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# China Report

ECONOMIC AFFAIRS

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31 January 1986

## CHINA REPORT

### ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

CURRENCY CIRCULATION IN DEVELOPMENT OF COMMODITY ECONOMY

Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 9, 20 Sep 85 pp 71-76

[Article by Dong Shou'an [5516 1108 1344], Zhang Jianxi [1728 1696 0823] and Feng Quanlin [7458 0356 2651] of the Yuncheng Prefectural CPC Committee of Shanxi Province: "Currency Circulation in Rural Areas and Development of the Commodity Economy"; article dated July 1985]

[Text] At a time when the self-sufficient and semi-self-sufficient natural economy in our rural areas is progressing toward the development of commodity production on a sizable scale, the circulation of currency exerts an extremely powerful negative or positive effect on the scale, the structure and the development of the economy in the rural areas. At the same time, certain new special features and trends have become increasingly noticeable. For that reason, we must study the effect which the currency has on the commodity economy, effectively readjust the financial structure in the rural areas and adopt a correct currency policy in order to establish a new pattern for the commodity economy in the rural areas. We have already done a certain amount of investigation and research in Yuncheng Prefecture in Shanxi Province and made a preliminary analysis of the situation.

New Special Features in Currency Circulation as Rural Economy Undergoes Process of Reform

By tradition, Yuncheng Prefecture has been producing an area of grain and cotton in the southwestern plains of Shanxi Province and historically an extremely well-developed region agriculturally. Particularly worthy of note is the production of wheat which continues to occupy a position of preeminence. Since the establishment of the republic, the amount of wheat produced in Yuncheng has constituted half the total produced in the province. However, due to its transportation difficulties, its distance from large and medium-sized cities and the weakness of its industrial foundation, the economic structure of Yuncheng belongs basically to the closed type. The scope for the exchange of commodities is limited, the rate of currency usage is low, the amount of currency put into circulation has never exceeded 77 million yuan in the highest year and the average amount of currency held by an individual comes to only around 20 yuan.

With the implementation of the output-related responsibility system throughout the prefecture, this conservative economic pattern was reversed in the latter

half of 1980 when the vigorous production of commodities led to a breakthrough in the development of the rural economy, which had long been stagnant. From 1980 to 1984, the prefecture's gross value of agricultural output increased by 79.3 percent, the commodity rate grew to 51.1 percent, and the cash income of the peasants increased 2.3-fold.

Due to the rapid evolution of the rural economy toward commodity production to meet social demand, the pattern of currency circulation in the rural areas has also taken a new turn with an increase in the amount of currency put into circulation and in the total amount of currency in circulation.

The process of change in the circulation of currency in recent years may be divided into two stages:

During the first stage from 1980 to 1982, the main feature in the process of change was the vast increase in the amount of currency put into circulation. Prior to 1979, the progressive rate of increase in the amount of currency put into circulation in the prefecture was only 3.4 percent, while the average annual absolute increase came to only 2 million yuan. Since 1980, the rate of increase in the amount of currency put into circulation over a period of 3 years came to 9.7 percent, while the absolute amount of increase per year reached 21.26 million yuan, showing an unprecedented rate of increase in the amount of currency put into circulation. The following are the major reasons contributing to the increase in the amount of currency put into circulation during this period:

1. The establishment of the household type of operations has served to kindle the enthusiasm of the peasants to engage in production and to put large amounts of labor and capital into traditional planting operations to meet their daily needs. Since most of the peasants are of limited means, they have to depend almost entirely on loans to invest in the purchases of livestock, chemical fertilizers, seeds and medium- and small-sized farm tools. Since the basic form for the extension of loans is the payment of cash, the amount of loans and cash in circulation has shown a sharp increase. In the first 2 years following the implementation of the output-related responsibility system in Linyi County, the rate of increase in agricultural loans in the county came to as much as 25 percent, while the amount of cash put into circulation increased 1.5-fold. During the year marking the implementation of the "great contract responsibility" system, the sale of chemical fertilizers throughout the county came to 26,000 tons, or equivalent to the total amount for the previous 3 years. As for agricultural loans, between 75 and 85 percent was used to pay for production costs for the year, or twice the amount for previous years.

