inevitably arises with the implementation of a stock economy, whereby some people through the ownership of the means of production obtain the results of other people's labor.

2. The system of individual real ownership by laborers unifies ownership and operations within the enterprise itself. This is in harmony with the movement mechanism of the socialist commodity economy. Thus, the implementation of this system can do away with the friction and clashes that occur between the present state ownership system and market mechanism in economic movement. Therefore we can say that we have found a harmonious and complementary ownership system for the establishment of our target system model which will play a role as a macro-regulatory market movement mechanism.

3. The most important point is that the implementation of this ownership system will resolve the present problem whereby, because there is a vagueness about the principal of the property in state-owned enterprises, there is no one who can represent the assets. Thereby, the allocation between expanding reproduction and consumption income will be decided by balancing the immediate consumption of each laborer and long-term consumption, that is by balancing immediate interests and long-term interests. Thus, there will be a transfer of the laborers' consumption motivation to a motivation for expanding the enterprise's assets, as well as mutual conduction and an automatic balancing between the two. By this means, the enterprise will be able to automatically move towards rationalization without external compulsion or inducement.

4. The implementation of this type of individual ownership system by laborers will prevent the problem whereby because of the exclusivity of ownership in existing collective enterprises, there is an exclusion of labor and funds flow. This system will be of benefit in promoting the free flow of labor and funds. In terms of labor flow, when a new laborer comes to work in an enterprise which has implemented this type of ownership system, the question of his owning the existing assets of the enterprise does not arise. However, from the day he starts work in that enterprise, he will begin to have ownership of that part of the value of the enterprise's assets in which his labor is precipitated. The amount he owns will grow as the time he has worked in the enterprise increases. As for the original laborers within that enterprise, because each laborer has a clear share of the assets of the enterprise, when the new laborers enters the work group to work, there will be no question of them encroaching upon their interests or ownership rights. Thus, they will have no reason or need to exclude other people from coming to the enterprise to work. On the other hand, if a worker transfers from one enterprise to another enterprise to work, he will not take any of the original enterprise's assets. He will only take certificates representing his accumulated labor in the original enterprise, and each year will return to collect his fruits. Clearly, this type of ownership system structure cannot provide any obstructions to the free flow of labor. If we look at this from the angle of the flow of funds, we will see that the same situation exists. Enterprises which have internal impetus for asset expansion will, under commodity economy conditions, naturally invest their excess financial strengths into new prosperous sectors and industries. Those enterprises which are short of funds or newly established enterprises will also naturally welcome investment from outside. This will give rise to the free flow of funds. From this we can see, this system of individual real ownership by laborers can coincide with and coexist with the stock economy.

5. The method by which the amount of an individual laborer's labor which is concentrated in the assets of the enterprise is calculated and by which individual ownership is realized, obviates the various problems whereby the situation of investment principals being different and the technological make-up of investments being different, results in individualization of the public ownership system being difficult to achieve. Thus, this system has wide suitability. It is not only suitable for use in medium-size and small enterprises, but also suitable for use in large-scale enterprises. Not only is it suitable for use in industrial enterprises but also suited for use in

enterprises in other material production sectors. Not only is it suited to use in state-owned enterprises, but also suited to use in collective enterprises, township enterprises and joint-fund enterprises.

6. As the implementation of the system of individual real ownership by laborers is only making the property rights of laboring people, which originally existed only in theory, more clear, more concrete and more specific, this actually gives the ownership, which the state had exercised as a representative of the people, back to the laborers. Thus, changing the state ownership system to a system of individual real ownership by laborers is not wresting ownership rights from the hands of the people in one part of the society and transferring them to others and is not a violent change of the socioeconomic ownership system. Rather, it is only self-perfection and self-realization by the socialist public ownership system. Thus, it cannot lead to acute social friction or conflicts.

Implementing the system of individual real ownership by laborers not only has the above-mentioned superiorities shown in the theoretical analysis, but also is clearly feasible in the present actual practice of reform. In the course of the reforms over the last few years, some township enterprises have, through the methods of appraising assets and issuing shares in accordance with labor, actually implemented this type of ownership. Also, after some enterprises implemented this ownership system, the enterprises' speed of development and economic benefits both saw quite marked improvements. [Footnote: See Zhang Xinwen [1728 2450 2429] and Jiao Yusheng [3542 3768 4141]: "An Investigation into the Overall Implementation of Share-style Cooperation in Changxing Village" in DONGYUE LUNCONG 1985, No. 5. Also see Zhang Lin [4545 3829] "A Summary of Discussions over the Last Year Concerning the Rural Cooperative Economy" in JINGJI YANJIU 1986, No. 3).

2. Present Implementation Methods and Auxilliary Measures

The problem facing us is how we are to implement this system of individual real ownership by laborers for the hundreds of millions of assets of existing state-owned enterprises. In the actual situation at present, in calculating the ownership certificate amounts for the staff of state-owned enterprises, we must first take decisions on the following three points.

1) Existing state-owned enterprises, regardless of where their initial investment came from, will all be assumed to have the state as investment principal. Thus, the property relationship between the investor and the receiver of the investment, which is involved in the calculations, will be the relationship between the state and the various existing state-owned enterprises. 2) In calculating the amount of ownership certificates for each laborer, we should do a calculation for each laborer based on his years of service and the total wages for each year. This should be calculated for each year back to the day he first started work in the enterprise. 3) The object of the ownership denoted in the ownership certificates issued to the laborers of each enterprise will be the current value of the assets of their enterprise.

With the above three points clarified, we can consider the calculation of the amount of ownership certificates given to individual personnel of each enterprise. This can be calculated through the formula $Pq \text{ equal } W \times Pr / V$. The annual wage W of each laborer in the past and the total annual wages V of the enterprise can be found in the accounting records of the enterprise, so the problem here is how to determine Pr . Because of the irrational factors in pricing under the traditional system, it will clearly not be a rational option to calculate the amount of each laborer's concentrated labor precipitated in the assets of the various enterprises based on the actual profits each enterprise handed over to the state each year. Also, because in the past the state had the system of unified state receipt and allocation of profits from state-owned enterprises, we actually have no way to calculate what part of an enterprise's profits was the Tx , being handed over to the state as taxes, which part was the Ii , being returned to the state as interest on investment and which part was the Pr , being the repayment of the state's investment. Faced with this objective reality, it might be best for the state to provisionally stipulate, in a unified way, a value for Pr / V for use in state-owned enterprises throughout the country. Then, regardless of whether an enterprise was or is making profits or losses and how much profit or loss each enterprise makes, in all state-owned enterprises throughout the nation, the Pr / V coefficient which the state has provisionally set in a unified way will be used to calculate the amount of concentrated labor of each laborer precipitated in the assets of every enterprise over the last 30-plus years. In this way, we will avoid the various problems by which the differing technical make-up of investment by the state in different enterprises in the past and the irrational price factors has produced a situation in which it is irrational and impossible to calculate the amount of the ownership certificates of the laborers in the various enterprises on the basis of the actual profits handed over to the state by the enterprises. When the state is concretely formulating the $Pr3V$ coefficient, factors such as the total value of assets of state-owned enterprises throughout the country, total wage figures for the staff and workers of enterprises throughout the nation over the years and the present financial situation of the state can be considered in a comprehensive way.

Once we have the national unified Pr/V coefficient for calculation, we can, within each enterprise, calculate the amount of ownership certificates due to individual laborers on the basis of the years a laborer has been in the factory and the annual amount of his wage income. After each worker's ownership certificate amount has been calculated, each enterprise should do a comparison of the total amount of ownership certificates of all the personnel who have worked in that enterprise (including those staff members on the job, retired personnel, personnel who had worked in that enterprise but who had subsequently transferred to other enterprises) and the total amount of assets of the enterprise. If, on comparison, the two are just equal, the loan relationship between the state and the enterprise will be finished. This type of enterprise will have realized individualized collective ownership, of the assets of the enterprise by the personnel within the enterprise. Apart from levying taxes, the state will allow such enterprises to operate independently and make their own decisions. If, through the calculations, the total amount of the personnel's ownership certificates in an enterprise is smaller than the

total amount of the enterprise's assets, the ownership of the difference should be retained in the hands of the state. In such enterprises, apart from levying taxes, the state will continue to claim back principal and interest on the assets which constitute the difference. This will continue only until the enterprise completely repays the state's investment with its Pr.

As PR/V is a very flexible coefficient, the state, in fixing the figure, will base its decision on an overall consideration of the entire situation of the national economy at present. If we subjectively wish to change the state ownership system into the system of individual real ownership by laborers as quickly as possible, and consider the conditions for reform to be quite ripe, the state can fix the Pr/v value a little higher, so that the total amount of ownership certificates issued to the staff and workers of state-owned enterprises throughout the nation approaches (but in no situation may it exceed or even equal) the total value of the assets of existing state-owned enterprises. In this way, we will, within quite a short period, be able to complete the transformation from state ownership to individual real ownership and thereby quickly realize individualization of the public ownership system. If it is felt that at present our conditions for reform are not ripe or in consideration of the difficulties of state finances, we can fix the value of Pr/v a little lower, so that the total amount of ownership certificates of laborers in the vast majority of state-owned enterprises is lower than the value of the enterprises' assets. In this way, the state can temporarily control some asset shares of enterprises, and require the enterprises, in the course of reform to continue to repay the state's remaining investment in the assets of those enterprises. In this process a macroregulatory system of economic movement which involves a complete market mechanism will gradually be established. When the majority of the existing state-owned enterprises have completely repaid the initial investment made by the state, this complete market movement mechanism will have been established. At that time, the state will have no need to set down a unified national Pr/v Value, and it can let each enterprise set its own Pr/V value on the basis of its annual production operations situation and its actual surplus profits.

Above, we have only set down in a preliminary way the calculation methods in implementing the system of individual real ownership by laborers. Through analysis, we can see that realizing the change from state ownership to individual real ownership by laborers requires the implementation and perfection, at the same pace, of a market movement mechanism. These two processes, it should be said, promote each other and have each other as a condition for their own implementation. Without a complete market movement mechanism, the enterprises' profits will not be able to truly reflect the enterprises' production operations situation, and it will be practically impossible for the enterprise to use the Pr/v Value to calculate the annual amount of ownership certificates to be given to the personnel within the enterprise. On the other hand, the reason we cannot free the enterprises from the control and intervention of the state, and thereby are unable to form a complete market mechanism, lies in the fact that our enterprises do not have the microeconomic base by which they can automatically move towards the rationalization of their activities. The aim of our changing the state ownership system to a

system of individual real ownership by laborers is precisely to resolve this problem of a microeconomic basis for economic movement. In this sense, implementing the system of individual real ownership by laborers is a prerequisite for relaxing the state's direct control of and intervention in enterprises, so that thereby a complete market mechanism can be formed. Without this precondition, then inevitably as soon as there is relaxation there will be inflation which will in turn lead to chaos. Thus, here we have a dilemma. The key to resolving this dilemma is also Pr/v. Above, we have already pointed out that if in the state-owned enterprises across the nation, we provisionally stipulate a unified Pr/V coefficient for calculating individual laborers' ownership certificates, and we set the value a little low, then it will result in the state still having investment in the vast majority of enterprises and the enterprise will be required to continue repaying the state's investment. Thus, the transfer of state ownership to complete individual real ownership by laborers will be a process. In this process, although the laborers of the enterprise will not own all the assets of the enterprise, all the laborers in the enterprise will have in their hands ownership certificates of differing amounts for the enterprises' assets based on years of service and wage level. Thus, the workers personal interests will be bound together with the enterprise's production operations situation and the growth of assets. In this way, a balancing mechanism within the enterprise for rationalizing the enterprise's activities will have been basically formed. This will gradually consolidate a microeconomic movement base on which we can build a complete market mechanism with macro-regulatory functions. Once we have this base for gradually strengthening socialist market movement, at the same time as we complete the gradual transition from state ownership to individual real ownership by laborers, we will be able to adopt complementary complete market movement mechanism measures. In this way, the two will promote each other and we will be able to realize the final goal of our nation's economic structural reforms--the establishment of a planned commodity economy based on public ownership.

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NATIONAL AFFAIRS, POLICY

ENTERPRISE INVIGORATION KEY TO URBAN REFORM

Beijing ZHONGGUO JINGJI TIZHI GAIGE [CHINA'S ECONOMIC STRUCTURE REFORM] in Chinese No 1, 23 Jan 87 pp 4-6

[Article by Gao Shangquan [7559 1424 0356]: "Enterprise Invigoration as Engine of Urban Economic Reform"]

[Text] By implementing the policy--"consolidate, assimilate, digest, and supplement"--in depth in the year just ended, 1986, we have laid a solid foundation for fresh progress in reform. Based on the demands of reform and the emerging situation and in accordance with the objectives and mission of the Seventh 5-Year Plan, the general plan for restructuring the economic system this year is this: On the basis of continuous reform and steady growth in the national economy, closely revolve our effort around the central link of invigorating enterprises, particularly large and medium-sized enterprises, actively look for ways and forms whereby the ownership of enterprises can be separated from management, give enterprises full managerial autonomy, improve the conditions in which enterprises operate, and intensify enterprise reform; gradually establish a market for means of production and a short-term fund market; speed up the pace of financial reform, make corresponding reforms in the planning, investment, material circulation, labor, and wage systems, explore the direction of government machinery reform and indirect control of macroeconomic management, and promote the development of a socialist commodity economy.

Looking back at the course of reform over the past few years, enterprise invigoration has remained the starting point and cornerstone of urban reform. Practice shows that pushing on in the direction of reform is a proven success. First of all, the purpose of reform is to establish a new vital, dynamic economic system to fuel the development of social productive forces. And enterprises are the cells of a social economy, the very foundation of an economic system. We must begin by building a strong microeconomic basis and mobilizing the initiative and creativity of enterprises and the mass of workers. Only when there are genuine commodity producers and operators can we talk about developing a planned commodity economy. Only then will the entire urban economy burst into life. Second, the experience of reform shows that enterprises have gained in vigor and modified their mechanisms somewhat due to such external reform measures as administrative simplification, decentralization, reduction of the tax burden, and decrease in command

planning, and corresponding internal reforms. But the development has been uneven: state-owned enterprises, particularly large and medium-sized enterprises, are not dynamic enough and their economic results are not good enough. They have yet to completely establish themselves as relatively independent commodity producers and operators. Thus the task of intensifying enterprise reform remains an arduous one; much has yet to be done. Third, from the perspective of reform as a coordinated whole, enterprises impinge on economic relations in all areas; in the macroeconomic realm, they are the primary target of reforms in the planning, fiscal, financial, and price systems. Consequently, making enterprise invigoration the centerpiece around which we plan other reforms demonstrates policy stability and continuity, which helps enterprises improve their operational mechanisms, on the one hand, and ensures sustained, steady national economic growth, which is conducive to reconciling reform with development, on the other.

The Seventh 5-Year Plan is a crucial period in urban reform. This year and next, there must be real progress in reform to speed up the transition from the old system to the new. The model enterprise we aim for is the genuinely relatively independent economic entity, a social commodity producer or operator that enjoys managerial autonomy and is accountable for its own profits and losses. It should be capable of self-accumulation, self-transformation, self-development, and self-restraint, and can function as a legal person with specific rights and obligations. When it comes to implementation, however, different theories exist. Some stress reforms in the external environment, such as measures decentralizing power to enterprises, allowing them to keep more profits, or improving the market environment. Others emphasize changing the internal mechanisms of an enterprise, as by reducing the accounting unit and reforming the distribution system. Because of a failure to coordinate reforms in macroeconomic regulation and microeconomic mechanisms, things are not likely to work as effectively as anticipated. First, enterprises actually received much less power than what was decentralized from the top because some of it has been siphoned off by middle levels and some was apportioned in society. Moreover, when microeconomic reform conflicts with macroeconomic management, the higher authorities tend to tighten the reins again. The result is that large and medium-sized state-owned enterprises still wound up lacking the financial and managerial autonomy necessary for self-accumulation, self-transformation, and self-development. Second, enterprises have yet to master budgetary restraint. They assume responsibility for profits, not losses, and have no self-regulatory mechanisms in business. They emphasize consumption at the expense of accumulation and are insensitive to macroeconomic regulation. Third, enterprises lack an open, unified, coordinated external market and hence cannot compete under equal conditions. Consequently, there is a tendency to reject the market and attach oneself to an administrative agency. To solve the problems above, we must, on the one hand, go in for comprehensive treatment and coordinated reform to equip enterprises with these six types of capabilities or mechanisms: "managerial autonomy, accountability for profits and losses, self-accumulation, self-transformation, self-development, and self-restraint." On the other hand, we must come to grips with the major difficulties in the invigoration of large and medium-sized enterprises and conscientiously work out the managerial mechanism problems of public-owned enterprises so that they can enjoy full managerial autonomy.

The separation of enterprise management from enterprise ownership is an important part of the intensification of enterprise reform and enterprise invigoration. It also holds the key to reconciling macroeconomic management with microeconomic vitalization. Research around this matter will do much to enrich and advance reform both theoretically and practically.

We must explore ways to separate enterprise management from ownership through experiments in stockholding. One purpose behind stockholding is to personalize and give tangible form to ownership relations and integrate the interests of the state, enterprise, and individuals organically, in contrast to the past when everybody was an owner of a public enterprise but nobody could be held accountable. Second, stockholding can introduce mutual restraint among the owners, managers, and producers of an enterprise to help rationalize enterprise conduct. Third, stockholding helps pool idle social funds, steers consumption funds into horizontal circulation and promotes their rational use. Fourth, stockholding can train a corps of far-sighted, shrewd, and capable socialist entrepreneurs to be a vital force in the development of a commodity economy. So on and so forth. We must diligently look for new approaches toward establishing a stockholding economy with Chinese characteristics on the basis of socialist public ownership. Apart from small enterprises, a limited number of large and medium-sized state-owned enterprises may also be selected to carry out pilot projects provided they meet the requirements. When enterprises invest in one another or join forces to start a new enterprise, their investments should best take the form of stocks.

Another important way to separate enterprise management from ownership is the enterprise managerial responsibility system, which primarily assumes the form of leasing and contracting. Leasing and contracting are a good form created by the masses based on what they have learned from rural reform. In their diverse, flexible forms, they are widely applicable and have great vitality. A highly persuasive example is provided by a peasant named Wu Jilong [2976 0679 7893] in Gaocheng County in Hebei Province. Since 1982 he has successively leased or contracted to run three enterprises and workshops, all perennial money-losers on the verge of bankruptcy, and turned them around miraculously, with economic results soon reaching advanced national levels. How did Wu Jilong, who had only a junior high school education and was for 10 years a temporary worker, achieve the miracle? The key was leasing and contracting, which he found a good way to separate ownership from management. Through leasing and contracting he has obtained all the managerial powers a genuine manager should have, along with the responsibilities and pressures. Wu Jilong works under a sense of urgency, of pressure, and of crisis. He also has professional ambition, a sense of responsibility, and a pioneering spirit. Even as external conditions remained more or less the same, he changed managerial mechanisms within the enterprises, which soon transformed and gave them a new look. Practice tells us that conditions are now in place for the widespread implementation of leasing and contracting among small enterprises owned by the whole people and that it has good prospects. Some medium-sized enterprises which have been incurring losses or are marginally profitable too may experiment with leasing and contracting selectively. Other large and medium-sized enterprises may also implement the managerial responsibility

system in its various forms. It should be pointed out that stockholding and leasing and contracting can go in tandem. Reform here can take a multitude of forms, which are flexible and extensively applicable. They are also protected by the law and are standardized and stable. If we continue to explore and reform in this direction boldly, we will slowly separate enterprise ownership from management and enable enterprises which have an innovative spirit to be fully autonomous in production and management even as they comply with relevant government regulations; stabilize the relations between the state, enterprise, and workers within a period of time and effectively prevent short-sighted conduct; break out of the many strictures which previously had been a strangle-hold; and achieve economic results impossible in the past and bring about a breakthrough in enterprise reform.

The key to intensifying enterprise reform is to zero in on the reform of the managerial mechanisms of state-owned enterprises, gradually decentralize enterprise management, and entrust the enterprise and its managers with powers, responsibilities, and interests. Once we master this vital aspect, we can then make the best use of the situation and "launch an offensive" in an even wider area to adjust all kinds of economic relations incompatible with it, expedite corresponding reforms in all spheres, and create an environment truly conducive to the development of a socialist commodity economy. It can be said that the separation between ownership and management constitutes a new demand on the reform of macroeconomic management, on the one hand, and sets the stage and provides an opportunity for such reform, on the other. To give enterprises full managerial autonomy, we must earnestly implement a series of laws and regulations promulgated by the State Council to augment enterprise autonomy, amend or annul those documents that violate, in letter or spirit, regulations aimed at enterprise invigoration, shake up and restructure companies of an administrative nature, and prevent all kinds of unreasonable apportionment. To help enterprises develop a capacity for self-accumulation and self-transformation, we must further lighten the tax burden on state-owned enterprises, offer classified depreciation across the board, adopt preferential policies, guide enterprises into plowing their profits into investments of a production nature, and significantly increase the ability of an enterprise to create wealth. To make enterprises genuinely responsible for their profits and losses and be able to grow through competition on the marketplace, we must continue to push ahead with price reform and establish a market for means of production and a fund market as soon as possible so that enterprises can respond to changing market demand by expanding or cutting production at any time. To enable an enterprise to develop self-restraint mechanisms within a framework of indirect macroeconomic control, we must further reduce the relative scope of command planning, gradually establish and perfect a system of indirect regulation, and get the most economic leverage out of taxes, interest rates, credit, and exchange rates. In the main the state will be relied on to regulate the market, while the latter will guide enterprises.

The separation of ownership and management will also usher in a brave new world for related reform within enterprises. This year we must accelerate leadership system reform inside enterprises and implement the enterprise director (manager) responsibility system across the board. The director represents the enterprise as a legal person, assumes full responsibility for

its work, is centrally positioned, and plays a pivotal role. Whether or not we succeed in promptly training a corps of entrepreneurs who are reform- and innovation-minded and have a good grasp of the law of value and the commodity economy will have a direct impact on reform and the magnificent undertaking of the four modernizations. Therefore, enterprises having adopted stockholding, contracting, or leasing must leave management in the hands of well-qualified entrepreneurs who have won bids or been elected by the masses. Furthermore, we must carry out a system under which an enterprise director (manager) will be held responsible for fulfilling certain objectives within his term of office. We must remove all kinds of external interference to effect a quick transition in China's enterprise management from the age of the bureaucrat-factory director to one teeming with talented entrepreneurs. About the reform of the distribution system of enterprises. On the one hand, we can widen the gaps between the earnings of different enterprises with different economic results by adjusting the bonus tax rates. On the other hand, we must conscientiously improve the way energy and raw material savings awards are awarded to avoid "beating the fast cow." As for the specific forms and methods of distributing wages and bonuses within enterprises, in future enterprises should be allowed to make their own decisions within the total payroll level set by the government and other policy limits. That way enterprises can take realities as their point of departure and create an effective new system that lives up to the principle, "distribution according to work." Also, corresponding changes in the labor system and new recruitment and hiring practices adopted by state-owned enterprises have further smashed the "iron rice bowl" and destroyed the "life tenure system." The trial implementation of such economic laws and regulations as the "Enterprise Bankruptcy Law" will confer new powers and responsibilities on enterprises; they are both a safeguard of reform and an engine driving it forward. On the strength of extensive horizontal economic connections that have sprung up, many enterprise groups dominated by large key enterprises or factories manufacturing brand-new products are in the process of being set up on the basis of voluntarism and mutual benefit. They are dynamic forces that will blaze new trails for industrial management and planning reform in China. With all these issues, enterprise reform will be a highly fruitful area.

This year is the second year in the Seventh 5-Year Plan, also a vital time in the effort to lay a foundation for a new economic system. Our push for comprehensive coordinated reform centered on the invigoration of large and medium-sized enterprises owned by the whole people will necessarily touch all economic aspects. It is a complex and herculean task. However, after years of reform and study, the whole party and entire people are now even more united in their understanding of the firm commitment to reform, have a clearer vision of the path of reform, and have more experience in reform. Enterprises too are materially and mentally ready to take a new stride. Therefore we must become more confident, seize the current favorable opportunity, explore boldly, and work cautiously. That way we will certainly be able to advance the restructuring of the urban economic system one step forward.

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PROVINCIAL AFFAIRS

CITIES' ECONOMIC ASSOCIATION SCORES ACHIEVEMENTS

SK110158 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 8 Jan 87

[Text] The drive to conduct reforms has brought vigor to the economic and technical association of seven cities in central Liaoning. At present, the 7 cities are further establishing economic cooperative units among the 28 industries and trades with the participation of various social circles and with cooperation in various fields. In 1986 the economic units of these cities fulfilled 616 technical projects of various categories and showed a 520-million-yuan increase in their output value and a 71-million-yuan increase in their profits and taxes.

The establishment of an economic and technical association by seven cities in central Liaoning has made a breakthrough in the closed and ossified system of urban administration and has provided precious and favorable experiences for bringing into play the multifunctional role of urban areas, upgrading the influence of urban areas, and conducting economic and technical coordination among cities in the country.

The economic technical association of these cities in central Liaoning was established at the end of 1984 and involves the cities of Shenyang, Anshan, Fushun, Benxi, Teiling, Dandong, and Liaoyuang. Since its founding by the seven cities, the economic and technical association has evolved from carrying out cooperation in a single contract or project to conducting long-term, stable, and overall coordination; from conducting material coordination alone to carrying out the combined cooperation in the four fields of the economy, technology, materials, and talented personnel; and from conducting cooperation among the enterprises to conducting such cooperation among the regions of these cities. To date, the seven cities have established more than 700 economic and technical coordinative units and have had a number of enterprise groups with wide-ranging, high-level, and all-round cooperation. For example, the seven cities have established the North China Nonferrous Metal and Gold Joint Industrial Group with the Shenyang smelter as its center and with the participation of 28 enterprises which has become a large industrial group in the country with overall cooperation in the techniques of mining, metallurgy, intensive processing, and sales.

The economic and technical association of these cities has turned the economic, technical, and material strong points scattered throughout these cities into a centralized strong point and has turned their weak point as a whole into a relatively strong one. In 1986 this association successfully built 13 joint projects by centralizing all strong points of the cities, which yielded more than 10 million yuan of output value.

In order to further develop the cooperation of these cities in central Liaoning, the economic and technical association held a board of directors meeting in Anshan City from 7 to 8 January. Attending the meeting were responsible comrades from the Economic and Social Development Center under the State Council, the State Commission for Restructuring the Economic System, the Economic and Technical Coordination Department under the State Economic Commission, the Academy of Social Sciences of China, the Northeast Economic Regional Planning Office, and provincial and Shenyang City organs.

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PROVINCIAL AFFAIRS

LEADERS CONDUCT INVESTIGATION, STUDY IN POOR AREAS

HK011107 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 30 Dec 86

[Excerpts] Jointly with the principal leaders of Shaoguan City and the secretaries of six county party committees in the limestone mountain areas of north Guangdong, Governor Ye Xuanping and Vice Governor Ling Botang led responsible comrades of provincial departments concerned to Lechang County to conduct investigation and study and to discuss a great plan for helping the poor limestone mountain areas of north Guangdong get rid of poverty and get rich. They put forward many important views on how the poor limestone mountain areas can get rid of poverty and get rich.

Vice Governor Ling Botang pointed out: To get rid of poverty and get rich, the poor limestone mountain areas must first solve the problems of clothing and food. Through the work of developing production and helping the poor, they must base their work on the exploitation of their local resources, the development of diversification, and on the building of the varied production structures. They must vigorously organize the export of labor service and gradually shift labor forces onto the secondary and tertiary industries so as to improve the quality of labor forces and to increase their income. It is necessary to vigorously develop the building material industry and construction trade with the characteristics of the limestone mountain areas and to set up a large number of township enterprises which exploit and utilize local resources.

On the basis of investigation and study conducted in the limestone areas, leaders of the provincial and Shaoguan City departments concerned decided to take preferential measures toward 40 poorest limestone areas of Shaoguan City. The main contents include:

1. The agricultural tax and tasks of ordering grain in these areas are to be reduced or remitted.
2. Arrangements for the export of 10,000 laborers are to be made.
3. Two thousand peasant households whose conditions for production and livelihood are relatively difficult next year are to be removed from the mountains to the bottom of the mountains so as to move their villages to the river sides. The expenses are to be paid by the province.

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PROVINCIAL AFFAIRS

READJUSTMENT OF INDUSTRY POLICY REGULATIONS EXPECTED

HK160309 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 15 Dec 86

[Text] A reporter has learned from a meeting of the industry and commerce bureau directors of the cities, prefectures, and autonomous prefectures of our province that next year, our province will readjust some policy regulations in industry and commerce administrative controls to further stimulate the development of the socialist commodity economy.

In the township enterprises, the conditions for their establishment will be suitably relaxed. Except for the items involving social order, personal safety, and environmental protection which are subject to the examination and approval by departments concerned, all other items with conditions for production will be allowed to be registered in industry and commerce after approval by departments in charge. Township enterprises will be allowed to treat one trade as the main one and to carry out diversification. The conditions for the examination of credit will be relaxed. Apart from establishing companies, general enterprises will not be limited in the amount of capital.

In the household industry, the operation of household enterprises which keep ties with state-run and collective enterprises will be allowed. Except for material departments, rolled steel, cement, and timber can be run by a small number of state-run and collective enterprises and township enterprises designated by counties and cities. Individual industrial and commercial enterprises will be allowed to engage in the retail business of the means of production not covered by plans, including rolled steel, cement, and timber. They will also be allowed to be involved with steel and iron scrap of a nonproductive nature and in the batch sale of daily-use industrial products not covered by plans.

Advertisement business units will be allowed to formulate by themselves a tariff of charges, which can be enforced after approval by upper-level departments in charge. The pages and time for advertisements in newspapers, radio, and television can be suitably relaxed and determined by upper-level departments in charge of the operational units. All kinds of wines which honorably win the title of products of superior quality from the province and ministry will be allowed to be advertised through all media within our province. The other wines and cigarettes can be advertised with media other than newspapers, radio, television, and signboards.

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PROVINCIAL AFFAIRS

MANAGER RESPONSIBILITY APPLIED TO AUDITING WORK

HK180207 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 16 Dec 86

[Text] Beginning 1 January next year, our province will implement in the large and medium-sized industrial enterprises under ownership by the whole people the system of the factory director (manager) assuming economic responsibility for audit work before he leaves his post.

The implementation in the enterprises of the system of factory director (manager) assuming economic responsibility for audit work before he leaves his posts is an important measure for stepping up the operation and management of the enterprises, perfecting the system of factory director and manager assuming responsibility for attaining their targets during the tenure of their office, and examining the leading cadres of the enterprises.

The provincial government has decided that beginning January a small number of enterprises would be selected to implement this system on an experimental basis. It has also demanded that in the light of their own practical situation, all prefectures, autonomous prefectures, cities, and counties select one to two large and medium-sized enterprises by themselves as experimental units.

The provincial government has demanded that on the basis of the implementation of this system on a trial basis, audit departments at all levels seriously sum up experiences and expand in a planned way and gradually the scope, which carries out the system of factory director and manager assuming economic responsibility for audit work before they leave their posts, to all large and medium-sized industrial enterprises under ownership by the whole people which are independent units.

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PROVINCIAL AFFAIRS

GU MU VISITS GUANGZHOU ECONOMIC, TECHNICAL ZONE

HK180153 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 17 Dec 86

[Text] The Guangzhou economic and technical development zone has taken on initial shape after 2 years of construction. The investment environment is gradually being perfected. Yesterday State Counsellor Gu Mu expressed satisfaction with the construction results of the zone while conducting an inspection of it. He also wrote an inscription "Create the future in the course of reform."

Since it was established 2 years ago, this development zone has completed some 5 million cubic meters of earth work, and some 14 kilometers of main roads have been built. The zone has installed 20,000 meters of water supply pipes and 50,000 meters of drainage pipes, together with 1,000 digital telephones which can directly dial all parts of the world. Some 160,000 square meters of factory buildings have been completed, and a further 200,000 square meters are under construction. The zone has also established a streamlined and efficient administrative structure and system and trained a high-quality force of talent.

The emergence of this development zone has attracted attention at home and abroad. In the past 2 years several hundred businessmen from nearly 30 countries and regions have come to discuss cooperation. Some 130 enterprises importing from abroad and cooperating with units in the interior have been set up. Investment contracts totalling 500 million yuan have been signed. Thirty-one out of 64 productive enterprises involved in these contracts are now in operation, and their products have started to enter the domestic and foreign markets.

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PROVINCIAL AFFAIRS

IMPROVED MACROECONOMIC CONTROL IN GUANGDONG NOTED

HK011008 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0430 GMT 30 Dec 86

[Reports: "There Is Improvement in Macroeconomic Control in Guangdong This Year"]

[Text] Guangzhou, 30 Dec (Zhongguo Xinwen She)--Guangdong has this year made an effort in improving macroeconomic control, bringing about a switchover from a tight to an ample supply of funds and the normal circulation of capital.

Early this year, enterprises in various areas of Guangdong reported a shortage of liquid capital. To raise capital, various banks in the province energetically launched a campaign to attract deposits, and took such measures as expanding the savings network, increasing the types of deposits, improving services, and so forth to increase savings deposits. A new postal office deposit-taking service was also started. Up to the end of November, the total amount of provincial savings deposits showed an increase of 17 percent over last year. In addition, company bonds to the total value of 200 million yuan were issued to satisfy enterprises' own capital needs for new construction and expansion projects.

Guangdong has also this year energetically worked on developing a capital market to better regulate funds. It has promoted the circulation of funds that cuts across different areas and different trades. According to initial statistics, various areas of the province have done discount business to a total amount of more than 3 billion yuan with the exchange of bills introduced throughout the province. With the help of people's banks, 14 prefectures and cities and more than 100 counties (cities) throughout the province have at present set up centers for the exchange of bills, thus greatly shortening the time for the settlement of accounts, with several hundred million yuan more of money provided for the whole province every day.

Up to the end of last year, Guangdong Province's volume of loans in liquid capital showed an increase of more than 6 billion yuan over last year, guaranteeing the normal production process of the province's key enterprises.

According to a relevant department, Guangdong has performed relatively well this year in granting loans and handling ready cash, with a trend toward relaxation in the money supply-and-demand situation. The financial situation is relatively favorable.

Guangdong began last year to exercise macro control over the financial market, bringing capital construction and the extent of credit under control. This year, simultaneously with the strengthening of macro control, things have been enlivened in the microeconomic field, giving an effective boost to economic development.

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PROVINCIAL AFFAIRS

GUANGXI STRIVES TO REFORM ECONOMIC STRUCTURE IN 1986

HK030618 Nanning Guangxi Regional Service in Mandarin 1030 GMT 1 Jan 87

[Excerpts] In reform of the economic structure in 1986, our region seriously implemented the principle of consolidating, digesting, supplementing, and improving which was formulated by the central authorities and scored marked achievements.

In the beginning of 1986, by virtue of the power vested in the region by the law on regional autonomy of minority nationalities, the regional people's government revised, supplemented, and perfected a number of regulations on invigorating the industrial economy that were promulgated in 1984. The newly revised 12 articles were more relaxed in policy than the original 12 articles.

According to the provisions of the 12 new articles, some enterprises implemented the system of factory director assuming full responsibility and some others implemented the system of factory director assuming full responsibility for fulfilling his target during his tenure of office. With full decision-making power, a factory director could strengthen leadership over the enterprise.

Industrial production in the second half of the year was markedly speeded up. By November, industrial production increased by an average of 8.58 percent a month and the rate of increase was slightly more than the national rate of increase -- 8.4 percent. In the aspect of economic results, the amount of profits, income from sales, taxes on sales, costs, and capital of the industrial enterprises covered by the budget from January to November 1986 was higher than the national level.

The key point of reform of the urban economic structure in 1986 was to develop lateral economic ties. This year, leading comrades of the region led economic delegations to Guiyang, Guangdong, Wuhan, Shanghai, Jiangsu, Zhejiang and Heilongjiang to conduct investigation. They concluded agreements on economic and technological cooperation with fraternal provinces and cities which provided our region with favorable conditions for exploitation and construction. According to incomplete statistics, from January to the end of November 1986, our whole region concluded agreements with places outside our region on some 600 items of cooperation. After completion of these items, it is estimated that the output value may increase by some 100 million yuan.

Since 1986, financial, material, and science and technology departments have vigorously set up the market of capital, the market of means of production, and the market of science and technology. Cities including Nanning, Liuzhou, Wuzhou, and Beihai have one after another set up centers for exchange of bills to speed up capital turnover and raise the rate of capital employment.

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PROVINCIAL AFFAIRS

GUANGXI RIBAO URGES PERSEVERING IN REFORMS

HK030245 Nanning Guangxi Regional Service in Mandarin 1030 GMT 2 Jan 87

["Excerpts" from 2 January GUANOXI RIBAO Commentator's Article: "Persevere in and Deepen the Reforms"]

[Excerpts] During his recent inspection of Guangxi, Comrade Zhao Ziyang repeatedly stressed that invigorating the enterprises is the center of economic structural reforms in 1987. The recent central rural work conference proposed that reform is the main topic in rural work in 1987. This means that we must persevere in and deepen reforms both in the urban and rural areas.

Viewing the actual conditions of Guangxi, our tasks in reform are all the more urgent and heavy. We made a rather late start in rural reforms, and there are still many incomplete and imperfect aspects in the first stage of the reforms. The second stage of reforms has still not really started in certain places. In urban economic structural reforms, the majority of enterprises in the region have not been truly invigorated. Enterprises that should have been delegated to cities and counties have not been. Powers that should have been delegated to the enterprises by the localities and departments have not been truly delegated. Even in enterprises that have done relatively well in reform, old operational mechanisms are still constricting their vitality. These are the fundamental reasons for the fact that the region's economic development is not good enough. Only by persevering in and deepening reform can we invigorate the economy, mobilize the enthusiasm of all sectors, resolve the difficulties in talent, technology, capital, and so on that are affecting the region's economic construction, and stimulate the development of economic construction.

It has often happened in recent years that certain comrades who originally agreed with reform and actively carried it out lost their enthusiasm for it because they made mistakes due to lack of experience, or else because they were censured, blamed, or even dealt blows because others misunderstood them. This situation shows that in order to persevere in and deepen reform, the party organizations and the leaders at all levels must create a relaxed and harmonious environment for reform. Those people who do not take part in reform themselves but make irresponsible remarks about it and even resent and deal blows at those who work hard at reform must be criticized and their

practices must be stopped. We must support those comrades who actively work at reforms. If certain mistakes occur in reform, we should guide them to sum up the experiences and lessons, correct the mistakes, and persevere in reform.

Some comrades lose confidence when difficulties are encountered in reform, and are unwilling to persevere in and deepen reform. These comrades should realize that reform is a profound social change. At the present, various contradictions have emerged in the process of replacing the old system with the new. These have without doubt made it more difficult to deepen the reforms. We should make full ideological preparations for dealing with difficulties in reform. So long as we unswervingly act in line with party principles and policies and rely on the wisdom and strength of the masses, all difficulties can be overcome.

There are also some comrades who, while agreeing with reform, harbor reservations the moment the reforms touch on the interests of their departments or localities. These comrades should realize that delegating to the enterprises the powers of personnel, finance, material, production, supply, and marketing, which should be delegated to them, invigorates the enterprises, develops their production, and improves their economic results. It is beneficial for the overall situation. In the long term, it is also beneficial for the localities and departments of these comrades.

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PROVINCIAL AFFAIRS

GUANGXI AUDIT WORK CONFERENCE DETERMINES 1987 WORK

HK130151 Nanning Guangxi Regional Service in Mandarin 1030 GMT 10 Jan 87

[Excerpts] (Yu Lin), a reporter of this station, has learned from a regional conference on audit work which is being held in Nanning that the key points of the audit work of our region for this year are to examine the problems which interfere with reform:

1. It is necessary to investigate and deal with the problems of practicing fraud, availing oneself of loopholes in reform, impairing the interests of the state, and seeking gain from small groups and individuals and to uphold the interests of the state.
2. It is essential to curb and correct the malpractices of indiscriminately apportioning charges and raising money and encroaching upon the legitimate economic interests of enterprises and to support enterprises to invigorate themselves.
3. It is imperative to expose and correct the malpractices of causing the state serious losses and waste of money and property due to bureaucratism and to raise economic results.

Audit organs at all levels must really implement these three key points.

Over the past year, through supervision of financial revenue and expenditure and of economic results, audit organs at all levels have mainly investigated and dealt with the malpractices of practicing fraud, availing oneself of loopholes in reform, and seeking gain for small groups and individuals. The whole region has audited the accounts of some 2,700 units, which recorded an increase of some 1,700 over 1985. The whole region has investigated and dealt with cases of violation of financial and economic discipline which involved 260 million yuan. It has discovered that some 61 million yuan should be paid to the treasury. Some 34 million yuan has been paid to the treasury. The region has discovered 24 cases of violation of discipline each of which involved over 1 million yuan.

The regional conference on audit work began on 6 January. On the basis of summing up achievements, the conference has determined the audit work of our region for 1987. At the same time, it has decided to gradually implement two systems--the system of responsibility for adult when factory director leaves his employment and the system of regularly auditing the accounts of administrative units and institutions.

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PROVINCIAL AFFAIRS

HEILONGJIANG CPC CONFERENCE ON DEVELOPING RURAL ECONOMY

SK181100 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 17 Dec 86

[Text] The work conference of the provincial party committee has set forth an overall requirement for our province's rural work next year. That is, we should continue to persist in reform: increase investment in agriculture: comprehensively develop commodity economy on the basis of ensuring a stable increase of grain production: strive to set records in the total rural products, the per-capital income of peasants, and the marketable rate of farm products: and make efforts to promote the sustained, steady development of the rural economy.

The conference relayed the guidelines of the central rural work conference and discussed and arranged our province's rural work. Chen Yunlin, deputy secretary of the provincial party committee, made a speech on deeply conducting rural reform.

In order to fulfill the rural work tasks for next year, the conference decided to adopt the following five measures for deepening the rural reform and enlivening the rural economy.

1. We should rationally readjust the production structure to promote the development of the rural commodity economy. Ensuring the sustained, steady increase of grain production is the prerequisite and foundation for readjusting the production structure. We should change the focus of grain production development from extensive cultivation to intensive management, and make efforts to increase the per-unit yield of grain. All localities should prevent the occurrence of new trends in the disproportionate development of various goods due to the excessive increase of corn and soybean production. All localities should pay attention to the tendency toward the reduction of cash-crop growing areas. Town and township enterprises are regarded as the key pillar of the rural economy. Next year the province should develop a group of town and township enterprises with our own characteristics according to the provincial development plan for building cow raising bases and berry production bases.
2. We should perfect the contract purchasing system to facilitate reform of the system for purchasing and marketing farm products. The grain purchasing quotas for next year will appropriately be fewer than that of this year. We should continue to carry out the method of increasing prices for certain proportions of the grain purchased according to contracts.

3. We should continue to organize the peasants to enter markets in an effort to enliven the rural commodity circulation. The above-quota portions of major farm products, including grain, are allowed to be sold freely instead of blocking their marketing fields.