2. The scope of cash circulation has been enlarged. The emergence of households as units of operation has transformed peasant families from the simple consumer type to the composite producer and consumer type, and a direct connection has been established between the economic activities of the peasants and the market. In 1982, transactions in agricultural products in country fair trade in the prefecture came to 58.35 million yuan, or twice the amount for 1978. According to a sample survey in Jiangxian County, 45.2 percent of

the transactions in agricultural sideline products and 30.5 percent of transactions in industrial products are concluded in the market. In view of the larger range of choice, the fluidity and frequency of transactions in market operations and the increase in the number of clients from 18,000 production teams to 720,000 agricultural households, the settling of various accounts has, instead of being centralized, become decentralized and, instead of dealing with large accounts, it has become necessary to deal with a number of small accounts so that it is no longer possible to deal with the transfer of accounts one by one. Thus, it is difficult to make use of the tools of credit for the simple transfer of accounts in line with the new economic process and the new pattern of operations in the rural areas. Under such circumstances, cash has assumed a high degree of fluidity as a medium of exchange in that it can be used in a wide range of situations free from restrictions imposed by administrative divisions and the prevailing rules and regulations. Naturally, cash has become the means of exchange most favored by the peasants. Thus, the amount of currency needed and the amount of currency in circulation have shown a rapid increase within a short period of time. For instance, cash payments for agricultural loans in the prefecture have increased from 20 to 50 percent. Cash receipts of and payments by agricultural households have also shown a notable change. According to a sample survey, the average cash income and expenditure of 30 peasant households in Yongji County in 1982 came to 1,564 and 1,531 yuan, respectively, showing an increase of 1.7-fold and 1.64-fold compared to 1980.

3. There has been an increase in the commodity rate for agricultural sideline products. With the development of production, there has also been a considerable increase in the amount of agricultural sideline products sold by the peasants. Between 1979 and 1982, the amount of agricultural sideline products purchased in the prefecture increased at the average annual rate of 34.4 percent. There was therefore a considerable increase in the amount of currency paid to the peasants in exchange for their sideline products. In 1982, the income of the peasants derived from sales of these goods came to as much as 210 million yuan, or 195 million yuan more than the amount for 1979, while the average per capita income came to 74 yuan, showing an increase of 49 yuan compared to 1979.

Changes in the amount of currency put into circulation in the rural areas have made it possible for the peasants to engage in production on their own and to restore and develop the favorable situation based primarily on wheat production. Whereas the amount of wheat production in the prefecture came to only 1.53 billion jin in 1979, it jumped to 1.98 billion in 1982. Whereas the average per capita grain ration came to 428 jin in 1979, it rose to almost 700 in 1982. Not only was enough grain produced to satisfy local needs, but a surplus of 24 percent was sold to support the construction of bases for energy production and heavy chemical industries in Shanxi Province.

During the second stage from 1983 to 1984, the circulation of currency progressed abruptly from quantitative accumulation to qualitative changes brought about by readjustments in the rural industrial structure. With the increase in labor productivity, a large amount of surplus labor was released from the land. Whereas the amount of surplus labor came to about 30 percent at the

time of the inception of the responsibility system, it is now as high as 60 percent. At the same time, due to the low price of grain and the progressive decrease in benefits derived from their input, the peasants are not financially in a position to increase their production. For this reason, many peasants have been attracted to operations which yield higher profits, such as forestry, livestock breeding, sideline businesses, fishery, industry, commerce and transportation. These changes have occurred at an extremely rapid rate. In 1982, the ratios between the production value of agriculture, forestry, livestock breeding, sideline businesses and fishery and the total production value of the prefecture came to 74.8, 2.6, 7.7, 14.8 and 0.1 percent, respectively. In 1984, the ratios were 65, 6.5, 6.4, 21.7 and 0.4 percent. In the relatively well developed Hejin County, the value of agricultural production came to only 37.3 percent of the total production value, while the industries, commerce, sideline operations and transportation accounted for 62.7 percent.

Basically, the evolution of the structure of rural industry in Yuncheng Prefecture has followed the sequency of development from agricultural to industrial to commercial and service operations. This trend of development would indicate that the trades and businesses of a developmental nature that entail long-term investments and large amounts of capital are of particular interest to the peasants because of the high rate of profit and because such trades and businesses are the logical focuses for the transfer of surplus labor. The vast changes that have occurred in the development of the rural economy have given rise to certain new features in the circulation of currency.