4. We should reform the banking system to enliven the circulation of rural funds. In order to eliminate the prominent contradictions between the supply and demands of rural funds, the conference decided to adopt the methods of comprehensively developing capital resources, opening capital markets to many fields, conducting lateral capital circulation, enlivening credits, and opening many channels to collect funds in an effort to enliven the rural financial work.

5. We should pay attention to developing economic cooperation of various kinds to carry out the system of letting various sectors of the economy exist simultaneously on the basis of ensuring the dominant position of the public sector. At present we should pay attention to the household-based economy, try by every means possible to organize the development of the household-based economy under the guidance of specialized orientation with a view to establishing a certain-scale specialized market. We should encourage the peasants to develop household-based enterprises and enterprises solve practical difficulties cropping up in the course of production and management in an effort to promote the smooth progress of the rural economy.

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PROVINCIAL AFFAIRS

STATE COUNCIL APPROVES HARBIN CITY'S DEVELOPMENT PLAN

SK310431 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 30 Dec 86

[Text] The State Council recently approved the overall plan submitted by the Heilongjiang Provincial People's Government on the urban development of Harbin City.

The approval made by the State Council points out: Harbin City, the capital of the province, has an abundant industrial foundation and is flourishing in railway transportation. Henceforth, it will gradually develop into a northern central city of the northeast areas of China with the flourishing undertakings of the economy, politics, trade, and science and technology.

The approval made by the State Council states: Various construction work of Harbin City should be carried out according to the overall plan approved by the State Council. Efforts should be made to strictly bring under control the scope of the city, to actively develop small towns in the suburbs, to gradually improve the old urban districts, and to maintain and develop the characteristics of the city as much as possible. It is also necessary for the city to realistically enhance management over plans and to perfect its urban plans and the relevant regulations concerning management.

The State Council urged Harbin City to strictly bring under control population growth and the scope of land utilization, to further do a good job in drawing up plans for developing communications and building roads, to control environmental population in a comprehensive way, and to gradually improve the old urban districts in a planned manner. Attention should be paid to studying the water flow of the Songhua Jiang and to adopting comprehensive measures to gradually reach the flood-prevention standard of ensuring 100-percent safety. Efforts should be made to enhance the work of planting trees in the urban areas and to have its scenic areas to safeguard their natural sceneries.

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PROVINCIAL AFFAIRS

HEILONGJIANG MEETING DISCUSSES HEIHE DEVELOPMENT

SK010400 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 29 Nov 86

[Text] From 6 to 9 November, the Standing Committee of the Heilongjiang Provincial Party Committee held an on-the-spot office meeting in Heihe Prefecture. The meeting pointed out that Heihe Prefecture has entered a new period of comprehensive development and construction, and that it has great prospects for development.

The meeting held that since the 3d Plenary Session of the 11th Party Central Committee, particularly after Comrade Hu Yaobang's inspection tour of Heihe Prefecture, under the concern of the Party Central Committee, the Heihe Prefectural Party Committee and the administrative office have guided the cadres and the masses throughout the prefecture to do much work and have scored remarkable achievements. The provincial party committee has fully affirmed its achievements.

The meeting pointed out: Heihe Prefecture, richly endowed by nature, has abundant natural resources and favorable geographic conditions. The broad masses of cadres and the people in Heihe Prefecture have enthusiasm and zeal in building up the border areas, and are full of confidence in building another Shenzhen in the north. All these are important factors for their long-term enthusiasm. However, the leading comrades at all levels throughout Heihe Prefecture should fully note that at present, Heihe Prefecture is still an underdeveloped areas with a weak economic foundation. The provincial party committee has expressed the hope that the prefecture will rapidly turn its superiority in natural resources into economic superiority, promote comprehensive social and economic development in the prefecture, steadily attain the prefecture's strategic goal of social and economic development, and create a new situation in the prefectural work.

First, cadres at all levels throughout Heihe Prefecture should fully understand the prefecture's important strategic status in the province's social and economic development. Economic construction in the prefecture should be carried out in line with the reality and in the order of priorities, and the existing natural resources should be rationally developed and utilized. It is necessary to have a good knowledge of market information, produce products good for both domestic and foreign markets, and, on the basis of satisfying the needs of the people of the prefecture in their production and livelihood, enter the provincial, domestic, and international markets.

Second, we should focus the prefecture's work on agricultural production and grasp it well. Further efforts should be made to grasp the reform of the rural economic structure, and promote a comprehensive economic development in the rural areas throughout the prefecture. Heihe Prefecture has vast stretches of land but is sparsely populated. Doing a good job in reforming the farm machinery operational situation has a vital bearing on guaranteeing the entire prefecture's rural economic development.

Third, the meeting has basically agreed with the prefectural party committee's guiding ideology and the specific methods to be adopted on persisting in internal reform, establishing coordination with other localities, and invigorating the local industries.

Fourth, we should do a good job in building the port cities and actively carry out border trade. In building bases for export products, in addition to building bases for farm and sideline products and other export-oriented products such as soybeans, we should also build light industrial product producing bases. We should turn Heihe City into a show window, pay attention to strengthening economic cooperation with other localities throughout the country, improve operation and management, raise production and technological levels, and strengthen the prefecture's economic strength.

Fifth, the prefectural party committee and the administrative office should have a vigorous and flexible annual plan for the socialist spiritual civilization. The targets should be specific, simple, and clear and the focal points should be distinctive. We should exert genuine efforts to this field and make the building of the socialist spiritual civilization witness new progress and achievements every year. In 1987, we should emphatically grasp the following fields of work well:

We should regard as a prominent issue the fostering of new concepts among the cadres and the masses throughout the prefecture which correspond to reform, the opening of the prefecture to the outside world, invigoration of the economy and the development of the commodity economy. We should also correctly approach the new situation and new problems emerged in reform, and serve to promote and guarantee the development of the socialist commodity economy. It is also necessary to foster common ideals, mobilize and unify with the people throughout the prefecture to extensively carry out all sorts of activities in accordance with the four requirements for fostering people, improve the ideological and moral qualities as well as the scientific and cultural levels of the people throughout the prefecture, and exert concerted efforts to build Heihe Prefecture into a better place. We should also make specific arrangements for establishing interpersonal relations of a new type, and change the old customs and habits; strengthen education on fostering new habits and eliminating the old through newspapers, radio, and television; make specific arrangements for the work in the scientific, technological, educational, cultural, public health, and sports fields in line with the prefecture's financial resources and capacity; actively utilize and popularize the existing scientific and technological findings; conscientiously implement the spark plan; strengthen education and the training of competent personnel; and formulate some policies to attract them so as to avoid the outflow of personnel.

Sixth, while opening the prefecture to the outside world and invigorating the domestic economy, the provincial party committee and government should regard the development of Heihe Prefecture as one of its top priorities of economic development. The provincial-level departments concerned should actively support Heihe Prefecture's social and economic development and construction from different angles, and make due contributions to invigorating the prefecture.

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PROVINCIAL AFFAIRS

HENAN GOVERNOR ADDRESSES PLANNING CONFERENCE

HK010247 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 31 Dec 86

[Excerpts] Governor He Zhukang spoke at the provincial planning conference, which concluded on 28 December. He called on the people of the province to brace their spirits, persevere in reform, do their work creatively, centered on economic construction, and strive for relatively great development of the national economy in 1987.

In his summation speech, governor He Zhukang said that the province made new progress in economic work in 1986 despite rather difficult and complex conditions, thanks to the efforts of all sectors. It is estimated that agricultural output value will not be lower than in 1985, despite severe natural disasters. Certain development was recorded in industrial production on the basis of the excessive growth rate of 1985. Financial revenue has increased somewhat.

Next year we should strive for a relatively fast economic growth rate and relatively good economic results. The growth rate should be a bit higher than the national average.

Henan's all-round conditions are relatively good, but there are many discrepancies compared with the national economic levels. Unless we devote great efforts to speeding up development, these discrepancies will increase instead of being reduced. Such a situation would give us a guilty conscience in facing the age and our posterity. The whole province from top to bottom must have the sense of urgency of fighting for every second and the sense of crisis of retreat if we fail to advance.

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PROVINCIAL AFFAIRS

HUBEI HOLDS CONFERENCE ON DEVELOPMENT PLAN

HK301340 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 29 Dec 86

[Text] The provincial conference on planning which concluded yesterday proposed: The plan for economic and social development of our province next year is that we should stress grasping well six aspects of work and strive to ensure a basic balance of supply and demand of society. These six aspects are:

1. It is necessary to establish a new concept of agricultural production, to stabilize and develop the grain and cotton production in our whole province, to improve the quality and benefit of agricultural products, and to strengthen the agricultural stamina. According to the requirements of the Seventh 5-Year Plan, our province must increase output of grain by 1.5 billion jin next year and its gross output amount to 47 billion jin. Output of cotton must increase by 1.5 million dan and its gross output must reach 10 million dan.
2. It is essential to readjust further the industrial product mix and to strengthen the ability to produce marketable products. At the same time, we must speed up the building of the raw material industries, including electric power, communications, steel, iron, chemical industry, and building materials industry.
3. It is imperative to continuously control the scale of investment in fixed assets, to rationally readjust the investment structure, and to vigorously raise investment benefit. All places throughout our province must do everything possible to guarantee the construction of key projects. At the same time, we must develop a large number of collective enterprises and individual enterprises in a planned way and vigorously develop township enterprises.
4. We must vigorously create foreign exchange by developing exports.
5. We must continuously make arrangements for supplies to the urban and rural markets and take effective measures to guarantee continuous improvement of the workers' practical living standard.
6. We must improve the foundation and conditions for social causes, including education, science, and culture; do well in tackling a large number of key scientific and technological problems and in popularizing scientific and technological achievements and step up training all kinds of qualified personnel.

Responsible persons concerned of the provincial party committee and provincial government held: Our province must grasp well these six aspects of work in 1987. We must pay special attention to maintaining a suitable speed of increase and the necessary scale of construction. We must grasp well the coordination and reform of all structures, including investment, banking, foreign exchange, and materials.

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PROVINCIAL AFFAIRS

SHANDONG GOVERNOR ON ECONOMIC SITUATION, TASKS

SK180955 Jinan Shandong Provincial Service in Mandarin 2300 GMT 17 Dec 86

[Text] Entrusted by the standing committee of the provincial party committee, Comrade Li Changan gave a report on our province's economic situation this year and the major tasks for next year's economic work to the Eighth Plenary Session of Fourth Provincial Party Committee:

Thanks to the efforts of the whole party and the masses of cadres and people to overcome numerous difficulties, the province has maintained a good trend of sustained, stable, and balanced development in its economy. The entire economic situation has been good. It is estimated that the annual industrial and agricultural output value will exceed 98 billion yuan, approximately 9.7 percent greater than last year. This represents a solid step for the smooth fulfillment of the Seventh 5-Year Plan.

After analyzing the favorable conditions and unfavorable factors accomplishing the tasks for next year's economic work, Li Changan, based on the actual situation of our province, called for emphasized efforts to carry out the work in six aspects: 1) continue to emphasize agriculture, conscientiously grasp grain production, and develop the rural economy in an all-round manner; 2) further invigorate enterprises with the spirit of reform; 3) actively readjust the industrial product mix, strengthen management and operations, pay attention to supply and marketing, and strive to increase production and improve industrial economic results; 4) actively do a good job in foreign capital utilization and foreign exchange earnings through exports, and manage and use local foreign exchange well; 5) continue to strengthen key projects and carry out key technical transformations successfully; and 6) further enliven circulation and strengthen lateral economic cooperation.

Li Changan pointed out in his report: In developing agriculture, we should first emphasize that we must never slacken grain production. The province's population increases by 600,000 to 700,000 every year. This plus the grain for industrial use and exports requires us to increase our grain output by more than 1 billion jin every year, or otherwise we will have difficulty getting along well.

In order to ensure a steady growth in grain production, we should adopt effective measures to protect and boost the peasants' enthusiasm for grain production. He said: We should further relax policies, strengthen forestry, animal husbandry and fishery, and increase their proportion in agriculture. An important way to achieve a new breakthrough in agricultural production and efficiency is to rely on science and technology.

Li Changan said: The key to next year's economic work as a whole lies in invigorating enterprises, large and medium-sized ones in particular. He stressed: Following the principle of separating the power of possession from that of management, we should actively explore new forms of public ownership, earnestly resolve the issue concerning the operational mechanism of the enterprises owned by the whole people, and grant them full autonomy in operation. With regard to small state-owned enterprises, including commercial service enterprises, we should popularize the leasing and stock systems and contract them out to collectives or individuals. Enterprises directly under authoritative provincial departments or prefectures should be transferred to the management of the counties and cities where they are located as soon as possible.

In his report, Li Changan urged every enterprise to foster a strong sense of market, free itself from the outmoded concept of relying on the state in the supply of materials and marketing of products, and increase its ability to clearly see and control markets to ensure its own production and development. He pointed out that whether or not local governments, industrial departments, and enterprises can export more and earn more foreign exchange should be regarded as a major criterion in evaluating their performance.

Li Changan said: We should encourage and support enterprises to accelerate technical transformation in order to push the province's industrial production to a new stage in terms of quality, variety, standards, and foreign exchange earning ability.

Li Changan also emphasized in his report: We should establish in the urban and rural areas throughout the province a market network composed of both multipurpose markets and specialized markets which conform to the development of the commodity economy. We should greatly develop various forms of cooperation between the urban and rural areas, between areas in and outside the province, between various trades, between enterprises of various sizes, and between production, circulation and scientific research departments so that the economy of our province can flourish.

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CSO: 4006/373

PROVINCIAL AFFAIRS

SHANDONG GOVERNMENT HOLDS ECONOMIC PLANNING COMMITTEE

SK190415 Jinan Shandong Provincial Service in Mandarin 2300 GMT 18 Dec 86

[Text] On 18 December, the provincial government held a provincial planning meeting to discuss the province's 1987 national economic and social development plan and put forward next year's economic development plan. The general tasks for next year should be: persisting in reform, opening to the outside world, and further invigorating the economy; striving to achieve a basic balance in general social demands and supply; and, on the premise of comprehensively raising economic results in the production and circulation spheres, striving to prefulfill the first quadrupling of the total industrial and agricultural output value by 3 years and making it reach 105 billion yuan.

In order to achieve this objective, the meeting proposed efforts be made to grasp the following fields of work well: We should further strengthen agriculture and promote a comprehensive development of the commodity economy in the rural areas. Under the plan, the total agricultural output value of next year should increase by 3 percent over this year. Centering on invigorating enterprises, especially large and medium-sized ones, we should readjust the production set-up, raise economic results, and guarantee an 8 percent increase and strive to achieve a 10 percent increase in the industrial growth rate. We should concentrate financial and material resources on guaranteeing the construction of key projects and technological transformation projects. Next year, the annual investment in capital construction will be 3.32 billion yuan. Under the plan, the investment in technological transformation will be 1.822 billion yuan, an increase of 510 million yuan over this year. We should strive to expand export and increase foreign exchange earnings. Next year, based on this year's actual export figures, the total value of exports should increase by 10 percent or more. We should further invigorate the circulation of commodities, make proper arrangements for the development of the scientific, technological, educational, and welfare undertakings, and further improve the livelihood of the urban and rural people.

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PROVINCIAL AFFAIRS

WEN HUI BAO ON CORPORATION REFORM IN SHANGHAI

OW170021 Shanghai City Service in Mandarin 0100 GMT 12 Dec 86

[Text] According to a WEN HUI BAO report: A questionnaire answered by more than 100 plant directors and managers in Shanghai's machinery, electrical, and pharmaceutical industries shows that the reform of administrative corporations in the municipality has played a comparatively good role in gradually effecting indirect administration of enterprises by the Government.

However, currently the enterprises still face a number of problems. This shows that reform of corporations has only reached a first step. Many plant directors say: Reform of corporations has not yet yielded noticeable effects in invigorating enterprises: although it has eliminated one administrative level, no substantial changes have taken place in conventional management methods, administrative functions, or powers. The only change is that bureaus in charge or special departments now set output targets and decide on projects. Some newly-established economic entities, nominally partners of the plants, are actually in overall control of the industry's raw and semi-finished materials, production and sales, and are the de facto bosses behind the scenes: The plants cannot but take orders from them: Because there is no change in the administrative functions and powers, a large amount of corporation work is transferred to the bureaus in charge, doubling their workload and resulting in redundancy of organs.

Plant directors strongly respond: If corporation reform is not carried out in conjunction with the efforts to change government functions, simplify administration, and decentralize power, it will only lead to a stereotyped power transfer -- the same old stuff with a different label. In the past, the corporations had overall control of the funds, generally giving priority to ensuring the technical transformation and import of items for big enterprises. Now the system of eating from the same big pot has been abolished, those enterprises which have been transformed will obviously enjoy more advantages, while those which have not will obviously enjoy no advantage at all.

In its report, the WEN HUI BAO points out: Difficulties and contradictions cropping up during corporation reform are the problems encountered in the course of advance. However, great importance should be attached to them and corresponding measures should be taken in a timely fashion. Otherwise, they will hinder the reform from being carried out in a deep-going way, and cause fluctuations in production.

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PROVINCIAL AFFAIRS

SHANXI VICE GOVERNOR DISCUSSES ECONOMIC WORK TASKS

HK180257 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 17 Dec 86

[Excerpts] Vice Governor Yan Wuhong spoke at the third enlarged plenary session of the seventh provincial federation of trade unions committee on 17 December. He dealt with the province's economic situation this year and put forward a number of ideas on next year's work.

He said: The general guiding principle for Shanxi's economic work next year is initially envisaged as persevering in reform, readjusting the economic structure, speeding up technological progress, improving management standards, and further invigorating the enterprises. We must do the following work in order to implement this guiding principle:

1. The enterprises must get a good grasp of implementing the three regulations. After reviewing the current situation in implementing them, Yan Wuhong said: The plant manager is the representative of the enterprise, with powers to direct production and operations. However, he cannot do without the assurance provided by the party committee and the role of the workers' congress. We must first establish the system in accordance with the three regulations.
2. Do a good job of organizing the contract responsibility system at all levels.
3. We should establish profit target management for enterprises running at a profit.
4. Further expand lateral economic ties.
5. Vigorously promote technological progress and transformation.

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CSO: 4006/373

PROVINCIAL AFFAIRS

SHANXI MEETING OUTLINES INDUSTRIAL TASKS

HK080241 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 7 Jan 87

[Excerpts] The provincial government held a telephone conference on the evening of 7 January to mobilize, arrange, and organize industrial production in the first quarter. Vice Governor Yan Wuhong presided.

(Ding Qixin), chairman of the Provincial Economics Commission, delivered a mobilization speech. He said: Last year the province's industrial output value was 20.48 billion yuan, overfulfilling the plan. The province's economy is recording sustained, steady, and coordinated development. Financial revenue has grown steadily.

The year 1987 is the second year in the Seventh 5-Year Plan. Work this year is very important. According to the demands of the provincial party committee and government, the guiding idea for economic work in Shanxi is to deepen enterprise reforms, strengthen enterprise management, readjust the production structure, speed up technological progress, improve economic results, and ensure the fulfillment and overfulfillment of the year's industry and communications plans.

The provincial party committee and government have decided that the province should ensure a 7 percent rise in industry this year and strive for 8 percent. It is therefore very important to get a good grasp on work in the first quarter. During this period, the province must guarantee to fulfill 23 percent of the year's plan, and strive for 23.5 percent fulfillment.

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PROVINCIAL AFFAIRS

TIANJIN STATISTICS ON 1986 AGRICULTURAL, INDUSTRIAL OUTPUT

SK040211 Tianjin City Service in Mandarin 0030 GMT 3 Jan 87

[Excerpts] Under the guidance of reform and open policies, the municipality's national economy experienced steady, coordinated, and sound development in 1986. Total annual industrial output value surpassed 30 billion yuan on the premise of maintaining an appropriate growth rate. The municipality reaped a bumper agricultural harvest. Total grain output is expected to surpass 1.5 million tons. The grain supply structure has been improved.

Preliminary statistics show that the total 1986 industrial output value of the municipality was 29.999 billion yuan, a figure that does not include the output value realized by village-run and individually owned industrial enterprises. If calculated in terms of comparable standard, the industrial output value realized in 1986 increased by 5 percent over 1985. When the output value realized by individually owned industrial enterprises is included, the 1986 annual industrial output value surpasses 30 billion yuan.

Rural areas in suburban counties further developed a diversified economy based on ensuring good grain production. According to statistics, total grain output in 1986 surpassed [passage indistinct], an increase of about 1 percent over 1985, a record year. Per mu yield of grain reached 225 kg, an increase of nearly 20 kg over 1985.

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PROVINCIAL AFFAIRS

XINJIANG PLANNING CHIEF DISCUSSES TASKS FOR 1987

HK010357 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 31 Dec 86

[Excerpts] (Liu Songhao), director of the regional planning commission, pointed out when talking to reporters about drawing up the Xinjiang's economic and social development plan for 1987 that the region should concentrate on seven tasks during the year.

1. Strengthen the foundation position of agriculture, maintain steady growth in grain output, give prominence to developing animal husbandry, expand cotton output, and strive for a 10th successive bumper year. The principle is to keep the grain area stable, expand the area of cotton and sugarbeet, and appropriately reduce the area of oil-bearing crops and cucurbit. South Xinjiang should regard developing cotton production as its breakthrough point, and northern Xinjiang should regard developing animal husbandry as its breakthrough point.
2. Readjust the industrial product mix and speed up the development of the light, textile, and food industries using agricultural and animal husbandry products as raw materials. The focus should be on readjusting the product mix of the light and textile industries and of machinery and electrical goods. The region should strive to increase output of nationality, strong-point, and indigenous products.
3. Continue to strengthen infrastructural construction in energy, communications, and so on.
4. Actively expand exports, to increase foreign exchange earnings.
5. Improve the quality of education and step up the training of talented people of all categories.
6. Continue to improve the living standards of the people of all nationalities and provide further support for the efforts of poor areas in southern Xinjiang to extricate themselves from poverty and get rich.
7. Establish a new viewpoint of development, strive to improve economic results, and switch economic development from focusing on growth rate to focusing on economic results. In 1987, 15 percent of the region's industrial enterprises should (?increase) tax and profit payments, over 80 percent should achieve a steady increase in product quality, and 70 percent should register a steady decline in consumption of energy and raw materials.

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PROVINCIAL AFFAIRS

XINJIANG MEETING STRESSES IMPROVING PRODUCT QUALITY

HK040231 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 3 Jan 87

[Text] A production meeting held by the Regional Economics Commission today pointed out that right from the start of the year, all departments and enterprises must give priority to improving product quality, reducing input consumption, and boosting economic results. They must ensure sustained, steady, and coordinated development of industrial and communications production.

The meeting pointed out that although the region scored relatively good achievements in industrial and communications production in 1986, the problems of unstable product quality, high input consumption, and poor economic results were never properly resolved. To ensure that a new start can be made in the region's economic work this year, the leaders at all levels and the departments in charge of the economy must first achieve a new change in their guiding ideas on economic work. They must tangibly shift the focus of this work to improving economic results.

The meeting demanded that all departments and enterprises take effective steps in the first quarter of the year to perfect and strengthen the systems for guaranteeing quality control and reduced input consumption. The quality of over 80 percent of the main products should show steady improvement, 65 percent of them should show reductions in input consumption, and production costs should fall by 0.5 percent compared with last year. Losses should in principle be kept below the figure for the same period in 1986, to lay the foundation for reducing deficits and increasing surpluses in the second quarter.

The meeting also demanded that all areas and departments do a good job in passenger transport and commodity shipment work during the spring festival.

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PROVINCIAL AFFAIRS

BRIEFS

GUANGDONG REVENUE--Guangdong Province has overfulfilled its quota for revenue for this year ahead of schedule. According to the statistics of the provincial finance department, the revenue of the whole province by the first 10 days of December was 7,638 million yuan, being 103 percent of the revenue for this fiscal year approved and adopted by the provincial People's Congress and recording an increase of 10.16 percent over the same period last year. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 16 Dec 86 NK] /12624

NEW JIANGSU CITY--Zhangjiangang City was officially inaugurated today. On 16 September, the State Council approved the abolition of Shazhou County and the establishment of Zhangjiangang City. Zhangjiangang is an important port city for enlivening the domestic economy and opening to the outside. It is one of China's six major ports for containerized traffic. To meet the needs of opening to the outside world, the state has incorporated the development of Zhangjiangang into the Seventh 5-Year Plan. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 1 Dec 86 OW] /12624

SHAANXI 1986 INDUSTRIAL PERFORMANCE--The gross industrial output value of Shaanxi Province in 1986 was 18,323 million yuan, which was 100.5 percent of the annual quota and 8.5 percent more than in 1985. [Summary] [Xian Shaanxi Provincial Service in Mandarin 0030 GMT 7 Jan 87 NK] /12624

GUANGDONG SPARK PLAN--Guangdong Province has scored marked achievements in carrying out the spark plan. Between 1986 and 1987, the spark plan at the state, provincial, prefectural, and city levels in Guangdong Province has involved arrangements for 157 projects, and the planned total investment is approximately 100 million yuan. It is estimated that with the completion of all these projects, the annual gross value may reach 500 million yuan. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 12 Jan 87 NK] /12624

LIAONING HOLDS PLANNING WORK CONFERENCE--The Liaoning provincial planning work conference concluded in Shenyang City on 16 December. The conference participants studied the province's reform emphasis for next year, the reform of the planning and financial structures, and specific issues of further decentralizing powers to cities and counties, and implementing the systems of contracting revenue responsibility to organs at provincial, city, and county levels, and the new system of combining responsibilities, rights, and profits. It was estimated at the conference that by the end of this year,

the total industrial and agricultural output value will show an increase of more than 7 percent over last year, and that of next year will show an increase of 6.7 percent over this year. Next year, the province's investment in technological transformation will increase by more than 600 million yuan over this year. Prior to the conclusion of the conference, Acting Governor Li Changchun gave a speech. [Text] [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 16 Dec 86 SK] /12624

DEVELOPMENT OF SMALL TOWNS--The provincial people's government recently made a decision on speeding up the building of small towns in the province. The decision points out that speeding up the building of small towns is of great importance to promoting the building of the two civilizations and the development of commodity economy in the rural areas and to enriching peasants. The decision calls for vigorously developing the economy in small towns. Some towns bring into play their strong points in natural resources, geographical position, and traditional technology; open up all avenues for developing production; and develop the secondary and tertiary industries. The decision points out that the plans for small towns must be carried out in an overall way according to the plans of the relevant counties and cities and on the basis of the social and economic development of a certain areas. The original administrative division should be removed so as to make reasonable planning according to economic trends. It also defines the orientation for counties and cities to develop small towns of different types at different levels, and their functional division and scale. Thus, a tiered network structure can gradually be formed in developing small towns. [Excerpt] [Changsha Hunan Provincial Service in Mandarin 1100 GMT 13 Dec 86 HK] /12624

NEI MONGGOL INDIVIDUAL ECONOMY--Since the 3d Plenary Session of the 11th Party Central Committee, Nei Monggol Autonomous Region has made achievements in restoring and developing the individual sector of the economy. According to incomplete statistics, so far the region has 186,600 individually owned industrial and commercial enterprises with business licenses through registration, and more than 279,000 people are employed by these enterprises. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 1 Jan 87 SK] /12624

HUNAN INDUSTRIAL ACHIEVEMENTS--Hunan industry made good progress in 1986 despite shortages of electric power, capital, and raw materials, and big changes in the markets. Output value was 29.34 billion yuan, an increase of 11.2 percent over 1985. This increase was slightly above the national average. Collective industry recorded an increase of 17.9 percent; this included a rise of 27 percent in township industry. This was higher than the 8.8 percent rise in industry owned by the whole people. Total light industry output value was 13.516 billion yuan, a rise of 13 percent over 1985, higher than the 9.3 percent increase recorded in heavy industry. [Summary] [Changsha Hunan Provincial Service in Mandarin 0100 GMT 11 Jan 87 HK] /12624

GANSU 1986 AGRICULTURE, INDUSTRY--Despite many natural disasters, the gross agricultural output value of Gansu Province in 1986 amounted to 4.45 billion yuan, an increase of 5.58 percent over 1985. Gross grain output reached 5.5 billion kg, an increase of 3.7 percent over 1985. The per-mu yield recorded an increase of 5.8 kg over 1985. The gross industrial output value of the province in 1986 amounted to 12,835 million yuan, an increase of 8.4 percent over 1985. The province overfulfilled its annual quotas in the production of 54 products, including woollen yarn, woollen blankets, raw coal, crude oil, pig iron, rolled steel, timber, cement, nonferrous metals, and for electricity output, 1 to 2 months ahead of schedule. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 6 Jan 87 NK] /12624

CSO: 4006/370

FOREIGN TRADE, INVESTMENT

AGREEMENT SIGNED WITH SIX COUNTRIES ENDING DOUBLE TAXATION

Beijing GUOJI SHANGBAO in Chinese 20 Jan 87 p 1

[Unattributed article: "Agreement Between China and Six Other Countries Ending Double Taxation Takes Effect"]

[Text] China has signed an agreement taking effect in January of this year with the United States, Canada, Thailand, Malaysia, Sweden and Denmark to end double taxation.

The agreement to avoid double taxation is an overall taxation agreement or treaty concluded after negotiations by sovereign states to coordinate their mutual relationships in the area of tax jurisdiction, to avoid and eliminate double taxation of a single taxpayer for the same income (and in some cases of the same property). More than 100 countries worldwide have now signed agreements with other countries to avoid double taxation. Beginning in 1981, China negotiated and signed a series of agreements with several countries to avoid double taxation. These countries include: Japan, the United States, Great Britain, France, the Federal Republic of Germany, Belize, Singapore, Malaysia, Canada, Finland, Denmark, Norway, Sweden, New Zealand, Thailand, and Italy. Of these, the agreements with Japan, Great Britain, France, FRG, and Singapore have already been implemented. The remainder are awaiting completion by the parties of the legal procedures before taking effect. Draft agreements have also been signed with Romania and Austria; these will be signed formally after the texts have been examined and checked. Negotiations on this agreement are now under way with Yugoslavia, Switzerland, the Netherlands, Australia, Czechoslovakia and other countries.

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CSO: 4006/312

FOREIGN TRADE, INVESTMENT

STRATEGIC ROLE OF TEXTILES IN FOREIGN TRADE

Shanghai SHIJIE JINGJI DAOBAO in Chinese 29 Dec 86 p 1,2

[Article by Ruan Jiangning [7086 3068 1380] and Fang Xiaoming [2075 2556 2494]: "Making Textiles a Strategic Industry for Foreign Trade; Beijing Takes New View in Setting Future Industrial Focus; Minister of Textiles Wu Wenming [0702 2429 5391] States This Is Objective Requirement for Modernization"]

[Editor's note] Textiles this year ascended to first place in China's export commodities. Worldwide, the developed countries' industrial structure continued its capital- and technology-intensive trend; the newly industrialized and developing countries are now considering taking this opportunity to further develop textiles. If we remain indifferent to this, we shall miss our opportunity and make a historical blunder.

[Text] This year's meeting of the heads of the nation's textile industry departments and bureaus appears to be more significant for the country as a whole, inasmuch as the conference made public the Chinese government's new thinking on the country's future industrial focus.

The textile industry clearly weighs heavily on the industrial scale. The keynote of this conference was that China's textile industry is facing a major turning point and no time should be lost in making it a strategic industry for China's foreign trade.

It was stated that the State Council has therefore formulated a series of important strategic guidelines, strategic measures, and a policy of preferential treatment. These include the creation of a technical working group to promote textiles, removing the clothing industry from light industry and putting it back under textiles, and so on.

The speech given by Wu Wenying, Minister of Textiles, provided a footnote to this strategic step: it is an objective requirement of China's modernization that the state henceforth focus on expanding textile exports in order to increase the generation of foreign exchange through exports. Modernization requires large amounts of foreign exchange, but foreign exchange has long been in short supply and has become a primary factor restricting modernization.

According to the data these reporters have at hand, the choice of textiles was dictated by the current international situation. It will remain difficult to increase exports by China's electromechanical industry for some time; this industry for the moment can only be domestically oriented or used to replace imports. Energy in China will tend to be in short supply for a long time; international oil prices are also continuing their slump, and oil exports will also be difficult to sustain for long. There is great domestic demand for agricultural and sideline products, and exports there are difficult as well. By comparison, textile exports this year are expected to reach about 6.5 billion dollars, thus becoming China's number one export commodity.

The key to this lies not in the present situation but rather in potential, and potential is produced through adjustment. This adjustment is something that is being experienced personally by each citizen. In January 1983 cloth coupons were eliminated nationwide, which indicated the first strategic shift in China's textile industry since the founding of the People's Republic. The shift was away from the past emphasis on output value, output, and speed towards emphasis on design and variety, technical reorganization, and economic returns. This shift is considered to mark an era, with China's textile industry beginning to shift its focus from quantity to quality. However, it is still domestically oriented.

In searching for the reasons for this, some people say that it is a small joke played by history. In the early 1980's the textile industry's output value and profits and taxes rose sharply, making it for a time one of the most successful industrial sectors in the economy, and it was referred to as "shaking the money tree." The situation suddenly turned, however; from 1981 to 1984, profits declined by nearly 50 percent, and the speed of the decline was startling, to the extent that people didn't have the time to digest and savor the enjoyment and stimulus brought on by the period of prosperity before the industry fell on hard times. As a traditional industrial sector lashed by the waves of the new technological revolution, the textile industry was producing very few strategists. But in the midst of these difficulties a miracle occurred. After the growth momentum of the textile industry had been slowed by the limited domestic market, the industry quietly sought a way out, which was to expand exports. This succeeded in 1985 and 1986, with China's textile exports moving from 11th place in worldwide textile trade in 1980 to 6th place in 1985.

This had a broader effect on the development of the textile industry. The industrial structure of the world's developed countries is continuing to move towards high technology and intensive capital. The newly industrialized countries and regions are seeing their advantageous position due to low labor costs gradually weakening, and they are considering readjusting their own industrial structure. Some developing countries are also taking this opportunity to develop textiles, further crowding the international textile market. In this regard, Minister Wu Wenying says that if we remain indifferent to this and do not pursue the generation of foreign exchange for several years, we may lose our chance, committing a historical blunder for the development of the textile industry.

Hence there has been a second strategic shift in China's textile industry, with the guiding ideology behind its development shifted from the domestic market to focusing on generating exchange while assuring that the domestic market is met; instead of relying on quantity for success, textile exports must be made to succeed through quality, as quickly as possible. Production should center on developing final products, adjusting the product mix, improving quality, and generating more value added.

In view of the measures the State Council is drafting to vitalize the textile industry, these reporters believe that the textile industry has now achieved a prominent position among all the sectors of the national economy.

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CSO: 4006/316

FOREIGN TRADE, INVESTMENT

CHINA BECOMES SECOND LARGEST EXPORTER OF COTTON

Beijing GUOJI SHANGBAO in Chinese 20 Jan 87 p 1

[Article by Li Jian [2621 0256]: "China's Cotton Exports in Second Place Worldwide"]

[Text] In the 4 short years since Chinese cotton entered the international market, exports have risen sharply each year; cotton exports in 1986 corresponded to 650 percent of the volume four years previously and were second in the world, behind only the United States. Having long been an importer of cotton, China has become an exporter. Shandong alone exported 140,000 tons of cotton, putting it in first place in the country.

Last year China decided to establish 60 cotton exporting bases in Shandong, Jiangsu, Xinjiang, Hubei, Hebei and Anhui and provided 40 million yuan to add inspection instruments, baling equipment, and storage facilities for cotton exporting, thus establishing a proper cotton exporting system.

There are currently more than 40 major cotton producing and exporting countries around the world, and competition is fierce on the international cotton market. The United States, Pakistan, Australia and several other cotton exporters have their own fixed marketing channels and trading partners, whereas China, going from a cotton importer to a cotton exporter, had no market and no clients. The China National Textiles Import and Export Corp. (CHINATEX), responsible for cotton exports, took advantage of China's strong points and avoided shortcomings, paying attention to market surveys and research and adopting flexible approaches focusing on different market characteristics and different clients to promote the sale of cotton. Chinese cotton is now selling in more than 30 countries and regions, including Japan, Hong Kong, Southeast Asia, Canada, the Soviet Union, and Eastern and Western Europe.

The key to cornering the market lies in the inherent quality of cotton and getting it to market on time. To this end, officials of CHINATEX, local commodity inspection bureaus, plant fiber companies, and textile companies regularly conduct in-depth surveys and studies of cotton producing regions and cotton ginning mills, helping to solve problems and gradually adapting to the requirements of the international market.

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CSO: 4006/312

FOREIGN TRADE, INVESTMENT

SHANGHAI'S INVESTMENT CLIMATE IMPROVES

Shanghai WEN HUI BAO in Chinese 19 Jan 87 p 1

[Article by Zhu Guangming [2612 0342 2494] and Xu Qiuliang [6079 4428 2733]: "Shanghai's Utilization of Foreign Investment Enters Stage of Consolidation and Improvement; Investment Climate Improves Daily, Investment Structure Becoming More Rational; Last Year Foreign Businessmen Invested in 63 Shanghai Projects Totaling Over 300 Million Dollars; Now Nearly 100 Foreign-Investment Enterprises Open or Under Construction"]

[Text] Shanghai is striving to create a miniclimature for foreign-investment enterprises. Last year the structure of investment by foreign businessmen became more rational. Among newly approved contracts, more than half were for industrial production and technology-intensive projects. Nearly 100 enterprises with investment by foreign businessmen under construction or in operation last year won initial successes, achieving balanced foreign exchange and even a somewhat favorable trade balance. To date no company has withdrawn from China due to operating difficulties. This shows that, after two successive years of "investment fever" among foreign businessmen coming directly to Shanghai, the city's utilization of foreign investment is entering a stage of consolidation and improvement.

According to statistics, last year there were 63 projects which brought foreign businessmen to invest directly in Shanghai, with negotiated contracts amounting to more than 300 million dollars. This represents a decline from the amount of the year before last. However, in terms of last year's investments by foreign businessmen, there was a gratifying change. In the previous two years, the many large buildings and hotels built by Sino-foreign joint ventures and cooperative enterprises absorbed huge amounts of foreign investment. Last year, Shanghai appropriately slowed the pace of hotel construction, so that the new foreign investment taken in would gradually be shifted towards industrial production and technological projects, including laser products, electronics, chemicals, new materials, etc. Completion of these projects will have a favorable impact on accelerating technical reorganization in Shanghai and expanding the production of exports to generate foreign exchange.

For the convenience of foreign investors, Shanghai is striving to improve the investment climate by integrating hardware and software. The city's Commission

on Foreign Economic Relations and Trade has established a system of regular meetings for all prefectures, counties, bureaus, as well as consulting units, agencies and legal witnessing units; it also holds periodic meetings with customs, tax, foreign exchange control, and industrial and commercial departments to provide a timely exchange of information, improve coordination, and solve problems arising during the investment process. The three structures serving enterprises with foreign investment--the exchange regulating center, the supply services company, and the foreign investment office--have all been established and have started work in just three short months. With a tight money market, the Shanghai branch of the Bank of China is treating foreign-investment enterprises without discrimination and has lent considerable funds in foreign exchange and RMB to dozens of such enterprises, supporting their construction and production. For foreign-investment enterprises that really must import some goods, the Shanghai Foreign Trade Corporation has established special teams to handle their imports at fair and reasonable prices. For any products of foreign-investment enterprises whose quality and performance meet international standards for the same type of products, Shanghai has implemented import-substitution measures to allow production to replace imports; these products are priced in foreign currencies when sold on the international market. The Shanghai Santana Automobile Works and the Foxboro Company received this preferential treatment when they automated their instruments.

In the atmosphere of this miniclimatic, nearly 100 foreign-investment enterprises are under construction or have opened in Shanghai; 43 export-oriented enterprises and 26 advanced-technology enterprises have sprung up, and their products, such as essences, toy cars, rabbit fur (or sheepskin) jackets, suitcases, automobiles, escalators, program-controlled telephone exchanges, and microcomputers, are beginning to attract attention in domestic and foreign markets.

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CSO: 4006/316

FOREIGN TRADE, INVESTMENT

SHANGHAI CORPORATIONS EXPORT LABOR

Shanghai SHIJIE JINGJI DAOBAO in Chinese 5 Jan 87 p 15

[Article by Shu Hanfeng [5289 3352 6912]: "Shanghai Experiments with Exporting Nongovernmental Labor; First Break with Usual Practice of Governmental Dispatching of Labor; Recent Breakthrough in Labor Export; Creates New Means of Noncommodity Exchange Generation and Absorption of Advanced Technology"]

[Text] The people of Shanghai may now go abroad to work, staying with relatives or friends. This new form of nongovernmental labor export has arisen quietly in Shanghai. The dispatching of labor through nongovernmental channels by the China Foreign Economic and Technical Cooperation Corp. of Shanghai (CFETCCS), the Shanghai Overseas Chinese Enterprise Stock Corp. (SOCESC), and other units represents the first break in China with the standard practice that labor may be dispatched only by the government, i.e., only the units responsible for labor management may sign agreements, recruit, and provide leadership in dispatching abroad. This act has attracted considerable interest from officials in various circles in Shanghai.

It has been learned that from the release of this news on 5 December until the end of that month seven informational meetings were held, with more than 3,000 people attending in order to obtain the pertinent information and purchase copies of the relevant documents. The large number of people made it impossible to answer all questions, and the organizers divided the crowd into groups for "collective classes."

How did the nongovernmental export of labor come about in Shanghai? An official of CFETCCS told this reporter that since China began offering foreign aid in 1955, Shanghai has handled more than 200 foreign aid projects and consequently developed governmental exports of labor. This has grown quickly in the last five years, and more than 5,000 labor man-trips have been dispatched. This has generated large amounts of foreign exchange for the state and has earned China considerable prestige around the world. Shanghai now has nearly 350,000 people with relatives living abroad in 119 countries and regions, and approximately 7,500 Shanghainese enjoying prestige and influence who are able to exploit this potential advantage. Exporting labor through nongovernmental channels is an effective means of generating foreign exchange without commodities and of absorbing advanced foreign technology.

The repercussions brought on by the "Trial Method for Nongovernmental Export of Labor" approved by the Shanghai government have been contrary to expectations. A sampling survey done by one department shows that the engineers, skilled workers, doctors, chefs, teachers, administrators and individuals attending the informational meetings have been willing to go all over the world. At one such meeting held by the CFETCCS, one young man told this reporter that he was preparing to go work in the restaurant his uncle had opened in the United States. One middle-aged engineer who did not want to give his name said that he had come to the meeting because he was unwilling to drift along in his unit, eating from the communal pot: "If I can leave the country to work through nongovernmental channels, the state, the collective and the individual all benefit, so why not?"

It was revealed by officials that China is striving for a breakthrough in the export of labor by 1990, and Shanghai's introduction of nongovernmental export of labor is an attempt to make a start in this direction.

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CSO: 4006/316

FOREIGN TRADE, INVESTMENT

IMPORTS OF MICROMOTORS RESTRICTED

Beijing GUOJI SHANGBAO in Chinese 20 Jan 87 p 1

[Article by Gu Wanming [7357 5502 2494]: "Domestic Automotive Micromotors Can Be Mass Produced; State Will Restrict Imports"]

[Text] The Dong'an Motor Manufacturing Co. of Harbin has completed China's first micromotor production base; its products will be able to meet the demands of the more than 20 producers of minicars; however, many areas are still blindly importing micromotors and production lines, wasting large amounts of the state's foreign exchange and hindering the development of domestic production of micromotors. In the near future the concerned departments will adopt measures restricting imports in order to turn this irrational situation around.