First is the unprecedented increase in the amount of currency put into circulation. In recent years, there has been a rapid increase at frequent intervals in the amount of currency put into circulation. Between 1980 and 1984, the annual progressive rate of increase in the amount of currency put into circulation in the prefecture came to 7.9 percent, or 4.5 percent higher than the 3.4 percent annual progressive rate of increase for the previous 30 years. The rate of increase has also doubled every year during the last 2 years. This increase may be seen not only when comparisons are made vertically, but what merits special attention is the unprecedented favorable situation which becomes apparent when lateral comparisons are made of the growth rates of the rural economy (see following chart).

Table 1. Comparative Growth Rates

Unit: %

| <u>Year</u> | <u>GVAO</u> | <u>Loan<br/>Amounts</u> | <u>Currency Put<br/>into Circulation</u> |
|-------------|-------------|-------------------------|------------------------------------------|
| 1980        | -5.7        |                         |                                          |
| 1981        | 3.6         | 13.2                    | 0.9                                      |
| 1982        | 2.5         | 5.2                     | 7                                        |
| 1983        | -2.2        | 2.1                     | 47.3                                     |
| 1984        | 7.4         | 5.4                     | 96.2                                     |

Note: Growth rates in this table are somewhat low because the total amounts of loans extended and currency put into circulation by the Bank of Agriculture are used as base figures. Rates would be much higher if just peasants are taken into consideration.

The major reason for the unprecedented increase in the amount of currency put into circulation is the excessively low rate of profit generated by the planting industry (the net profit for 1 mu of wheat in the prefecture comes to only 15.61 yuan and is expected to fall) and the extremely low rate of accumulation, making it impossible for the planting industry to supply a sizable amount of capital for the development of other industries. From 1980 to 1983, for instance, the total amount of wheat production in Linyi County increased from 310 million to 430 million jin and the average annual amount of commodity grain exceeded 100 million jin. During those 3 years, the average per capita income throughout the country came to 228, 392 and 246 yuan, respectively. However, after payment was made in kind instead of money, the peasants were left with hardly any cash. According to a sample survey, taking the average per capita income as 300 yuan, the average per capita cash surplus comes to only 25 yuan after payment is made for maintaining simple reproduction and for meeting daily needs. Thus, 70 percent of the currency required for the development of industries, sideline businesses and other operations must come from loans. In view of the length of the loan terms (normally over the period of 1 year), the high rate of payments in cash (as much as 91 percent in 1984) and the large amount of revolving funds required for the extension of temporary loans (under normal circumstances, each industrial or commercial unit requires from 1,000 yuan in cash to as much as 5,000 yuan), the rate of increase in currency put into circulation will regularly exceed that in production over a long period of time.

Second is the diversified manner in which currency is put into circulation. The movement and composition of the key elements of productive power in the rural areas on a wider scope and the emergence of multiple departmental economic structure in its embryonic form have altered the situation characterized by the one-way circulation of currency over a number of years, so that currency has begun to be channeled toward forestry, livestock breeding, sideline businesses, industry, commerce and transportation. In 1980, Linyi County, a base for the production of wheat as a commodity grain, extended agricultural loans amounting of 44.14 million yuan, of which 71.1 percent was for the planting industry, 11 percent for industries established by cooperatives, 10.9 percent for diversified operations and 7 percent for the living expenses of members of cooperatives. Among the agricultural loans extended in 1984, 41.8 percent was for the planting industry, 6.2 percent for livestock breeding, 12.2 percent for the processing industry, 14.4 percent for the transportation industry, 3.1 percent for commerce and the service trades, 2.4 percent for the living expenses for members of cooperatives and 19.9 percent for other purposes.

Third is the reduced speed in the circulation of currency. A large amount of currency is held by peasants in the rural areas as a symbol of wealth and thus taken out of production and circulation. In 1984, the average per capita amount of currency held by the peasants in the prefecture came to 50.87 yuan, showing an increase of 251 percent compared to 1980. Due to the increase in "reserve currency" held by the peasants and the wider scope for the use of cash, the speed of currency circulation in the rural areas in the prefecture, which was 5.78 times in 1982, was reduced to 4.77 times in 1984. This rate is likely to be further reduced.