The Dong'an Motor Manufacturing Co. of Harbin began importing the production technology for Suzuki automotive micromotors from Japan in 1980; this was quickly absorbed and assimilated in only six years, with domestic production of parts reaching 99 percent. Product quality and the production process are close to the levels of similar domestic and foreign products, and the price is 20 percent lower than foreign products. This company has now completed 13 micromotor production lines, producing 20,000 motors annually; production may reach 50,000 annually in 1987.

There now exists a domestic production capacity for automotive micromotors, but the problem of unchecked imports is still acute. According to incomplete statistics, from 1983 to 1986 the country's plants imported at least 60,000 automotive micromotors; at current state allocation prices, this meant that more than 75 million dollars in foreign exchange was used up.

According to the planning of the China National Automobile Industrial Corp. for the Seventh 5-Year Plan, by 1990 the country will be producing from 50,000 to 80,000 minicars annually, while production capacity at that time will reach 90,000, exceeding actual need.

Recently the departments concerned undertook a study of the question of increasing macrocontrol over minicar production and will adopt measures to halt the trend towards unchecked imports. For the future, no new plants producing minicars or micromotors will be approved; competition among the

existing producers will be encouraged so as to improve quality as quickly as possible and replace imports. Beginning in 1987, imports of automotive micromotors will be halted, and anyone continuing to import (except those receiving special approval) either whole units or parts will be subject to increased customs duties, the rate going from 50 percent to over 100 percent.

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CSO: 4006/312

FOREIGN TRADE, INVESTMENT

JILIN'S FOREIGN TRADE IN 1986

Changchun JILIN RIBAO in Chinese 18 Jan 87 p 1

[Article by Guan Jiazhen [7070 0163 5271]: "Jilin's Exports Generate 500 Million Dollars in Foreign Exchange; Directly Serving Enterprises, Opening Export Channels"]

[Text] As of the end of last year, the foreign exchange generated by Jilin's exports for the first time broke through the 500 million dollar threshold, reached 113.8 percent of the annual plan, and set a record.

Last year horizontal economic associations were introduced into Jilin's exporting, with foreign trade departments, export-producing enterprises, and supply units establishing 58 associated bodies and 77 independent sales outlets. Interprovincial joint purchasing was launched to better stabilize export sources and markets. The foreign trade departments also worked at the sites of 120 manufacturing and mining enterprises around the province, helping to solve problems in implementing plans, developing new products, and solving post-export problems. In addition, they exploited Jilin's advantageous position in corn and focused on exporting corn and processed corn products. Jilin's corn exports reached 2.8 million tons, setting a record. At the same time, new markets were developed for 12 products processed from corn, such as MSG and vitamins, thus increasing the foreign exchange generated through exports. In the area of concluding export deals, they held a conference on export commodities in Changchun, participated in an international expo in Los Angeles, and so on. Markets were developed, and marketing channels were opened up with North America, Western Europe, and southern Africa, thus providing strong insurance of export profits. With a heavy volume of commodities being exported, transport difficult, and ports overloaded, the various companies specializing in imports and exports improved their transport links and documentation, fully exploiting transport potential. By year's end they had carried 33.3 million tons of commodities, which had a major impact on ensuring that the export assignments would be exceeded.

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CSO: 4006/312

FOREIGN TRADE, INVESTMENT

SHANXI'S FOREIGN TRADE PROGRESSES

Taiyuan SHANXI RIBAO in Chinese 19 Jan 87 p 1

[Article by Xu Jing [6079 7231]: "New Progress Made Last Year, New Front Opened This Year; Shanxi's Exports Set Records in Purchases, Exchange Generated; Department Head Yan Ping [0917 1627] Appeals for Continued Support"]

[Text] Based on its having undertaken independent exporting in 1985, Shanxi again made new strides in foreign trade last year.

Yan Ping, head of the provincial Department of Foreign Economic Relations and Trade, receiving this reporter on 17 January, stated that foreign exchange generated by exports last year surpassed 300 million dollars, exceeding last year's plans by 14.9 percent and increasing by 33.2 percent over the previous year. Purchases of export commodities passed the 1 billion yuan threshold, increasing by 69.7 percent over the previous year's achievement and setting records for export purchases and foreign exchange generated.

Last year was the second year since independent exporting had been launched in Shanxi, and new strides were made under difficult circumstances. In summary, the year may be characterized as follows: Party and government leaders at all levels paid greater attention to and supported the expansion of exports, conscientiously implementing policies aimed at encouraging exporting and further mobilizing general enthusiasm. The province's 14 import-export companies and 11 prefectures and cities all met their annual plans quite uniformly; as regards the mix of export commodities, exports of coal to generate foreign exchange increased steadily, with major increases in other commodities, with increases of 25.3 and 51.4 percent, respectively, over the previous year. New products were developed and new markets opened up, with exports of 68 new products resumed and increased outside the plans. The number of countries and regions exported to rose from 53 the previous year to 59. Broad, horizontal economic relationships were launched via such means as joint operations, allocations and transfers with 17 provinces and municipalities including Beijing, Tianjin, Shanghai and Guangzhou, creating smooth channels, supporting production, expanding purchases, and generating more foreign exchange for the state; independent imports of complete sets of equipment, introduction of technology, and imports of raw materials increased by 45.4 percent over the previous year. These goods have had a positive effect on

accelerating technical reorganization by the province's enterprises and on supporting the development of agricultural and industrial production.

As independent exporting continues to develop and increase, the international market will place greater and greater demands on Shanxi's export commodities and will provide more favorable conditions for generating foreign exchange. However, the real problem and difficulty is that some of the products for which there is a market are in short supply, and others are of low quality, so that large quantities of these products cannot yet be exported; in addition, packaging is unsophisticated and competitiveness is poor, and this has an impact on improving economic returns. Facilities within the province and in the ports are very inadequate, and the number, quality, and managerial capabilities of the professional personnel are highly unsuited to the growth of independent exporting, and this has also had an impact on further expansion of exports. The Department of Foreign Economic Relations and Trade has appealed to leaders at all levels and to the concerned departments to continue giving vigorous support and assistance to open up a new front in Shanxi's trade, to generate more foreign exchange for the state and to make a new contribution to vitalizing the province's economy.

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CSO: 4006/312

FINANCE, BANKING

SHANGHAI MAYOR ON MONETARY REFORM, OPENING UP

HK171046 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1411 GMT 15 Dec 86

[Text] Shanghai, 15 Dec (ZHONGGUO XINWEN SHE)--As the largest city in China, what role has Shanghai played in the course of reforms and opening up to the world? How should it carry on with the next step? Jiang Zemin, who was appointed Shanghai mayor 1 and 1/2 years ago, had a sincere talk with a ZHONGGUO XINWEN SHE reporter.

At the beginning of the talk, Jiang Zeming briefed the reporter on Shanghai's opening up to the world and its reforms. He said: "Shanghai has taken a major measure this year in its economic structural reform. Of the 77 administrative companies, 50 have been reformed; and of these 50, 40 have been dissolved. The rest have been turned into either enterprise or service companies. Monetary reform has been under way since the second half of this year. The stock exchange and bond issues in particular, have been very lively. Next year, we will trial-implement the stock system in some large- and medium-sized state-run enterprises. Several thousand enterprises in Shanghai will have more vitality with the implementation of these measures."

On Shanghai's opening up to the world, Jiang Zemin was of this opinion: Shanghai's geographical position, its industrial foundation, its rich intellectual resources, and its tradition of opening up to the world left over from last century, have provided Shanghai with unique conditions for opening up to the world and attracting foreign capital. Jiang Zeming did not deny that the investment environment in Shanghai is not yet ideal. However, he said: "We are doing what we can to improve Shanghai's investment environment. Efforts are being made to improve or carry out the construction of basic facilities in traffic and telecommunications. With regard to investment policy we have worked out and publicized 16 regulations, following the 22 preferential regulations on foreign investments promulgated by the State Council 2 months ago. Foreign businessmen have made favorable comments on these, and their confidence in making investments promulgated by the State Council 2 months ago. Foreign businessmen have made favorable comments on these, and their confidence in making investments in Shanghai is increasing. We are making preparations for construction of an overseas investment service center which will assist overseas investors in resolving their problems. We will also set up a material service company for foreign-capitalized enterprises. A detailed "Guide to

Investments in Shanghai" has been printed. In short, we are doing what we can to make things convenient for foreign investors. We will also provide more preferential terms for foreign investors."

As to the saying "Shanghai people are shrewd but not wise, and 9 out of 10 transactions impossible in Shanghai can be concluded in other provinces in just 1 round of business talks," which has spread widely throughout the country and abroad, Jiang Zemin expressed his disagreement with it. He told this reporter: "According to my survey, the saying that 9 out of 10 transactions impossible in Shanghai can be concluded in other provinces in just 1 round of business talks proves to be groundless. As to the saying that many business transactions cannot be concluded in Shanghai because Shanghai people are shrewd but not wise, this is an irresponsible remark. We made a special survey on this problem and analyzed some dozens of cases in which business transactions failed. We found that Shanghai was to blame for a small number of failures, resulting from its over-anxiety for immediate profits. But Shanghai people were properly shrewd in most business talks. Business should benefit both sides. Business will not last long if only one side profits from it. We have informed the departments and enterprises concerned that they should allow foreign businessmen more profits during business talks with them. In the meantime, we should make it clear that the legal rights and interests of the Chinese side should be protected according to the contracts signed."

When the topic shifted to the construction of basic urban facilities, Jiang Zemin related in turn the construction projects that are being and will be carried out. He said: "Over the last 2 years, we have made a strategic turn in our guiding principles on how to develop Shanghai -- a turn from focusing our attention on industrial production to laying emphasis on the construction basic urban facilities. Industrial production in Shanghai has increased by 3,700 percent over the last 30 odd years, but at the expense of basic urban facilities construction." He told the reporter about the municipal government's principle on urban construction: Efforts are being devoted to construction of basic urban facilities while necessary measures are being taken toward better management. In this way, life's urgent problems will be resolved step by step. The shortage of funds, obviously, is the biggest difficulty Shanghai faces in its urban construction. Jiang Zemin said: "Thirty to forty billion yuan will be necessary for completion of basic urban modernization in Shanghai. Fortunately, the central authorities have agreed that Shanghai can retain a somewhat larger percentage of money from the taxes and profits it delivers to the state every year, for its urban construction. The central authorities have also given approval that Shanghai may draw some funds from the international monetary market. Thus, there will be more hope for Shanghai in speeding up its construction."

On Shanghai's future development, Jiang Zemin said: "The general orientation is clear. With the approval of the central authorities, we have drawn up three blueprints. These are: 'Shanghai's Economic Development Strategy;' 'Shanghai's Cultural Development Strategy;' and 'Shanghai's Overall Plan for Urban Development.' To realize these three blueprints, we have

designated three principal tasks to be fulfilled in the Seventh 5-Year Plan. These are, strengthening the construction of urban basic facilities, expanding the utilization of foreign capital, and promoting scientific and technological progress, with the aim of building Shanghai into a multifunctional, open-type, and modern city with a rational industrial structure and advanced science and technology."

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CSO: 4006/371

FINANCE, BANKING

HENAN CIRCULAR ON HANDLING CIRCULATING CAPITAL

HK170149 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 16 Dec 86

[Text] The provincial planning and economics commission, the provincial structural reform commission, and the provincial branch of the People's Bank of China have jointly issued a circular calling on the planning and economic commissions, structural reform commissions, banks, departments in charge of enterprises, and large and medium enterprises in prefectures and cities throughout the province to learn from the experiences of Kaifeng City in the comprehensive handling enterprise circulating capital. In conjunction with their own conditions, they should take measures to improve the effective use of capital to support the steady development of the economy and the deepening of economic structural reforms.

At the beginning of this year, the banks in Kaifeng City carried out a detailed and thorough investigation of the use of the circulating capital owned by the city's 1,886 state-owned, collective, and township and town enterprises and of bank loans. The city economic commission worked with the fiscal and banking departments in setting up an office for invigorating the enterprises. The forces of the whole city were organized to tap capital potentials and improve the effective use of capital. By the beginning of November, the city has infused life into 202 million yuan of questionable capital.

The work of comprehensively handling circulating capital has speeded capital turnround, tapped capital potentials, and ensured the capital requirements of the growth of industrial production and foreign trade procurement, and also of procuring agricultural and sideline products.

The joint provincial circular pointed out that the method used by Kaifeng City is positive, useful, applicable, and worth popularizing. The circular called on all parts of the province, in conjunction with their own actual conditions, to create still more experiences and methods to help the industrial and commercial enterprises to further readjust their product stockpile structures and develop the production of marketable products, so as to expand sales, speed the turnround of commodity and capital turnround, improve the effective use of capital, and support the deepening of economic structural reform.

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CSO: 4006/371

FINANCE, BANKING

BRIEFS

AGREEMENT SIGNED IN LANZHOU--An agreement on the establishment of a capital cooperation network by the capitals of five provinces and regions in the northwest part of China and three cities, including Shijiazhuang, Fuzhou, and Shenyang, was signed in Lanzhou today. The establishment of a large, multilevel, multifunctional, and regional capital cooperation network can further the reform of the urban economic structure and speed up reform of the financial structure. Shijiazhuang, Fuzhou, and Shenyang have friendly relations with Lanzhou City. Lanzhou City People's Bank and all banks in specific fields jointly sent a request to the capitals of the given provinces and regions in the northwest part of China and three friendly cities, and all the banks of these cities responded and gave support. After consultation, all banks of the eight cities reached an agreement on the basis of equality, voluntary participation, and mutual benefit. They have set up a capital cooperation network. After the agreement on the capital cooperation network was signed, 47 banks and financial units of eight cities held a meeting on capital cooperation, at which the total amount of capital supplied to one another reached 180 million yuan. [Text] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 17 Dec 86 HK] /12624

CSO: 4006/371

INDUSTRY

NEW TRUCKS PUT PRC AUTO TECHNOLOGY AT 1980's LEVEL

OW030536 Beijing XINHUA in English 0290 GMT 3 Jan 87

[Text] Changchun, 3 January (XINHUA)--A new model of Jiefang (liberation) brand trucks is now rolling out of the assembly line at the Changchun No 1 motor vehicle plant in northeast China's Jilin Province.

This marked the end of the three-decade domination of the old four-ton model, the first heavy-duty trucks manufactured in China with Soviet aid.

The new Jiefang CA141 five-ton truck features greater horsepower, higher speed, and low energy consumption.

The birth of the new truck has brought China's automotive technology from the 1950's to that of the early 1980's, said Geng Zhaojie, director of the plant, at a brief ceremony to mark the official opening of the production line as the new year was ushered in.

The birth of the new truck also marks the completion of an all-round technical transformation of the plant, Geng said. Over the past three years, the plant has invested a total of 500 million yuan (about 140 million U.S. dollars) in the project. It has introduced 23 items of advanced technology, and completed 135,000 square meters of new workshops, built 69 new production lines and retooled 81 old ones and added 6,300 pieces of updated equipment, all done while production was going on.

"From now on," Geng said, "we shall keep up with the progress of automotive technology in the world and each year will see production of new models."

The director said that all the new trucks planned for this year have been ordered and orders from foreign countries are now piling up.

He disclosed that more than 50 modifications of the new trucks will be produced by more than 100 smaller enterprises in the No 1 motor vehicle enterprise group.

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INDUSTRY

RENMIN RIBAO ON TASKS OF TEXTILE INDUSTRY

OW310750 Beijing XINHUA in English 0734 31 Dec 86

[Text] Beijing, 31 December (XINHUA)--China's textile industry, a key factor in its national economy, will have to do more to meet the demand at home and abroad, today's PEOPLE'S DAILY reported.

"Although a country with a strong textile industry, China only has four kg of textile fabrics per capita against seven kg per capita on average worldwide--16 in Japan and 24 in the United States," the newspaper said.

China leads the world by having 22 million spindles. Yet, the figure is 0.02 per capita, less than India's 0.03, 0.7 in the United States, and 0.9 in Japan, the newspaper said.

China is the number one producer of cotton yarns and the number four producer of chemical fabrics. In 1985, the total industrial output value from the textile industry was 87.5 billion yuan, a 449-percent increase over 1980, the newspaper said.

In the past five years, textile products have earned 21.7 billion U.S. dollars for the country, 19 percent of the foreign currency earned from exports.

"However," the newspaper said, "there is a large gap between our country and the countries which are advanced in textile technology and equipment."

China's textile technology and equipment in service are of the level of the 1960's except for a small part which is at the 1980's level, the newspaper said.

"The way out is to have our enterprises revamped and updated," the newspaper said, adding that in the coming years, China will place stress on technical renovation rather than the construction of buildings.

To meet consumer demand and compete better in international markets, China will mainly develop its textile products for garment, ornamental, and industrial purposes in the coming five years, the newspaper said.

One of the world's leading cotton producers, China is also the number one producer of camel hair, wool, and rabbit hair. "It is also very important to have these materials fully utilized in the state's Seventh Five-Year Plan period (1986-1990)," the newspaper said.

INDUSTRY

BRIEFS

HEILONGJIANG OIL OUTPUT--As of 31 December 1986, the Daqing oilfield had produced a total of 55.5 million tons of crude oil, exceeding the state plan by 550,000 tons. [Excerpt] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 31 Dec 86 SK] /12624

HEILONGJIANG COAL OUTPUT--Heilongjiang Province's local collieries produced a total of 20 million tons of coal in 1986. [Excerpt] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 31 Dec 86 SK] /12624

HUBEI INDUSTRY--According to statistics, the province's total industrial output value in 1986 was 46.4 billion yuan, an increase of 9.7 percent over 1985 and higher than the estimated national average of 8.7 percent. [Summary] [Wuhan Hubei Provincial Service in Mandarin 1100 GMT 9 Jan 87 NK] /12624

LIAONING STEEL OUTPUT--As of 29 December 1986, the steel output of Liaoning Province exceeded 10.66 million tons, accounting for one-fifth of China's total. [Excerpt] [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 30 Dec 86 SK] /12624

LIAONING CRUDE OIL--As of 30 December 1986, the Liaohe oilfield had produced more than 10 million tons of crude oil, attaining the goal of doubling the annual crude oil output of 5 million tons 4 years ahead of schedule. It also produced 1.5 billion cubic meters of natural gas, exceeding the state plan by 50 percent. Its total industrial output value reached 1.28 billion yuan, an increase of 10.4 percent over 1985. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 31 Dec 86 SK] /12624

CSO: 4006/372

SMALL-SCALE ENTERPRISES

HEILONGJIANG GOVERNOR ON TOWNSHIP ENTERPRISE DEVELOPMENT

SK170549 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 16 Dec 86

[Text] This afternoon at the provincial conference on township enterprises, Governor Hou Jie said: From now on, our province will relax policy restrictions in four areas to accelerate the development of township enterprises.

Governor Hou Jie said: We must continue to adopt flexible tax policies. During the Seventh 5-Year Plan period, cities and counties, based on their financial capacity, may return some or the most part of the increased amount of taxes levied from township enterprises to township enterprises. New collective-owned enterprises in townships or villages may be exempted from income tax for 1 year, and those in revolutionary base areas, the areas inhabited by minority nationalities, and frontier and poverty-stricken areas may be exempted for 3 years. With the approval of tax departments, enterprises which suffer deficits because of objective reasons may set off their deficits with their next year's income before paying taxes. Enterprises contracting for marketing should pay contract fees according to contracts, and the contract fees may be incorporated into their marketing expenditures. Enterprises which have obtained loans for technical transformation may pay back their loans with the profits earned from the technically transformed projects before paying taxes for the new profits. Second, we should restructure agricultural loans in order to enliven credits. Agricultural loans to township enterprises should be increased every year, and those to foreign exchange earning enterprises should be given on a priority basis. Enterprises which lose money temporarily or in certain reasons alone should not be regarded as loss-making enterprises, and should be extended loans as a support. Third, we should guide enterprises to strengthen management and operation, and properly handle the relationship between accumulation and distribution. After-tax profits of enterprises may be divided into three parts, with 70 percent of them retained by enterprises themselves for use to expand production, 20 percent handed over to township enterprise offices for use as enterprise development funds, and the remaining 10 percent handed over towns, townships or villages. The portion turned over to towns or townships, and 10 percent of the before-tax amount which is incorporated into expenditures as stipulated by the state should be included in township finance, and be used in developing

industries to subsidize agriculture or for other social purposes. With regard to the policies on resources, we should allow township enterprises to develop the mineral resources suitable for development by township enterprises, considering the needs in expanding the commodity economy and adhering to the principle of both developing and successfully utilizing resources and protecting resources. We should make the best use of local resources. Township enterprises are permitted to purchase, process, and sell the portion of farm, sideline, special, and native products in excess of the contract purchasing quota, and which are allowed to be sold in markets.

Governor Hou Jie pointed out: Township enterprises back trained personnel to a serious extent. From now on, a certain number of college and secondary vocational school graduates should be assigned to township enterprises every year. Their status as cadres should remain unchanged, but their wages may be two grades higher. Scientific and technical personnel of universities and scientific research units are encouraged to contract for operation of township enterprises collectively or individually. They may also set up their own. Departments concerned should formulate policies regarding this. Enterprises may also recruit managerial, technical, supply, and marketing personnel extensively from society, and give them proper payments. Colleges and universities should actively train personnel of various specialities for township enterprises. Township enterprises in all localities should conscientiously implement the socialist distribution principle of to each according to his work, and more pay for more work, and allow contractors or people with remarkable contributions to become richer than others through operation of township enterprises. The differences of income between different enterprises and different workers should also be widened. Enterprises with good results in operation, better economic returns, and greater contributions should be allowed to retain more profits for themselves than others, and staff members and workers who have scored achievements and made inventions should be awarded.