Fourth is the tendency for the centralization of currency distribution. The productive operations of the large units in the rural areas have led not only to an imbalance in economic development among families, but have also widened the gap in the amount of currency held by the people so that most of the increased amount of currency is being concentrated in a few units. The situation with respect to the per capita amount of currency held by the people in Wenxi County in 1984 is as follows: 66.9 yuan for class 1 households with higher incomes; 27.5 yuan for class 2 households with medium incomes; 15.8 yuan for class 3 households with low incomes. While these three types of peasant households constitute 27.5, 50.1 and 22.4 percent of the farming population of the county, respectively, the ratios of currency held by these peasants throughout the county come to 51.5, 38.7 and 9.8 percent, respectively. According to a survey of the three grades of peasant households in Jiangxian County, those with an average per capita income exceeding 400 yuan, those with an average per capita income between 200 and 400 yuan and those with an average per capita income under 200 yuan hold 41, 36 and 23 percent, respectively, of the total amount of cash in the county, and the three types constitute 20, 48 and 32 percent, respectively, of the total peasant population. It is obvious that, on the one hand, there is a shortage of funds for the development of production by most peasants in the rural areas and, on the other, a large amount of currency is inequitably held by a few people, thus creating a state of imbalance in the distribution of currency.

Fifth is the increasing use of credit among the people. With the development of the commodity economy in the rural areas, there is an increasing and pressing need for cash. However, since the state banks are not in a position to supply this need, the surplus funds of private individuals are quickly diverted to fill the vacuum so that loans in various forms have come to be extended among the people at the opportune moment. The extension of loans among the people generally takes one of three forms. One is the raising of funds and the payment of interest. Second is the buying of shares and the payment of dividends. Third is the extension of loans among private individuals. Of the three, the extension of loans among private individuals is of greatest importance. Most of those who engage in loan operations belong to well-to-do households with considerable funds. Generally, loans are extended at 3 to 5 percent monthly interest with no limitation on the duration of the loans. In view of the greater degree of flexibility in loans extended by private households compared to those extended by state financial institutions, they are favored by peasants. Loans extended by private individuals have become a major source of production funds in many rural areas. In 1984, the extension of loans among the people in Xinjiang County amounted to 7 million yuan. The use of these funds has enabled more than 500 peasant households and over 200 rural and township enterprises in the county to enlarge the scope of their production.

#### Impetus Given by Increased Amounts of Currency in Circulation

Any increase in the amount of currency in circulation and any change in the structure of currency as a powerful lever for adjusting the rural economy would exercise a direct restraint on the movement of the center of gravity of the industries and a decisive effect on the structure of the rural economy,

economic growth, the distribution of income and the rise and fall of commodity prices. In recent years, the greatly increased amount of currency in circulation in the rural areas in Yuncheng Prefecture has had a powerful effect on invigorating the economy, on making large amounts of funds available for developing agricultural production and on diverting one-crop farming based mainly on grain toward overall agricultural, industrial and commercial operations.

First, the increased amount of currency in circulation has served to promote the transfer of surplus labor in the rural areas. Three conditions are necessary for the outward transfer of surplus labor to promote production of a developmental nature, namely, technology, funds and natural resources. Funds are most important of all, because when they are available, it will be possible to "bond" and to activate the key elements of production to generate new productive power and create vast employment opportunities. Hejin County, for instance, has abundant mineral resources. Its traditional asset has been the construction trade. It has natural and technical advantages which are essential to economic development. It is also the site of a key construction project of the state--the Shanxi Aluminum Plant--which offers a vast market for its mineral products. Since 1982, the county has put 120 million yuan into circulation at the annual progressive rate of 45 percent in support of the peasants in coal mining, the production of construction materials, the construction trade and transportation. Such operations have been developing by leaps and bounds. At present, the county has 42 coal mines operated by the people producing 700,000 tons of raw coal annually, 139 construction teams engaged in construction and installation producing 44 million yuan annually, 320 factories producing various types of construction materials, 3,400 motorized transportation vehicles of various types and the number of people employed in such operations exceeds 40 percent of the total agricultural labor force.

Second, the increased amount of currency in circulation has led to economic advantages enjoyed by certain regions. Situated at the slope of the Zhongtiao Mountain, Jiangxian County is well suited to the development of economically valuable hawthorn nursery stock. However, in view of the high cost (each mu calls for an investment of between 1,500 and 2,000 yuan), many peasant households do not have the funds at their disposal and all that they can do is to heave a sigh of resignation even when money is within sight. In 1980, the county made the development of hawthorn nursery stock the economic taking off point for the county, gave the green light for the extension of loans and has, within the period of 4 years, extended 3,400 loans each exceeding 1,000 yuan and put currency amounting to 17 million yuan into circulation. The acreage planted to hawthorn nursery stock in the county increased from 40 mu in 1980 to the present 3,600 mu. The county has become the center for the collection and distribution of hawthorn nursery stock, from which the accumulated income has reached 57 million yuan.