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SMALL-SCALE ENTERPRISES

HEILONGJIANG'S SUN WEIBEN ON TOWNSHIP ENTERPRISE

SK051129 Harbin HEILONGJIANG RIBAO in Chinese 17 Dec 86 p 2

[Text] Sun Weiben, secretary of the provincial party committee, delivered a speech at the provincial township enterprise work conference on 16 December.

Sun Weiben said: In early October this year, the Standing Committee of the provincial party committee held a special discussion on the work of township enterprises, and called for a breakthrough in the development of township enterprises next year and the year after. Because township enterprises have become a key link in the province's economic development, in rural development in particular, the development of the entire rural area and even the provincial economy will be directly affected if township enterprises are not promoted. We should enhance our sense of urgency and responsibility, and pay attention to township enterprises as a focal point of our economic work. We must overcome the traditional agricultural concept of "taking agriculture as the foundation" and not leaving the farm all our lives, and the traditional industrial concept of creating barriers between urban and rural areas and setting industry against agriculture; foster a strong sense of the commodity economy; and resolutely promote township enterprises with definite goals in mind.

Last year's provincial party committee work conference clearly set forth a principle of "persistently suiting measures to local conditions and facilitating development continuously," and defined a development orientation of persistently "serving agricultural production, serving the coordinated work for the large-scale industry, serving exportation, and serving the people's lives." It called for efforts to focus township enterprise development on the processing of farm and sideline products, construction and building material industries, mining, the trades and products with better economic results, and Heilongjiang's characteristics; and gradually achieve superiority in the products of our province's township enterprises. As we see them now, these principles are still compatible with the actual situation of our province, and should be implemented continuously. I will now stress again the following points.

First, township enterprises should exert great efforts to turn our province's superiority in resources into that in the economy. Our superiority in resources is very evident, and the present problem is

how to develop and utilize its resources, and turn its superiority in resources into that in the economy. To achieve this, township enterprises should embark on the processing of farm and sideline products with great efforts; and enable their processing capacity to suit the development of rural planting, breeding, and the gathering of wild plants and to conform to the needs of urban large-scale industrial production, the people's lives, and exportation. We should gradually turn primary processing into intensive, precision processing, carry out serialized production, and produce serialized products. Our province is also abundant in mineral resources, and should accelerate their development and utilization. Township enterprises should be bold in developing any resources they are capable of developing, be they coal, gold, or other resources. Production of building materials should be continued, and some new materials other than bricks, tiles, sands, and stones should be developed. In short, by making use of our superiority in resources, we should establish a group of key enterprises, produce a number of highly competitive building materials, and gradually establish superiority in products. We should pay particular attention to developmental production, and develop new products and open up new markets by utilizing or developing our province's special resources.

Second, township enterprises should take the initiative in expanding themselves as quickly as possible by making use of central cities. They should make the best use of the cities' funds, technologies, intellectual resources, and materials to serve their own development, and become a bridge linking the urban economy with the rural economy. Urban industrial enterprises should play their radiative role, break with the pattern of being "large and all-embracing," and voluntarily spread their products to township enterprises. In short, we should learn from the experiences of others, and blaze our own road.

Third, township enterprises should proceed from their specific local conditions in selecting the patterns for their development. We may use the patterns of southern Jiangsu and Wenzhou for reference, but we should still proceed from the reality of our province, and develop whatever is beneficial to ourselves, and should never copy their experiences mechanically. While developing and upgrading collective enterprises, we should greatly expand the enterprises run by individual households, or by several households jointly. In areas where the foundation of township enterprise development is weak and fund supply is strained, we should still rely on fighting a "people's war." Plain areas far away from cities and towns, and in particular revolutionary base areas, minority nationality areas, and border areas should mainly develop enterprises jointly run by several households, or family-based enterprises.

All areas, whatever categories they may be in, should grasp accelerated development with one hand, and consolidation and improvement with the other. Areas with a fairly good foundation for township enterprise development should put more efforts in upgrading township enterprises, strengthen enterprise management and technological transformation, and try all means

possible to improve the qualities and economic results of enterprises. Areas where township enterprises have been developed later than others should focus on development, and establish more developmental enterprises. We should neither hesitate to move forward nor start new enterprises at random. We should take advantage of the superiority of the enterprises to establish associations of enterprises. Township enterprises should engage not only in industrial production but also in transportation, commerce, service, and other trades of the tertiary industry. Proper geographical arrangements should be made for the expansion of township enterprises. All localities should step up planning for construction of small market towns, and set aside certain areas in a planned manner where peasants can undertake industrial production and commercial projects.

Fourth, township enterprises should take the road of lateral cooperation, and do a good job in the development of technologies and train personnel. What is of importance in carrying out lateral cooperation is to abandon the traditional habit of doing business in a closed manner. Lateral cooperation will not be promoted and township enterprises will not develop quickly if they fear that others will earn money from them. Also, township enterprises should broaden their roads, implement the principle of opening themselves to the outside in an all-round manner, and carry out any forms of multichanneled, multilayered, and multidirectional cooperation that is beneficial to them. At present, some localities have difficulty finding the targets to cooperate with. How should we solve this problem? We should first mobilize the masses boldly and follow the mass line. By doing so, there will be no way that is impossible. Second, leading comrades should go out personally instead of waiting for guests at home. Third, we should make use of various chances and forms to spread information and to advertise, and take the initiative in "playing up to superiors and forming ties with aristocrats." Once a road is opened up, it will become increasing broader, and cooperation will become more vigorous. Fourth we may ask vanguard units to act as a go-between. In addition, all units in cities should shoulder the responsibility of helping township enterprises in cooperation, and should open the city doors wide, eliminate the various barriers between urban and rural areas, and provide more favorable conditions to township enterprises.

Fifth, township enterprises should further deepen reform on the basis of consolidating and improving the "one contract and three changes." That is, they should enforce the contract responsibility system in operation, and change the appointment of cadres into a democratic election and an open invitation of cadres, change the fixed-wage system into piece rate wage system and floating wage system, and change permanent workers into contract, seasonal or temporary workers; gain more vigor; and further sum up experiences so as to consolidate and improve themselves. Meanwhile, reform of township enterprises should be deepened. At present, we should properly resolve two issues. First, government administration should be separated from enterprise management, and townships and villages should delegate to enterprises all the powers they are entitled to, and allow all the operators to operate independently, and develop their talents. Second, egalitarianism in distribution should be eliminated. Operation of an

enterprise is risk-running, complicated and strenuous labor. It also faces numerous difficulties at present. It is very difficult to serve as enterprise directors. Therefore, their income should be based on their performance, and those with good operational results may have a higher income than that of workers, and those with outstanding contributions are allowed to become rich very quickly. This is not exploitation but rather distribution according to work. These are two key issues concerning reform. In addition, township enterprises should actively popularize the stock system, the contract system, the leasing system, and so on. In general, all newly established or expanded enterprises may apply the stock system from now on. It is hoped that everyone will emancipate his mind, and have the courage to create the new so that the reform of township enterprises can take a step forward.

It has not been easy for township enterprises to develop like a single spark developing into a prairie fire. Leading organs at all levels must particularly protect and support them, serve them well, and provide a relaxed economic climate for their development.

Leading organ's support and assistance to township enterprises should be mainly embodied in their relaxed policies. They should provide favorable conditions for the survival, development, and expansion of township enterprises, and help them through all possible means to invigorate production and operation. They should never impose restrictions on them and suffocate them to death.

The provincial party committee and government recently further adjusted the policies related to township enterprise development, and drafted "several regulations on greatly developing township enterprises," which will be issued officially in the near future. It is hoped that all localities will implement them conscientiously. When implementing the regulations, they should proceed from specific local conditions, and carry them out in flexible manner on the premise that the general principle is not violated so that the regulations can be implemented to the letter. Flexible methods should be permitted as long as they are conducive to the accomplishment of the state's four modernization, to the vitalization and prosperity of our province's economy, and to the early affluence of the masses of people. Policies in support of township enterprises formulated by the central authorities and the province must be implemented resolutely, and no one who proceeds from his partial interests is allowed to implement them partially. Township enterprises are enterprises run by peasants. They rely mainly on market regulation in production, supply, and marketing, and face numerous difficulties in every step they take. If every department acts as a "mother-in-law," it will control township enterprises so tight so that they will die. For this reason, leading persons at all levels and all departments should give a free hand to township enterprises.

The tasks for leading organs at all levels are to actively support, correctly guide, and strengthen service. Township enterprises should be regarded as a focus in the future. Counties and townships should organize strong leading forces. At present, many localities have begun to apply the responsibility system to their leaders, who will be awarded or punished according to how their targets are fulfilled. This is very good. We should avoid general calls in developing township enterprises. Every locality has some advanced typical examples or experiences. It should conscientiously sum them up and popularize them, and enlighten the people's thinking and broaden their field of vision through the advanced typical examples.

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CSO: 4006/371

SMALL-SCALE ENTERPRISES

'QUANZHOU PATTERN' OF SHAREHOLDING SYSTEM DESCRIBED

HK190609 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0215 GMT 18 Dec 86

[Roundup by reporter Li Jiancheng (2621 1696 2052): "'Shareholding System' -- Base of the 'Quanzhou Pattern' -- Experience of Reforming Enterprises"]

[Text] Quanzhou, 18 Dec (ZHONGGUO XINWEN SHE)--In the economic development of the mainland of China in recent years, there have appeared three patterns Sunan, Wenzhou, and Quanzhou. Most economists consider the "Sunan Pattern" to focus on collective enterprises and the Wenzhou pattern to focus on household industries, while the focus or the basis of the "Quanzhou Pattern" is the "shareholding system" -- a free combination in the form of shareholding of such elements as manpower, material and financial resources, wisdom, and even power, with workers diverted from agriculture.

Survival of the Fittest; All Roads Lead to Rome

This reporter took a look at many town and township enterprises in Quanzhou City. They started out in different ways, but every road followed led to the same answer the shareholding system.

The shareholding system followed by Quanzhou town and township enterprises went through a "trilogy" from "spontaneity" to "consciousness."

During the period of the "Cultural Revolution," some of the peasants, who in Quanzhou averaged less than 0.3 mu of field each, secretly teamed up and formed partnerships to factories. But these factories were denounced as "black underground factories" and were banned.

After the downfall of the "Gang of four," shareholders' enterprises that had been suppressed mushroomed. Peasants with idle money contributed money, those with man hours to spare contributed time and those with unused housing contributed space, as they enthusiastically entered into partnership to run factories.

In recent years, to meet competition, there has been a switchover from the unitary shareholding system of individuals raising money to a shareholding system in various forms, with the appearance of a number of partnership enterprises that cut across areas, state boundaries, trades, and systems of ownership.

Song Taiping, designer of the "Aihuapai" [Love Flower brand] brassieres and winner of the "Golden Gull Cup" prize, went through a not quite peaceful period of a "trilogy." During the "Cultural Revolution," he was accused of being a "hardware king" because he operated a hardware factory, and he was thrown into jail. After the downfall of the "Gang of Four," he made a comeback and entered into partnership with four peasants running a brassiere and garment factory. Last year, he entered into another partnership, with the State Quanzhou Purchasing Center to set up the Quanzhou Brassiere and Garment Factory. At present, he is again busy negotiating with foreign businessmen for the joint operation of a Chinese foreign joint-venture enterprise.

Four Wheels Turning With No Set Pattern

The "Quanzhou Pattern" shareholding system has now become a combination of four patterns dubbed by economists as the "four wheels" of the Quanzhou shareholding system:

The enterprise financed with individually raised money was the form of partnership that first appeared. It still occupies a predominant position.

The pattern of individuals entering into partnership with the collective has changed from the original concept of partnership with towns and villages to the current practice of partnership with the state, with colleges institutes of higher learning, and scientific research units, and even with industrial and commercial departments outside the province. It is claimed that up to now there have been 300 enterprises of this kind that cut across areas, trades, and systems of ownership.

Trading companies organized by factories in the same business have proliferated. The "Quanzhou Toys Trading Company" formed in partnership by 18 toy-producing factories is a typical case in point.

Various Chinese-foreign jointly financed and cooperative enterprises run jointly by peasants in overseas Chinese hometowns with people abroad and their relatives in Hong Kong and Macao have sprung up. The whole city now has more than 150 enterprises in this category. There is a trend toward a continuous increase in their number.

Let People Judge Merits or Demerits, Advantages or Disadvantages

Both advantages and disadvantages are claimed in the practice of the shareholding system. There can be no more than two alleged disadvantages: "The exploitation of hired workers" and "polarization."

Hired workers of Quanzhou town and township enterprises number 10 or 20 persons at least and 100 or 200 at most, exceeding the limits of the so-called regulation about "hired workers not to exceed seven." Jincizao Town has more than 10,000 workers from Qingdao in the east, Sichuan in the west, Guangxi in the south and Shanxi in the north. Is this good or bad? Facts show that

advantages outweigh disadvantages. First, the problem of plenty of people in overseas Chinese hometowns having little land available is solved. Second, there has been a boost to peasants' income, with nearly 400 million yuan in wages paid by town and township enterprises throughout the city last year. Third, an attractive amount of wealth is created for society.

There is no denying that there is a relatively big gap between the income of enterprise owners and that of workers. People in economic circles contend that shareholders not only contribute capital but also participate in management. They take risks. More remuneration for them is right and proper. In Quanzhou Prefecture, the monthly wage of general town and township enterprise workers stands at above 100 yuan and even as high as 200 or 300 yuan, greatly exceeding the income of peasants and state enterprise workers. Therefore, differences between shareholders and workers lie in getting rich soon or getting rich later, and being rich or being not so rich. There is no polarization of the poor and the rich. Enterprise owners use part of their lucrative income to pay personal income taxes, as required by regulations, to invest in expanded production, or to develop public welfare projects and raise the standard of living. This is beneficial to the state, the family, society, and others. Why should this not be allowed?

The other day, this reporter learned that some peasant entrepreneurs were preparing for share and bond issues. A stock market among the people has been under preparation. This means that the shareholding system of Quanzhou will witness a takeoff from quantity to quality.

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SMALL-SCALE ENTERPRISES

BRIEFS

LANZHOU TOWNSHIP ENTERPRISES--The gross output value of the township enterprises of Lanzhou City, Gansu Province, this year has exceeded 600 million yuan. With a view to improving the quality of their products, the building materials, food, and paper-making trades of the township enterprises of the city have carried out standardization work. Some 30 products of the township enterprises of the whole city have now been assessed respectively by the Ministry of Agriculture, Animal Husbandry, and Fisheries and the provincial Township Enterprise Bureau as products of superior quality. The city now has some 5,500 township enterprises and 140,000 rural laborers -- 20 percent of the total number of the rural laborers -- are employed by these enterprises. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 16 Dec 86 HK] /12624

LIAONING TOWN-RUN ENTERPRISES--In 1986 the total output value of township- and town-run enterprises throughout Liaoning Province is expected to reach 19 billion yuan, a 32.3 percent increase over the 1985 figure. They have scored a net increase of 560 million yuan in profits and taxes handed over to the state. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 18 Dec 86 SK] /12624

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AGRICULTURE

INVIGORATING ZHEJIANG'S OFFSHORE FISHING INDUSTRY

Hangzhou ZHEJIANG RIBAO in Chinese 15 Jan 87 p 2

[Article by Wang Tianliang [3769 3944 5328]: "Measures to Protect Coastal Marine Resources and Develop Deep-sea Fishing"]

[Text] The protection of coastal fishing resources is nothing new to the marine production community. In recent years, experts and scholars in offshore fishing research have continuously sounded the protection theme loud and clear on different occasions and in different ways. Departments in charge of fishery and leaders at all levels in fishing areas have also taken many effective policies and measures to stop fishing resources from declining further. But what is the real extent of the decline in coastal fishing resources? What are the main reasons for the decline? What should be the main thrust of our drive to protect coastal resources? What do cadres and people in fishing areas think about all this and what are their needs? Many people with an interest in the fishing industry are very eager to know the answers to these questions. Recently this reporter conducted an on-the-spot investigation along the long, winding coastline and had some useful discussions about these issues with leaders and technical personnel from provincial, prefectural, and county agencies concerned as well as with comrades in fishing areas.

Background Behind Increasing Fishing Output

Marine resources are a form of biological resource. Unlike mineral, dynamic, or chemical resources in the ocean, marine resources are a living resource that can reproduce, grow, and die endlessly. Their quality and quantity vary continuously in response to changes in their living environment and the extent of human intervention in the ocean. Therefore, no survey on marine resources can draw a so-called conclusion in a sweeping manner. Instead, we must do a comprehensive analysis of changes in the overall fishing resource structure.

The growth of Zhejiang's marine fishing output should be described as quite speedy. In the early 1950's, the province's entire marine fishing industry had an output of only 100,000 tons. This figure rose to 500,000 and 800,000 tons by mid-60's and mid-70's, respectively. Over the past decade, fishing output has leveled off, but remained at a fairly high level. Since 1985, the output has resumed its upward trend, reaching 795,000 tons, close to the

historic high. In 1986, fishing output held steady and has inched upward somewhat. Based on analyses by the Zhoushan area, which accounts for a preponderant share of the province's output, total output may exceed that of 1985 by 50,000 tons. It is hard to tell whether fishing resources are "flourishing" or "declining" just by looking at these numbers alone. But if we look beyond the increase in fishing output and examine the changes in the products in recent years, we will realize the serious decline in major commercial fish resources in inshore fishing grounds that used to teem with commercial fish.

Yellow croaker was once fishermen's traditional target and a delicacy highly popular among urban and rural consumers. Celebrating the New Year or observing a festival without a dish featuring salted vegetables and yellow croaker was regarded by the folks in and around Ningbo as a matter of regret for the whole family. But nowadays even the families of fishermen, whose livelihood is fishing, rarely get to enjoy the fish more than a few times a year. As for seafood stores in the cities, the fish has all but disappeared from them. The reason is the sharp drop in yellow croaker output year after year. By the spring and summer of 1986, there was basically no croaker fishing season. Because the haul catch was so low, fishermen on the sea suffered heavy economic losses and were forced to switch to another marine product. I reviewed the composition of the spring-summer fishing catch of the Zhoushan area in recent years. In 1980, the area's yellow croaker output still stood at 35,985 tons. By 1986 it had fallen to 1,122 tons. In absolute terms this was 3,470 tons less than in 1985, the smallest in history, for an average annual decline rate of 43.9 percent. Yellow croaker accounted for 3 percent of all commercial fish caught in 1986, down from 38 percent in 1980. Let's now take a look at the output status of two other major species of commercial fish, cuttlefish and hairtail. The Zhoushan area produced 26,634 tons of cuttlefish in 1980, but a mere 3,298 tons in 1986, for an average annual decline rate of 29 percent. Although hairtail output must be considered stable in comparison, people in the business say that hairtail resources in general are on the wane. A majority of the hairtail caught in the 1986 winter season in the Zhoushan fishing grounds were fry, mostly smaller than their counterparts last year: They were shorter by 1.4 cm and lighter by 30 gm on average. Apart from the steep decline in the resources of the leading commercial fish, other marine resources have also shown a tendency to diminish slowly. Grouper fishing is a fledgling operation developed only in recent years. But grouper caught off the Zhejiang coast has been getting smaller and smaller these days and output has also begun to dip. In some fishing grounds the drop in jellyfish and shrimp resources has also become increasingly evident. We may say that it is primarily because of the exploitation of mamianyu, shangcengyu, and other low-grade fish and the destruction of large quantities of fry in coastal waters that marine fishing output has managed to increase absolutely in recent years.

By analyzing by species the composition of Zhejiang's offshore fishing output, we arrived at one conclusion, namely that as far as the major species of commercial fish with a high economic value are concerned, fishing resources are now close to exhaustion in the key fishing grounds where mass fishing takes place and where state-owned fishing vessels operate. Although the authorities have taken numerous steps to protect reproduction resources amid

the cries of alarm in the marine production community, they have failed to reverse the ongoing decline in coastal resources. Noting that marine fishing output has picked up, some people hastily make optimistic forecasts, saying that the ecological status of coastal resources has entered a "virtuous cycle." This is a misconception.

Crucial Reasons for Decline in Resources

Marine fishing is a piece of systems engineering where natural reproduction intertwines with economic reproduction. So-called natural reproduction means that when human activities pose insignificant interference, marine resources have a definite self-regulatory capacity that will enable them to maintain the community structure at a stable equilibrium. So-called economic reproduction means that as long as the reproductive capacity of fish is not affected, marine resources can be exploited for an indefinite period to mankind's continuous economic benefits. There are certainly many reasons behind the rapid decline in coastal fishing resources. One factor not to be ignored is the rising number of coastal shipyards and the discharge of industrial sewage, which pollute nearby waters and constitute a clear threat to the living environment of fish. But the most direct and basic reason is still over-fishing which exceeds far and away the natural reproductive capacity of marine resources. It can be said that mistaken guiding ideas in fishing production in the past--the exclusive emphasis on "if you live near the sea, live off it" and a development model that simply resorts to increasing fishing vessels and nets and does not look beyond traditional fishing grounds--is the crux of the problem of declining coastal marine resources.

Over the past few years, coastal areas have done a lot to adjust the fishing production structure and change operational methods, with a measure of success. But the old development model of quantitative expansion that seeks to maintain fishing capacity by increasing vessels and nets and confines fishing grounds to those existing before the 1970's has basically not been discarded. According to relevant data, province-wide there were 11,800 motorized fishing vessels with 797,700 horsepower in 1980. By 1985, the fleet had grown to include 24,300 vessels with 1,164,200 horsepower. During this 6-year period, the size of the fleet doubled, with a 46 percent increase in horsepower. Through operational adjustments in the last 2 years, the number of medium-sized motorized junks has been cut. But since other types of fishing capacity have jumped significantly, fishing intensity in fishing grounds off the Zhejiang coast is still on the rise. Moreover, the distribution of fishing capacity among the province's fishing grounds is grossly irrational. About 95 percent of the province's combined fishing horsepower is basically deployed for operations year round in coastal fishing grounds, which constitute 55.86 percent of Zhejiang's fishing grounds in terms of area, while the remaining 5 percent fishing horsepower are deployed in off-shore fishing grounds, which account for 44.14 percent of the province's fishing grounds. The result is a vicious circle: While inshore coastal resources continue to be depleted on a large scale, offshore fishing resources are not utilized properly.

There are diverse reasons why the trend to increase the number of ships and horsepower has not been brought under effective control. Population expansion

in fishing areas and increases in new labor force in the fishing industry; all kinds of constraints on the islands, resulting in sluggish development in township industry and a failure to channel labor force in fishing villages into other areas; and the fact that large numbers of old fishermen in their 50's and 60's resumed fishing after "vessels were made the accounting unit"---all are major reasons why it has been impossible to lower fishing intensity. But the most essential is still the effect of the law of value. Over the past several years price control on aquatic products has been lifted totally and fish prices have soared. In 1985, the unit price (charged by fishermen) for 100 kg of marine and aquatic products averaged 110 yuan in the province, up 230 percent over the 1979 price of 34 yuan. During this survey, I was told by some fishermen that every time they put to sea, they could make at least a couple of hundred yuan, at most several thousand. For some people, their average daily catch is worth what it costs to buy a bicycle. The profit motive has spurred more and more peasants along the coast to abandon farming in favor of fishing and more and more fishermen to enlarge their fleets and increase their nets. Small fishing vessels alone in the coastal areas increased by over 5,000 units and filter nets by 29,500 in just the past few years. Of the total number of filter nets, 30 percent belonged to peasants. They were responsible for destroying the fry of major commercial fish to the tune of 146,000 tons had they had a chance to grow to full size, equivalent to 57 percent of the output of the four major commercial fish in the province in 1985. The spirit of State Council documents is to "prohibit peasants from fishing at sea," but in reality the situation has almost gotten out of control. The sharp increase in ships and nets along the coast has only further worsened the ecological state of already over-exploited coastal resources, the inevitable result of which has been a drop in the economic results of marine fishing as well. In 1985, the province devoted 1.17 million horsepower to offshore fishing, 730,000 horsepower more than in 1984. Yet the yield per horsepower was 6.78 kg, down 62.1 percent from 17.87 kg in 1974. Since costs go up along with increases in horsepower, new value created is bound to diminish. The consumption of diesel oil alone has risen by 50,000 tons at a cost of 25 million yuan.

"Compete Offshore, Protect Inshore" as a Way Out

Such is the serious harm an ever-rising fishing intensity has done to coastal marine resources. Yet simply prohibiting fishermen from expanding fleets and increasing nets by administrative fiat will not work any time soon. So how do we reconcile the conflict between the need to develop offshore fishing, the appetite of urban and rural residents for fish, and the need to come up with export commodities to earn foreign exchange? What should really be the thrust of our push to invigorate Zhejiang's marine fishing industry?

An important way out for us is to develop marine aquaculture and systematically channel the labor force in fishing villages into that industry in a planned way. With its extensive stretches of shallow beaches, Zhejiang has tremendous potential for developing marine aquaculture and the prospects look attractive. In 1985, marine aquaculture took up 367,000 mu and had a total output of 96,000 tons, or 26.1 kg per mu. Studies show that province-wide about 1.3 million mu can support marine aquaculture, less than one third of which has been developed so far and over 70 percent of the beaches are

still lying waste. By tapping their potential, thousands upon thousands of workers in fishing villages can embark upon the road to prosperity without fishing on the sea. Clearly this has strategic significance for reducing coastal fishing intensity and protecting marine resources. But the development of aquaculture is subject to capital, fodder, technical, and equipment constraints and cannot reach a stage at which it can replace marine fishing in the short haul. Of the province's total aquatic output, over 80 percent are still dependent on marine fishing. Even during the Seventh 5-Year Plan and up to the year 2000, offshore fishing will retain its dominant role. At issue here is the very future of the marine fishing industry. Some experts have put forward a policy of "compete offshore, protect inshore," that is, develop a deep-sea fishing industry to compete for our share of the catch in the oceans of the world and protect coastal resources in the interest of perpetual rational utilization. In other words, the most important thing to do in developing Zhejiang's marine fishing is to "strike out." Only by transferring a portion of coastal fishing vessels to offshore fishing and strictly limiting the deployment and operations of fishing vessels within the lines of the fishing restricted areas can we achieve the dual purpose of ensuring steady growth in fishing output and promoting the reproduction of coastal resources.

Judging from the experience of some fishing areas in the province, it not only is possible, but also produces striking economic results, for mass fishing to reach out to more distant waters. In the 1-year period from September 1985 to August 1986, Zhoushan Marine Fishing Company No 3 organized nine pairs of large 110-ton motorized junks with 250 horsepower and despatched them year round to the Class 2 shipping area outside the fishing restricted areas. Each pair of vessels made 13 trips. Between them the nine pairs of vessels netted more than 4,500 tons of assorted fish with an output value reaching 5.6 million yuan. Each pair of vessels had an average output of 506 tons and raked in 280,000 yuan in net profits. Yuhuan County sent 24 large and medium-sized fishing ships to operate in offshore fishing grounds and ended up with 28 percent more output on average than coastal production units. Guo Baoyou [6735 1405 0645], a well-known boat owner in Shitang Town in Wenling County, fished for mamianyu in Diaoyudao fishing grounds for 3 successive years. His big break came in 1986: From February to April, he made six trips, cast net 101 times, and harvested 283 tons of mamianyu in all. For the province as a whole, a total of 40 pairs of motorized junks and 10 pairs of mass fishing vessels plied the waters mid-ocean in the first half of the year and had a combined haul of 6,000 tons of mamianyu. Facts prove that giving mass fishing a free hand in the development of offshore fishing is a practical and economical way to exploit new resources and reduce the burden on coastal fishing.

Even as we encourage mass fishing to gradually venture out to mid-ocean, we should energetically create conditions for the state-owned fishing industry to open up deep-sea fishing grounds. Among the country's 10 coastal provinces and municipalities, six have now set up deep-sea fishing companies to develop deep-sea fishing and have obtained gratifying results. Shanghai Deep-sea Fishing Company, for instance, imported from the Federal Republic of Germany a 3,000-ton deep-sea factory trawler. In the spring of 1986 the trawler caught over 1,500 tons of cod in fishing grounds in international waters in the Gulf

of Alaska, processed the fish on board, and sold it to foreign businessmen at sea. Within a month they achieved a total output value of \$460,000 and chalked up a net profit of \$200,000. Although Zhejiang's work in this area remains in the planning and exploratory stage, objective conditions are already in place. According to forecasts by comrades in provincial agencies concerned, provided it succeeds in developing deep-sea fishing, the province can boost fishing output by at least 100,000 to 150,000 tons by the year 2000.. This has tremendous practical significance for improving market supplies in future and raising the masses' fish-eating standards.

Fishermen's Hopes and Demands

Discussions with cadres and the masses in the fishing areas reveal that fishermen too are worried about the worsening depletion of coastal resources and are anxious for changes in the fishing structure. They want to break out of the traditional production model and express a strong desire to organize and develop offshore fishing. However, in the midst of adjustments and the implementation of a new fishing development model, they have run into many practical problems and difficulties which the relevant agencies must take steps to solve.

First, they demand that the higher authorities provide the fishing industry with individualized guidance instead of making universal rules applicable across the board. Nowadays, the agencies above strictly limit the increase of the tonnage and horsepower of ships by coastal fishing areas. To add one more vessel to its fleet, a fishing unit must first obtain county, prefectural, and provincial permission and then send the application to Beijing for review and approval. From the macro perspective, this is aimed at preventing fishing capacity from rising excessively and is certainly necessary. Still the actual implementation procedures should be varied to suit real conditions in different localities and to distinguish between land and island and between state-owned units and collective units. Specifically, there should be an explicit order banning fishing on the sea by peasants in fishing areas whose main occupation has been farming. Both administrative intervention and economic measures should be used to stop these villages from continuing to put more men, ships, and nets into fishing and jeopardize limited marine resources. Peasants in fishing areas should be strongly encouraged to use shallow beaches to develop marine aquaculture, township and town industries, sideline business, and other tertiary industries assiduously in order to give coastal marine resources a chance to recover and multiply. As for fishermen scattered among the numerous coastal islands whose livelihood has always been fishing, they should be allowed to replace their fishing gear and expand the tonnage and horsepower of their fleets as appropriate, giving preference to the development of large motorized junks and fishing vessels. They should be encouraged to operate beyond the limits of the fishing restricted areas. No longer should we again commit the folly of restricting domestic fleets overly stringently, while giving free rein to foreign fishing vessels to scramble for resources in waters off the fishing restricted areas as they please. How do we work out the magnitude of the increases? Government agencies concerned at the national level can set a base number in light of the demand for fish products in domestic and international markets and then empower functional agencies at the provincial and prefectural levels to determine a figure

through consultation. The state-owned fishing industry must be actively supported and encouraged to gradually shift their operations to the oceans, thus vacating some fishing grounds for the mass fishing industry, which operates under less advantageous conditions. Currently there are altogether 850 pairs of Chinese fishing vessels at work off the East China Sea year round. Add the strains imposed by mass fishing, and you have a potential threat to the resources of major commercial fish in fishing grounds in the East China Sea, which is bound to affect the fishing output within the fishing restricted areas. Scattering the fishing capacity of the state-owned and collective fishing industries can only benefit the protection of coastal resources.

Second, the fishermen demand that the fish-for-diesel oil exchange and purchase program be improved by increasing the kinds of marine products that can be exchanged in return for oil. Following reforms in the state monopoly on the allocation and purchase of aquatic products in the past 2 years, the government has set aside a portion of the diesel oil originally earmarked for planned supply for exchange with fishing areas for fish products. This move helps ensure urban seafood supply seafood and protects the interests of both fishermen and consumers. But fishermen widely complain that the species of fish eligible for exchange are fixed too rigidly. The hard and fast rule that only yellow croaker and large hairtail weighing over 200 gm can be exchanged for diesel oil is already out of step with changed realities in fishing resources. According to calculations by a deputy director in charge of fishing production in an administrative office in the Zhoushan area, Zhoushan's exchange-purchase quota for 1986 was 17,500 tons, which, after being raised at every level, would fall far short of the actual catch of yellow croaker and large hairtail. This was a big headache for the counties and prefectures. Because the comparative prices of fish and oil are not well coordinated, some fishermen, prompted by short-term interests, conclude that they get a better deal by selling their fish and buying oil at market prices instead of exchanging one for the other. Their refusal to give up their fish in return for oil has also compounded the difficulties of the exchange-purchase problem. From top to bottom, therefore, there is a strong demand in fishing areas for taking realities as the point of departure and for improving the exchange-purchase program. Swimming crab, frozen shelled shrimps, butterfish, jellyfish, and other aquatic products which the fishing areas can produce and which are popular among urban consumers should be incorporated into the program to encourage fishermen to develop new resources.

Third, they demand that relevant national government agencies draw up a number of special policies concerning the development of offshore and deep-sea fishing to support and give preferential treatments to the industry in such matters as capital, taxes, oil supply, technology, and equipment. The development of deep-sea fishing is highly risky, requires large outlays, must meet exacting demands, and involves a wide array of agencies. Without national coordination and support, rapid development would be impossible. According to data supplied by agencies concerned, advanced fishing nations and countries and regions with a flourishing offshore fishing industry all treat the development of deep-sea fishing as a priority. Japan, which leads the world in fishing output, spends the equivalent of 2.5 to 3 billion yuan a year on the replacement and building of fishing vessels and the construction of

fishing ports alone. The Soviet Union, which has the world's second largest fishing output, invested as much as 5.1 rubles in the building of deep-sea fishing vessels in a 5-year period. China is a key fishing nation in the world and Zhejiang a key fishing province in the country. If we learn from success stories overseas, use the lessons in the context of China's and Zhejiang's actual circumstances, and formulate some policies to decontrol and invigorate the offshore fishing industry, we will certainly be able to make better use of its existing advantages.

12581

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POPULATION

BRIEFS

GANSU REGION CONTROLS POPULATION GROWTH--Lanzhou Military Region has taken effective measures to control population growth. The region's rate of planned parenthood and sterilization, and the rate of certificates received for having only one child, have all reached 99 [as heard] percent. The rate of marriage at a mature age has reached 97 percent. At the national rally to commend advanced collectives and advanced individuals in planned parenthood held this year, 20 units and 3 individuals were praised and rewarded by the State Family Planning Commission and PLA Headquarters. This year, all units in Lanzhou Military Region have universally attached importance to publicity and education in planned parenthood, vigorously carried out maternity and child care work, given guidance in sterilization technology, examined and treated women's frequent diseases, and acted as matchmakers for young people who have attained marriage age so that planned parenthood work can be done in a down-to-earth manner. [Text] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 15 Dec 86 HK] /12624

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CONSTRUCTION

FUTURE OF URBAN CONSTRUCTION DISCUSSED

Hong Kong LIAOWANG [OUTLOOK] OVERSEAS EDITION No 52, 29 Dec 86

[Article by Xing Qi [5427 2630]: "Present and Future Urban Construction in China"]

[Excerpt] The current status of urban construction in China may be said to be roughly as follows: on the one hand, the achievements of the state's Sixth 5-Year Plan make everyone see and feel that they are reaping the material benefits and enjoying the gains made, and they are happy; on the other hand, because the cities are still running on overload at fairly low levels, the debts owed on urban construction are difficult to pay off all at once, and some conflicts are even more acute under the new situation, which, understandably, has left the masses grumbling about certain shortcomings.

However, the construction goals for the next five years are now clear; if we continue along the path already blazed during the Sixth 5-Year Plan, prospects for the future are still heartening.

Regardless of how it is appraised, subjectively speaking, the present time, "In terms of urban construction and environmental protection, is the best period since the founding of the People's Republic." This is the evaluation made in a meeting not long ago by Wan Li [5502 6849], minister of urban construction. If people analyze this evaluation against the backdrop of reform and opening, they will be able to understand that both the achievements in urban construction and the many difficulties we still face are historical necessities, mirrors of the present.

Unparalleled Feats in Pushing Reform

As everyone knows, when China was closed and partially closed, the cities did not receive the attention they deserve, and during the Cultural Revolution they were even more severely damaged. Today, now that the economy is entering a historical phase of development of a planned, commodity economy, cities are finally taking their place on the stage of reform. The coastal cities benefiting from special policies, and some central cities implementing plans that include even more cities as test sites for overall reform, these all mean that "the cities themselves have demonstrated the centralization of population, the tools of production, capital, enjoyment and demand," and have

given people a deeper understanding that "cities are economic and political centers and the center of the people's spiritual life; they are the motive force for progress." In short, After cities have been able to fulfill their roles as centers and perform their multiple functions, people will once again appreciate the value and capacity of urban construction.

Under such circumstances, China's urban construction has gained an excellent opportunity for rapid development, and the level of urbanization has therefore risen. During the Sixth 5-Year Plan, the number of established cities increased from 223 to 324, and the number of organized towns rose sharply from more than 2,000 to more than 7,000. Urban layout is becoming more sensible, and the contours of the urban system are gradually becoming clearer. The drafting, examination and approval of the master plans for virtually of Chinese cities have now been completed, and urban construction is now getting on the track of planned construction and scientific development. Many cities are taking on a new look.

What is even more commendable is that people's concepts have been revised, and their views on urban construction are no longer the same.

There was a view long current among many cadres that industrial construction was the mother hen, able to lay eggs; urban construction was the rooster, able to consume but not to lay eggs, which was the situation after urban infrastructure stagnated. When the open coastal cities first proposed that urban infrastructure was an important circumstance for attracting foreign investment, it shook the narrow-minded view that urban construction is "nonproductive." In recent years, under the impetus of horizontal economic relationships, some large and medium-size cities in central and western China have been treating urban infrastructure as an important element for attracting outside investment; like the coastal cities, they were willing to spend money on a "rooster," enthusiastically raising capital to step up construction. During the Sixth 5-Year Plan, nationwide investment in urban facilities for municipal government and public use reached a peak of 18 billion yuan, corresponding to 58.2 percent of total investment in the 33 years from 1952 to 1985. During this period, the provinces and municipalities built water and gas works that increased water and gas supply capacities by 38 percent and 71 percent, respectively. In the last five years urban transport has also improved; the more than 280 cities nationwide now have more than 40,000 buses, and more than 150 of these cities also have taxis. The length of city streets and roads has increased by 14 percent. At the same time, significant progress has been made in such areas as urban drainage, flood prevention, parks, tree planting, and urban environment. In short, urban infrastructure is now heading towards construction that is coordinated with economic production and community life. The quality of urban life is improving, and the function of cities is being strengthened.

There was in the past another view of urban development: people viewed urban housing as a form of welfare, and the state adopted a policy of guaranteeing it. As a result, 30 years after the founding of the People's Republic urban living space per capita was only 3.9 square meters, and around 1979 there was a seeming explosion of social problems. After the concept of a commodity economy was applied to the housing problem, the enthusiasm of the central and

local governments, enterprises, and individuals was mobilized, and the scale of housing construction underwent an unprecedented acceleration. According to statistics, from 1980 to 1984 nationwide investment in urban housing was 100,700,000,000 yuan; the area of the new housing is 640,000,000 sq m, corresponding to 47.7 percent of all the housing area built in the 36 years since the People's Republic was founded. Urban housing space per capita increased by 1.3 sq m, reaching 5.2 sq m. In the last 6 years, more than 70 million people have moved into new housing, and housing conditions have improved. During this time the state adopted such methods as public assistance for private construction and public construction with private assistance to encourage people to build houses. In these six years, individuals in the country's cities invested approximately 7.7 billion yuan and built more than 94 million sq m of housing. At the same time, the state enthusiastically pushed the commercialization of housing. Housing has gradually gone from scattered construction by individual units to construction and sales through comprehensive development and centralized completion. In these few years more than 1,400 fully equipped housing developments of different styles in tranquil and lovely settings have been provided, and these have been universally well received by the people. The constantly changing face of the cities and the social environment have been improving steadily, and this has made a vivid impression on compatriots from Hong Kong, Macao, and overseas.

Difficult Experiments

Reform and opening have provided an expansive environment and a flexible mechanism for urban construction; they have also furnished possibilities for urban construction to reform its own management system and to implement effective policies. During these years many cities have broken through the restrictions of segmentation and compartmentalization and stepped courageously ahead, undertaking worthwhile experiments.

As regards the construction management system, these include the following:

Tianjin has taken the lead in reforming the plan management system, placing the programming, planning, design, investment, materials, construction and management of urban and housing construction under the centralized control of the construction departments, thus ensuring that both plans and programs are implemented and thereby fully resolving the old problem of the two being disjointed. People believe that this is an important guarantee of the striking success of Tianjin's construction.

The "centralized programming, rational distribution, comprehensive development and complete construction" implemented by Hefei has achieved outstanding results in transforming and developing the old city, and the city has taken on a new look. This approach actually represents a reform of the system of program implementation and management, which many cities have now adopted and from which more results are being seen.

In the area of land used for urban construction, Wuhan has placed everything from application, site selection, examination and review, planning, and requisition to management under the central control of the city and township construction departments, which has not only simplified procedures and reduced

bureaucracy but has also been beneficial in making rational use of urban land and kept construction programming on track. The reforms made by Wuhan in the system of land management have won popular approval, and some other cities are preparing to implement them on a trial basis.

There has been comprehensive development of urban housing construction; sales of houses to individuals, the use of project contracts, and overseas real estate development are an important aspect of the reform of China's construction system. Six years ago, the creation of the China Housing Construction Development Corp. gave a boost to this new industry; in 1981, it had only one company, in Changzhou; by 1985 there were 121 branches, distributed among 117 cities in 27 provinces, municipalities and autonomous regions, thereby creating China's largest group of housing development companies.

During the Sixth 5-Year Plan, many cities also formulated and implemented a number of economic policies adapted to local conditions that put new vigor into urban construction. For example, Beijing, Nanjing, Chongqing, Yinchuan and other cities assess fees for hookups to municipal services or fees for increased volume. Shenyang, Guangzhou, Liuzhou and many other cities also collect refundable use fees for municipal services; these include repayment of drainage fees and bridge tolls for bridges built with loans; Hangzhou, Tianjin, Wenzhou and other cities apply a share of road tolls to urban construction; many cities have also adopted preferential support policies, utilizing such methods as tax and fee reductions or exemptions as well as refunds of taxes and fees, adding new channels of capital for urban construction.

Inspiring Goals

It can be stated without reticence that, because China is still in a transitional stage between the old system and the new, urban construction, like other undertakings, cannot be completely liberated from the constraints and fetters of old concepts and the old system. In addition, it started out on a relatively weak foundation; such problems as scarce housing, poor transport, inadequate telephone service, and shortages of water and gas cannot be completely solved to everyone's satisfaction in a short time.

At the Third National Conference on Urban Construction held recently, Ye Rutang [5509 1172 1016], minister of urban and rural construction and environmental protection, discussing implementation of the Seventh 5-Year Plan, stated that in the next 5 years the main goals of urban construction will be to strive to improve the quality of urban life, further improve the investment and ecological environment, invigorate enterprises, create excellent external conditions for economic growth, and provide convenient, comfortable, attractive living conditions for the people. The specific goals are as follows:

To vigorously pursue construction of water-supply facilities and to continue implementing a policy combining resource development and reduced expenditure. There are 30 new water works, including the Jinan-Qingdao Huanghe diversion project, the Heihe diversion project in Xi'an, and the Huangpu headwaters

diversion project for Shanghai, which will increase the water supply capacity by between 2.5 million and 3 million cubic meters. At the same time, this will basically solve the drinking-water problem for people in all of China's cities and counties.