Third, the increased amount of currency in circulation has accelerated implementation of the open door policy. For many years, Yuncheng Prefecture has been a national base for the production of commercial grain and cotton. In their economic dealings with outside areas, the peasants mainly resort to the sale of agricultural sideline products in exchange for industrial products, so

that the inflow of currency is basically equal to the outflow. When there is a shortage of grain in society and when grain is sold exclusively to the state, this self-sufficient type of structure for the sale of small amounts of commodities makes it unnecessary for the county to maintain its lateral relationships and serves to bolster the conservative nature of the prefecture's rural economy. In recent years, the favorable grain production situation, the higher level of consumption in the cities and rural areas and the improvement in the structure of foodstuffs have posed a challenge to the economic structure based mainly on grain. "The difficulty of selling grain" is a feedback of this type of message and "the low price of grain" is a retribution for the traditional method of production by reclaiming and cultivating flat wasteland. The solution is for the rural areas in Yuncheng Prefecture to develop and utilize their abundant natural resources at various levels. However, without wide economic contacts and advanced technology and equipment, it will not be possible to produce three-dimensional productive power in society for the exploitation of various natural resources. The large-scale outflow of currency in the process of opening up to the outside world is a "catalytic agent" and "high-powered accelerator" for promoting regional economic relations. Between 1982 and 1984, the amount of currency outflow in the rural areas in the prefecture came roughly to 60 to 70 percent of the entire net amount of currency put into circulation. Furthermore, the amount of currency outflow increases at the progressive rate of 21 percent annually. Much of the outflow is used for the purchase of various means of production. According to an analysis of the structure of currency outflow in 1984, 19 percent was used for importing medium- and small-sized machinery and equipment, 48 percent for purchasing cars and tractors, 10 percent for purchasing medium- and small-sized farm tools and 30 percent for purchasing consumer products.

Fourth, the increased amount of currency put into circulation has raised the production level of the traditional industries. Due to the increased input of materials and technologies during recent years, the level of wheat production has been greatly raised. The average per mu yield in the prefecture has increased from 200 to 470 jin and the upward trend is likely to continue. Many peasants are of the opinion that investing in farmland is like doing business in that one must be willing to put in the necessary capital, that the input of a small amount of capital yields a small amount of profits, that the input of a large amount of capital yields a large amount of profits and that a large amount of investment results in a large amount of production. Thus, larger amounts of investment have generally been made in the production of wheat. At least 80 million yuan is invested annually in the prefecture. The average production cost per mu is generally between 15 and 40 yuan, or twice the previous amount.

#### New Trend of Currency Circulation and Certain Policy Recommendations While Readjustment of Industrial Structure Is in Progress

The actual process of the reform of the rural economy in Yuncheng Prefecture indicates the existence of a mutually stimulating and interacting relationship between the circulation of currency and economic growth. At the same time, changes in the amount of currency in circulation often precede changes in economic activities. For the foreseeable future, due to the accelerated pace

in the division of labor and of the different trades, the operations of farm households will change from being "small but comprehensive" to being "specialized but interconnected." The diversification of the levels of production and the increase in the items of operation as well as the increase in the degree of intensification and in the number of organic components will create a strong demand for currency and result in currency being put into circulation at a more rapid pace and in a regular pattern. Thus, a benign circle in the rural economy will be set in motion. In this regard, we have, in our investigation and study of the trend and the prospects of a close relationship between the movement of currency and the development of the commodity economy, arrived at certain tentative conclusions:

First is the need for currency input. The need created by the economic operations of the peasants for a large input of funds is axiomatic in the development of the rural economy. When the output-related responsibility system was first adopted, the scale and the time limit of investments made by the peasants were basically determined by the growth period of crops and by the amount of profits for that particular year. The amount of currency needed by the peasants is clearly seasonal and nonsustained in character. Furthermore, most of the loans were under 500 yuan, while large loans exceeding 1,000 yuan constituted only 5 percent of the total. As changes occur in the traditional pattern of production, the emphasis of many peasant household operations has been shifted to the industrial, commercial, sideline and transportation operations which are highly organized, which have long investment periods and which yield higher profits. Thus, providing market and technical conditions remain constant, the amount of profit realized depends on the amount of investment put in. The more developed the commodity economy, the higher is the need for currency. According to a sample survey, three new trends may be observed in the input of currency in the rural areas. First is the length of the loans, 25 to 30 percent of which exceed the period of 1 year. Second is the size of the loans. Loans exceeding 1,000 yuan constitute 30 percent of the total. Third is the weakening of the seasonal nature of loans. In the past, "agricultural loans were extended in the spring, recalled in the autumn and not extended in the winter," so that there was a large gap in the amounts of currency put into circulation from season to season. That is no longer the case. In 1984, for instance, the amount of currency put into circulation by Hejin County came to 28.3, 25.4, 22.2 and 24.1 percent, respectively, for the winter, spring, summer and autumn seasons, indicating a relative balance in the amounts for the different seasons.

The increasingly prominent role played by ready cash in the rural economy is a direct result of the development of production in the rural areas. The gradually weakening sense of self-sufficiency of the peasants has the effect of promoting the newly-started production of commodities. At such a time, the adoption of a proper currency policy is of paramount importance. The indiscriminate curtailment in the circulation of currency on an overall basis is certain to give the peasants a distorted message and is liable to reverse the nascent trend of commodity production back to industrial production. For this reason, we must make a serious study of the proper "degree" of limitation for currency circulation and devise a set of flexible currency tactics that is neither too loose nor too tight.

Second is the circulatory movement of currency. At the moment, the scope for the circulation of currency is too narrow; a large amount of currency is held by a few people; currency is used for items on too large a scale, items that are impractical or consumer items prematurely put on the market. Thus, vast numbers of peasants are deprived of their opportunity to accumulate wealth and the economic benefit accruing to the utilization of funds is reduced. The commodity economy calls for the circulation of currency over a wide area in order to bring about the alignment of the new key elements of production and the proper deployment of natural resources. Thus, the reasonable distribution and circulation of currency is not only needed by the peasants and the masses, but also inevitable in the development of commodity production.

Third is the flexibility of currency circulation. The emergence of the multi-layered, multifaceted and diversified economic structure in the rural areas has caused the peasants considerable inconvenience in their economic dealings with outside areas, such as the length of time it takes to transfer and to settle accounts, the high cost of mail transfer, the length of time to make payments and the limited ways to make financial accommodations. Thus, the objective demand has arisen to establish a more flexible and a multilayered form of credit that would meet the various needs of the commodity economy. In providing guidance to and organizing the development of the commodity economy in the rural areas, we must not overlook the need to reform the credit system.

The further development of production and exchange of commodities in the rural areas urgently calls for a series of readjustments in the machinery regulating the movement of currency. In this regard, we wish to make the following suggestions:

First, we should continue to maintain the unprecedented momentum in the input of currency. At a stage when the potential productive power has yet to be fully developed in the rural areas, any attempt to make economic development and currency stability twin objectives of equal importance as a means to reduce the supply of currency and to achieve a balance between economic development and currency stability would impede economic growth. At a time when the sense of self-sufficiency is strong among the peasants and when they have considerable autonomy in what to produce, it would be difficult to speed up the readjustment of the industrial structure in the rural areas without the powerful stimulus provided by currency. For this reason, the center of gravity in our currency policy should be put on the dynamic role of currency. When the currency value is basically stable, the amount of currency put into circulation should be slightly higher than the rate of economic growth. In the implementation of this policy, however, we must give consideration to the following: First, the "lead" taken by the amount of currency put into circulation must not exceed the limit which the economy can bear. Second, while maintaining the overall increase in the amount of currency put into circulation, the input of currency into specific projects should be increased or decreased according to the circumstances. Active support should be given to forestry, livestock breeding, sideline businesses, fishery, the processing of agricultural products and the commercial and service trades. Strict control should be exercised over other trades and businesses. Third, the input of currency should have as its objective the creation of equal opportunity for the acquisition of wealth by all and not only by the rich and influential.