To continue developing urban transport and to establish a comprehensive transport system. This will involve construction of 14,000 km of new urban roads and adding 30,000 new mass transit vehicles; 300 km of streetcar and trolley lines will be laid. In the largest cities, subways will be built and light-rail transit systems will be tried.

To positively improve the power and fuel structure in cities and to develop urban gas and central heating. Forty large and medium-size gas works will be built around the country, adding 9 million cu m in gas capacity. The availability of gas to the urban population will increase from the present 24.4 percent to more than 40 percent. Beijing, Tianjin, Shanghai, Shenyang, and Dalian have basically been converted to gas. The availability of central heating will more than double, to 15 percent.

To increase the number of urban telephones from 2.5 million to 3 million, achieving automatic or semi-automatic long-distance connections for the provincial capitals, central cities, the coastal open cities, and the cities in the eastern economically developed regions.

In order to increase urban drainage and waste treatment capacity, more than 14,000 km of drainage pipeline and 23 large-scale waste treatment works will be built.

In order to improve the urban environment, urban vegetation cover will be increased from around 15 percent to 30 percent; public green area per capita will increase from 3.6 sq m to 5 sq m, and 50 national scenic districts will be created. The level of mechanization for general sanitation will reach 70 percent.

To carry out further comprehensive development and to promote the commercialization of real estate, 650 million sq m of new housing will be built.

The goals are clear and inspiring. However, what can we rely on to fulfill this complex and arduous task? The most immediate problem is the shortage of funds. Everyone believes that, given the country's inadequate financial resources, thoroughgoing reforms and scientific decision-making are the only means of completing this task.

As the experience of Tianjin and other cities has shown, if we are able to adhere to the principles of voluntarism, direct benefits, reasonable burdens, regular sources of funds, and not squeezing the state's financial income, the local governments will be able to continue attracting public funds by various means. Experts believe that local governments can also issue loans, levy taxes, borrow from other departments and even from abroad to expand their sources of funds for urban construction. This approach of taking from the

people to give to the people, enriching the people and developing production will gain the support and assistance of the public.

Urban construction is a lengthy undertaking; decision-makers must have a high degree of scientific foresight. Some experts believe that in a modern society that is becoming ever more complex and quickly changing, in China in this era of reform, we must certainly have a strategic vision, pay close attention to actual developmental trends, take consulting seriously, do proper forecasting, and apply systematic methods to establish decision-making in such areas as long-term urban planning, construction and management on a foundation of science and democracy.

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CSO: 4006/261

CONSTRUCTION

LARGE-SCALE CONSTRUCTION IN SHANGHAI

Hong Kong LIAOWANG [OUTLOOK] OVERSEAS EDITION No 52, 29 Dec 86 pp 10-11

[Article by Lou Baoheng [2869 5508 5683]: "Shanghai: Urban Construction Enters New Era of Large-Scale Development"]

[Text] Most of the multistory buildings in the complex towering over the banks of the Huangpu have been there for more than half a century. For a very long time, they have been viewed by people as a symbol of this city, yet today they seem obsolete.

In the last 5 years, with the rapid growth of urban construction in Shanghai, the situation has begun to change. Shanghai has now built more than 100 buildings of more than 12 stories, and over 180 more are under construction. According to statistics, before 1949 the city of Shanghai, which was already more than 100 years old, had a total of more than 46 million sq m of buildings. Housing accounted for most of these buildings, with more than 20 million sq m. In the 5 years from 1980 to 1985, more than 38 million sq m of new building space was built in the Shanghai area. During this period, 330,000 households moved into new housing having bedrooms, kitchens, bathrooms and balconies. These households accounted for one-sixth of the total number of households in the city.

Two New Districts

To meet the demands of opening to the outside, Shanghai has opened up two economic and technical development districts, Hongqiao and Minxing.

Construction on the Hongqiao New District is now in full swing. The general manager of the Shanghai Hongqiao Joint Development Corp., Xie Wuyuan [6200 2976 0337], told this reporter that the Hongqiao New District covers 65 hectares. Part of this land will be developed with joint Sino-foreign investment into a modern complex of tall office buildings, high-grade hotels, apartment buildings, and commercial and service facilities; another portion will be developed into foreign consulates, and another 30 percent of the land will be reserved for parks and green areas.

Looking into the distance from the top floor of the 7-story Shanghai Minxing Joint Development Corp., one can see that what two years ago was still farm

fields has today become a new town. More than 200 ha of land has been divided into parcels by the roads crisscrossing it, with factory buildings, warehouses, restaurants, housing and other structures all being completed; some joint ventures have also gone into production. The office buildings in this development district have a special feature, a comprehensive services building that offers diverse services such as customs, taxation, commercial inspection, banking, post and telecommunications, etc., offering convenience to investors from abroad. By the end of this year, there will be 10 joint ventures and wholly foreign-owned enterprises open here.

Seven Satellite Cities

On the latest maps of Shanghai one regularly encounters such place names as "economic and technical development district," "new village," and so on. But what attracts the most attention are the seven industrial satellite cities that surround the city center. On the map, these look like satellites scattered all around the moon.

Shanghai's seven satellite cities have developed continuously over a period of more than 20 years. They are: the Jinshan Petrochemical City centering on the Shanghai Petrochemical Works; the Wusong Iron and Steel City, centering on the Baoshan Iron and Steel Complex; the Minxing Machinery City, which mainly produces heavy machinery and large power-plant equipment; the Anding Automobile City, which will become China's largest automobile production base; and the Jiading Science City, the Songjiang Light Industry and Textiles City, and the Wujing Chemicals City. Most of the six new mainstay industries in Shanghai--iron and steel, petrochemicals, automobiles, power-station equipment, aircraft manufacturing and electronics--have been established in these satellite cities.

The Face of Shanghai

The marsh people along the Changjiang jokingly refer to the "three gates" to the city--the airport, the train station, and the docks--as Shanghai's "face." Shanghai officials are intent upon changing the appearance of these three areas, and changes are now taking place at the formerly crowded airport, and at the train station and the docks both with their outmoded equipment.

At the construction site of Shanghai's new rail passenger station, one can see a large structure in the distance; this is the overhead train waiting terminal that spans seven platforms and has six large waiting rooms and four escalators. The total area of this building is 13,000 sq m; it is one of China's largest, modern train stations with advanced equipment. When construction is completed in late 1987, this site will accommodate 72 incoming and outgoing passenger trains and greet 200,000 passengers daily; at the same time, it will replace the existing 80-year-old passenger station and become a beautiful new gateway to Shanghai.

A new passenger pier has been completed and an international passenger wharf is now under construction on the banks of the Huangpu.

The original terminal building at Hongqiao International Airport has been expanded, and a new terminal building and new runways have been included in construction plans. Passengers arriving at Shanghai by air will leave the airport via a broad highway embellished with trees, flowers, and sculpture right into the city. This road is one of the 15 main arterials that have been newly built or widened in the last few years in Shanghai. In the last 5 years, Shanghai has built 60 kilometers of roads, 4 vehicular overpasses, and 20 pedestrian bridges or tunnels.

In the Lujiazui district on the east bank of the Huangpu, this reporter entered a deep shaft more than 20 m below the surface to view the river tunnel now under construction. Inside the tunnel, a huge excavator was slowly advancing, pushed ahead by 48 1,000-jin drill crowns. The operator explained that directly over our heads was the middle of the Huangpu. By late 1987, this tunnel, over 2,000 m long and wide enough for three buses, will be open to traffic. This is an important underground route linking the bustling city center with the vast areas east of the Huangpu.

Bluer Skies, Cleaner Water

The Pudong Gas Works now under construction is Shanghai's largest gas plant. When it goes into production, it will put out 300,000 cu m of gas daily; by late 1987, this will reach 1 million cu m. This will allow more than 300,000 households to do away with their coal stoves in favor of the convenience and cleanliness of gas stoves. The city currently has more than 1 million gas users. When the Pudong Gas Works is completed, the percentage of gas users will rise from 52 percent of all households to more than 80 percent.

Because of such measures as technical transformation of industrial equipment and changes in the types of fuel used by the public, the soot and noxious gases discharged into the city's air have been reduced considerably. Air quality has improved; 12 districts in the city undergo repeated testing by the concerned departments, and these have been declared smoke-free zones. At the same time, Shanghai has also completed a number of projects for waste treatment, rainwater drainage, noise abatement, and multiple utilization of solid waste, creating the conditions for an improved living environment.

Long-Range Planning Is Good News for Urban Construction

Urban construction in Shanghai has entered an era of major development. However, given present conditions, urban construction is unable to catch up with economic construction and improvements in living standards. This is still the greatest headache for the Shanghainese. According to reports, there are 800,000 households in Shanghai experiencing difficulties involving crowded living conditions, people awaiting housing before marrying, and substandard housing. Angry voices are also raised over the narrow streets, the slower traffic, and the difficulty of getting around. In addition, telephones are rare, communications are poor, and there is severe environmental pollution. These are all problems that urgently need to be solved.

Recently the State Council approved Shanghai's overall, long-term urban plan. According to this plan, Shanghai will build 84 million sq m of housing by the

end of the century to provide each family with a fully equipped home, with per capita living space going from the present 5 sq m to 8 sq m, and, in the satellite cities, to 9 or 10 sq m. Within the city proper, Shanghai will build a subway and overpasses and will continue developing surface roads to form "three-dimensional traffic." In addition to the two existing tunnels, two large bridges and four tunnels will be built across the Huangpu for the positive development of the vast areas east of the river.

In the last 5 years of the century, Shanghai will begin 10 works aimed at controlling pollution. Recently the preliminary designs for a major project to control water pollution in the Suzhou River were approved, and construction is about to begin. This pollution-control project makes use of a World Bank loan.

Shanghai's development goal is to become a major economic and trade center in the Western Pacific. The State Council has approved varied means of raising the construction capital for this, and one of these is the use of foreign investment.

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CONSTRUCTION

GUANGXI KEY CONSTRUCTION PROJECTS DEVELOPMENT

HK020734 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0753 GMT 31 Dec 86

[Report: "Guangxi's Key Construction Projects Develop Smoothly"]

[Text] Nanning, 31 Dec (ZHONGGUO XINWEN SHE)--Of the 23 key construction projects assigned by the state in Guangxi this year, 11 have been completed and put into operation and 21 have fulfilled or overfulfilled the annual investment targets. The total investment amount was 714 million yuan, an all-time high.

The key construction projects that Guangxi completed and put into operation or trial operation this year include the No 8 generating unit of the Heshan Power plant, the Beihai airport, two 10,000-ton berths at the new port of Beihai, four 10,000-ton berths at Fangchang port, the expansion project of Liuzhou cement plant, an inclined shaft in the east mine of the Heshan coal mine, the Guangxi lysine acid plant, phase two of the Dachang mineral bureau, the expansion project of Nanning printing and dyeing plant, the Luancheng sugar plant in Hengxian country, and the Pingnan sugar plant. The Beihai airport has been completed and officially put into operation, as have the newly-built 10,000-ton berths in Beihai and Fangcheng ports. The newly built power plants, cement plants, sugar plants, and coal mines have already turned out products and yielded economic results. All this was seldom seen in the past.

The construction of other key projects, such as the Yantan hydropower station in Hongshuihe, the low-dam power station of Tiansheng bridge, and the Nanning-Fangcheng railway has also been speeded up. The Nanning-Fangcheng railway was completed before the end of the year.

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CONSTRUCTION

BRIEFS

BEIJING HOUSING CONSTRUCTION--Beijing, 1 January (XINHUA)--Beijing last year built more housing than any other major city in the world, the BEIJING DAILY said today. The city council completed 7.58 million square meters of housing space, including 5.01 million square meters already turned to use, which was up 6.7 percent over the 1985 figure. [Text] [Beijing XINHUA in English 0706 GMT 1 Jan 87 OW] /9871

URBAN CONSTRUCTION IN SHANGHAI--Beijing, 31 December (XINHUA)--More than 90,000 households in Shanghai, China's leading industrial center, have moved into new residential quarters this year, the GUANGMING DAILY reported today. This is part of the municipal governments' efforts to improve the urban environment this year. According to the newspaper, the municipal government has reconstructed six primary school buildings, built a wastewater treatment plant with a daily treating capacity of 105,000 tons, relocated a section of the Hangzhou-Shanghai railway to the outskirts, built a gas plant with a daily capacity of 200,000 cubic meters, and erected a 2,000-meter long overpass to alleviate downtown traffic congestion. The newspaper notes that soon after Rui Xingwen, secretary of the Shanghai Municipal Party Committee, and Mayor Jiang Zemin took up their posts in the second half of last year, they began to inspect major streets and visit markets to collect residents' opinions on supplies of foodstuffs, and squeeze into buses to observe and learn from real life before working out an overall urban transformation program. The municipal government is appreciated by the city people. "It is really eager to help us," a resident was quoted as saying. [Text] [Beijing XINHUA in English 1209 GMT 31 Dec 86] /9871

BEIJING HOUSING CONDITIONS--Beijing Municipality has basically completed its general survey of the urban residents' housing situation. According to statistics, the per-capita housing area of urban residents has reached 6.67 square meters, 2.12 square meters higher than that of 1978. The people's housing conditions have also been improved. A sample survey of 1.23 million urban residential households showed that 40.1 percent have central heating systems installed and 17.8 percent have had coal gas pipeline hook-ups. As of the end of 31 December 1985, the municipality's total urban housing area reached 144.1 million square meters, of which 90.5 percent was built after liberation. The municipality's privately owned housing occupy an area of 7.25 million square meters, accounting for 5.03 percent of the municipality's total housing area. [Summary] [Beijing City Service in Mandarin 1000 GMT 2 Dec 86 SK] /12624

TRANSPORTATION

BRIEFS

LIAONING TRANSPORTATION PROGRESS--This year, Liaoning province achieved encouraging results in construction of infrastructural facilities for transportation. The section from Shenyang to Anshan of the Shenyang-Dalian highway, the longest first-class highway in the country, and the 5-million-ton coal wharf and the 27,000-ton dump ship wharf of the Bayuquan port in Yingkou were completed and commissioned this year. Investment in construction of local ports totaled 54 million yuan this year, more than doubling the total in the Sixth 5-Year Plan period. Four local ports, including Yingkou's (Gouxu) wharf and Changhai County passenger wharf, have been completed and commissioned. Wharfs of the Jinzhou, (Dadon) and Xianglujiao Ports are being built with strenuous efforts. Our province's local shipping business has entered a new stage of development. At present, the province has 97 local cargo ships, with a total deadweight tonnage of 147,000, which have been opened to navigation to Japan, Hong Kong, and some countries and regions in Southeast Asia. An encouraging situation has emerged in construction of local railways. The local railway from (Chengzikou) to Zhuanghe has been completed and put into trial operation. Construction of the local railway from Haicheng to Xiuyan has begun. This year our province built 2,000 km of new roads, built and renovated 375 bridges, and built and opened to traffic a 168-km national defense road from Beizhen to (Yangshan), which connects two cities, four counties, and six roads at and above the county level, and which can not only serve national defense but also play a role in helping these areas achieve prosperity. [Text] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 27 Dec 86 SK] /12624

ZHENJIANG PORT OPENING--The State Council approved the formal opening of Zhenjiang Port to foreign vessels on 8 December. It thus becomes the fourth open port in the lower reaches of the Chang Jiang. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 28 Dec 86 OW] /12624

NEW NEI MONGGOL RAILWAY--A new railway line between Tongliao City and Huolinhe in the eastern part of Nei Monggol Region passed state appraisal in Tongliao City on 24 December 1986 and will open to traffic on 1 January 1987. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 26 Dec 86 SK] /12624

SHAOGUAN-GUANGZHOU AIR ROUTE--Guangzhou, 7 Jan (ZHONGGUO XINWEN SHE)--The new air route between Shaoguan and Guangzhou will be formally opened up as of 20 January. The air route, using Shaoguan's Guitou Airport and Gunagzhou's Baiyun Airport as the taking off and landing places, will use An-24 aircraft, a medium-sized 48-seat airline provided by the Guangzhou Civil Aviation Bureau. A flight from Shaoguan to Guangzhou takes only 35 minutes, and there will be one flight for each day according to schedule. The booking office in Shaoguan is located on the second floor of Zhenjiang Hotel, Jiefang Road. There will also be special shuttles between the urban district and the airport. A trial flight for this new air route was successfully made on 28 December last year. [Text] [Hong Kong ZHONGGUO XINWEN SHE in Chinese 0200 GMT 7 Jan 87 HK] /12624

ZHEJIANG PORT OPENED--Nanjing, 4 January (XINHUA)--The State Council has decided to open Zhenjiang, an inland port on the lower reaches of the Yangtze River, to foreign vessels. Zhenjiang in Jiangsu Province is a hub of communications in East China, where the Beijing-Shanghai Railway, the ancient Hangzhou-Beijing Grand Canal, and the Yangtze join. The port has four berths for 25,000 dwt ships, and one berth for 2,000 dwt ships, with an annual loading and unloading capacity of 2.36 million tons, said local officials. Zhenjiang will be expanded to eventually have 16 to 18 deepwater berths with an annual loading and unloading capacity of 10 million tons, the officials said. [Text] [Beijing XINHUA in English 1148 GMT 4 Jan 87] /9871

TIANJIN BUILDS LARGEST WHARF--Tianjin, 2 January (XINHUA)--Tianjin, a leading port city in north China, nearly doubled its yearly loading and unloading capacity with a new automatic bulk grain wharf, according to port officials here today. The automatic wharf, the largest of its kind in China, passed state technical evaluation Tuesday. "Over the past 20 years, small berths and poor equipment limited China's major port city to an annual grain loading and unloading capacity of 2 million tons," a port official said. The government invested more than 24 million U.S. dollars to build this automatic tube-shaped granary wharf helping the port keep up with China's foreign trade development. With the new wharf and auxiliary equipment, the port now can handle more than 3.5 million tons of grain annually, and local dock workers can transport grain from ships to the tube-shaped granary, with a 6-million ton capacity, at a speed of 1,500 tons per hour. The project, begun in 1983, was designed and supplied with equipment by a British company. [Text] [Beijing XINHUA in English 1500 GMT 2 Jan 87] /9871

SHANTOU AIRPORT COMPLETES EXPANSION--Guangzhou, 31 December (XINHUA)--Expansion of the Shantou Airport in Guangdong Province has been completed. The expansion project took five months. The airport can now handle four times as many passengers as in the past, and a Boeing 737 airliner will provide daily air service to and back from Guangzhou. Shantou is one of China's four special economic zones and Guangzhou, capital of Guangdong Province. The Shantou Airport will open to tourist charter flights from Hong Kong and Bangkok, Thailand, local officials said. Next year, it will install an instrument navigation system to permit all-weather takeoffs and landings. [Text] [Beijing XINHUA in English 0910 GMT 31 Dec 86] /9871

CONSTRUCTION IN EAST PRC--Shanghai, 1 January (XINHUA)--One-fifth of the railway capital investment for the current 7th Five-Year Plan will be used in East China, the best developed region in the country, a railway official said here today. Seven billion yuan will be spent between 1986 and 1990 building new railways and upgrading existing ones in Zhejiang, Jiangsu, Anhui, Jiangxi, Fujian, and Shanghai, said Li Xuan, director of the East China Railway Construction Office. The office was set up on 30 December following a special meeting of railway officials held earlier last year in Hangzhou, capital of Zhejiang. Vice Premier Wan Li chaired the meeting. The region furnishes one-third of China's total industrial output, but insufficient rail transport capacity has obstructed its economic development, Li said. Main tasks include renovating four existing railways, including the Beijing-Shanghai line, and building two new railways. [Text] [Beijing XINHUA in English 0654 GMT 1 Jan 87] /9871

HUANGPU HARBOR CONTINUES TO EXPAND--Guangzhou, 9 January (XINHUA)--The Huangpu Harbor in Guangzhou, the biggest in South China, is now 40 times as large as it was during the 1950s, the Huangpu Harbor Administration announced here today. The harbor handled 19 million tons of cargo in 1986, at least 40 times as much as it did during the pre-liberation days. The harbor has undergone continuous expansion and rebuilding since 1979. During the eight years, it built two container wharves, an oil wharf, and a water wharf, in addition to ten deepwater berths. Another two 35,000-ton coal terminals will be completed and put into service soon and a new harbor area is still under construction. An official from the harbor administration told reporters that there are altogether 28 production berths in the harbor, including nineteen 10,000-ton berths, extending more than 4,000 meters. Every day there are 151 vessels loading and unloading ships. The harbor not only serves as an inlet and outlet for vehicles, petroleum, coal, steel, timber, and chemical fertilizer for the Guangzhou area, but also handles import and export goods from Hunan, Hubei, Yunnan, Guizhou, Sichuan, and Jiangxi provinces. The harbor has trading relations with 335 harbors in more than 70 countries, the official said. [Text] [Beijing XINHUA in English 0740 GMT 9 Jan 87] /9871

EXTENSION OF SANYA RUNWAY COMPLETED--The project of the extension of the Sanya airport runway in which Hainan Li-Miao Autonomous Prefecture invested 510,000 yuan and which included the extension of concrete runway on both ends was completed on 28 December after 28 days' hard work. The project was completed 3 days ahead of schedule. To guarantee the completion of construction before New Year's Day, the Construction Department of the Naval Air Force stationed on the island sent a crack team to carry out construction. They took only 10 days to make good preparations for casting the concrete runway surface. After the extension of the runway, it can be guaranteed that Boeing 737 passenger planes can safely take off and land. Before the Spring Festival, direct scheduled flights between Sanya and Hong Kong can be resumed. [Text] [Haikou Hainan Island Service in Mandarin 0400 GMT 30 Dec 86 HK] /12624

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