Second, we should adopt a high rate of interest. At the moment, the problem with currency circulation in the rural areas is the large amount of currency being circulated within a small area. The exclusive use of increased amounts of cash deposits and administrative measures to control the amount of currency put into circulation has failed to achieve the desired effect. On the contrary, it has made it impossible for large numbers of peasants to obtain the loans they need, led to stagnancy in production and caused the credit cooperatives at the basic level to run out of funds. The crux of the problem lies in the low rate of interest for bank deposits and loans. The answer to that problem is to make use of the interest rate as a lever to increase the need for funds instead of exercising control over the supply of currency. On the one hand, the interest rate for deposits and loans should be increased to approximate the market rate in order to encourage savings and to increase the benefits accruing to the utilization of funds; on the other, different interest rates should be set for different types of loans. Power should be given to the units at the basic level to set specific interest rates for specific types of loans. "Arbitrary uniformity" must be avoided.

Third, the structure for the utilization of funds should be reformed. In order to mobilize a greater amount of idle funds in society for investment in the productive enterprises and to encourage the free circulation of funds, we must put an end to the monopolization of credit operations by state banks and gradually establish a multifaceted, multilevel and multichannel structure based mainly on state banks for the manipulation and utilization of funds. First, local financial organizations other than banks should be set up to raise funds by issuing stocks and bonds. Second, the legality of the extension of loans among the people should be established by law. Under the supervision of state banks, individuals and collectives should be permitted to establish various forms of financial organizations to engage in loan operations. Third, restrictions should be removed from the granting of commercial credits. Permission should be given to such financial accommodation operations as selling on credit and purchasing in advance, installment payment, compensation trade and renting and leasing operations. Fourth, the banks and credit cooperatives should be permitted to engage in such operations as the acceptance of notes, promissory note discounts and mortgaging of real estate deeds on a trial basis. Fifth, the accounting for mail transfer should be flexible, diversified, convenient and low in cost. A start should be made to issue traveler's checks and credit cards on a trial basis. At the same time, we should continue to relax requirements for the opening of bank accounts, simplify the procedure for settling accounts and increase the number of network outlets for the settling of accounts.

Fourth, the work of investigating and studying the situation in regard to the circulation of currency in the rural areas should be strengthened. The many changes that have taken place in rural currency circulation have served greatly to promote the reform of the original currency policy and currency circulation mechanism. The success or failure of this reform cannot but have an effect on the readjustment of the industrial structure currently underway. This reform has created widespread concern and comment among many peasants, while wild fluctuations in the credit loan policy have generated a feeling of unease among them. Under the circumstances, some of the departments at the higher

levels have been in the habit of approaching problems according to the data accumulated during their 1:8 experience [sic] and of insisting on the overall policy of tightening the money supply. The diametrically opposite view, however, is held by some comrades who are actually engaged in that line of work. Although the divergence of opinions may be the result of looking at the problem from different angles, it is obvious that a gap exists between theories and actual practice. We must intensify our comprehensive research of the problem on the basis of our actual findings.

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PROVINCIAL AFFAIRS

BRIEFS

JILIN COMMERCIAL NETWORK--During the Sixth 5-Year Plan period, commercial units in urban and rural areas throughout Jilin Province have increased substantially. By the end of 1984, commercial units had increased to 245,920. From January to October this year, the volume of retail commodity sales had reached 9,079,320,000 yuan. [Excerpts] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 23 Dec 85 SK] /8918

GOVERNOR MEETS MACAO INDUSTRIALIST--Mr (Peter Peng), president of the Macao Federation of Industrialists and Businessmen and vice chairman of the Macao Chinese Chamber of Commerce, recently visited Fuzhou at the invitation of Governor Hu Ping, and attended the first meeting of the board of directors of the Guoji Building in Fuzhou. Governor Hu Ping met with and feted Mr (Peter Peng) and his party on 17 December. [Excerpt] [Fuzhou FUJIAN RIBAO in Chinese 19 Dec 85 p 1 OW] /8918

FUJIAN GOVERNOR ADDRESSES FINANCE MEETING--Governor Hu Ping addressing the Provincial Finance Office meeting this morning. He said: The finance and trade departments must further correct the guiding ideology for operational work by fostering the ideal of serving the people, showing consideration for the overall situation, developing production, and promoting social education. Governor Hu Ping pointed out: The greatest political ideal and the ideal of the masses for the comrades of the finance and trade departments are to stabilize commodity prices. Presently, it is chiefly necessary to ensure an adequate supply of grain, edible oil, and nonstaple foods. Governor Hu Ping concluded: In order for Fujian Province to stand at the forefront of the four modernizations, it is also necessary to improve commodity circulation and transportation in addition to developing economy in the hilly and coastal areas. The comrades of the finance and trade departments must be serious in doing this work well. [Excerpts] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 29 Dec 85 OW] /8918

VILLAGE, TOWN ENTERPRISES DEVELOPED--Hefei, 4 Jan (XINHUA)--In 1985, village and town enterprises in Anhui Province yielded a total output value of 8.5 billion yuan, up 81 percent from 1984; earned profits amounting to 1 billion yuan, up 72 percent from 1984; and paid the state 300 million yuan in taxes, 87.5 percent more than in 1984. All these increases were higher than those in previous years. Development of village and town enterprises has brought about changes in the structure of Anhui's agriculture. In 1985, Anhui's village

and town enterprises employed 3.3 million people, accounting for 24 percent of the total rural labor force. Total output value of village and town enterprises in 1985 accounted for 16 percent of the total produced in the province, while it accounted for only 10 percent in 1984. [By reporter Kong Xiangying]  
[Excerpts] [Beijing XINHUA Domestic Service in Chinese 0046 GMT 4 Jan 86 OW]  
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## ECONOMIC PLANNING

### HEILONGJIANG GOVERNOR ON TOWN, TOWNSHIP ENTERPRISES

SK090421 Harbin HEILONGJIANG RIBAO in Chinese 10 Dec 85 p 1

[Text] A few days ago, Governor Hou Jie spoke to our reporter on the development of the provincial town and township enterprises. He emphasized: We should develop town and township enterprises in line with the province's practical situation, and should accelerate the development on the premise of ensuring quality and efficiency.

Hou Jie said: In developing the rural economy, our province has, over the past several years, always paid attention to the rural cropping industry, grain production in particular. This is completely right, and should be upheld continually in the future. However, there was also a serious problem. In the past in the course of vigorously grasping the cropping industry, we paid insufficient attention to developing the industrial sideline production and town and township enterprises. As a result, our province has lagged behind in this aspect as compared with other provinces, and this aspect has become a weak link in our rural economy. In recent years, we have gradually recognized this problem, and have strengthened the work in this regard, thus witnessing a good situation in which collectives and peasants make concerted efforts to develop town and township enterprises. In the preceding period, however, our country encountered a problem--the growth rate of industry, including town and township enterprises, was much too rapid. Failing to make a specific analysis of this situation, some comrades have maintained that the development of our province's town and township enterprises has also been much too rapid and extensive and thus should be controlled and slowed down. Is it right? Viewing the province's actual situation, our growth rate has been slow rather than rapid. If possible, we should try our best to develop town and township enterprises more rapidly and more extensively. Our leaders at all levels must clearly understand this guiding ideology.

Hou Jie said: We have good grounds to set forth this guiding ideology which conforms to the entire development strategy of our country. The reasons are: First, to strengthen the vitality of the reproduction of the cropping industry, we must accelerate the development of town and township enterprises. In rural areas of our province, the funds earmarked for the production of the cropping industry are seriously insufficient. They mainly depend on loans, which are obtained in the spring and repaid the autumn year after year, to develop the reproduction of the cropping industry. Of the province's loans to rural areas, 70 to 80 percent have been spent on the cropping industry. In

case of a bumper harvest year, these loans can be recalled by a larger amount; but in case of a lean year, the repayment of such loans must be delayed. As of now, the piled-up arrears in rural loans have come to more than one billion yuan. Such a situation has forced our cropping industry to maintain reproduction in a simple manner. To change this situation, we should, in addition to depending on the efforts of the cropping industry, depend on the vigorous development of town and township enterprises to increase income and strengthen the vitality of reproduction. In this sense, accelerating the development of town and township enterprises is aimed at developing agricultural production in a more rapid and good manner. They supplement and promote each other. By no means should we post the former under the latter.

Second, town and township enterprises in our province are basically engaging in the reprocessing of agricultural sideline products, and there are many raw materials which can be used to accelerate the growth rate of such enterprises. Therefore, the rapid development of town and township enterprises will not affect the development of major industries. Being a big province abounding in natural wealth, our province has a vast area of high-yield grain and cash crops fields. In addition, our province has abundant mineral resources, a vast expanse of forest areas, inexhaustible mountain products, and increasingly added livestock products. These are the main objects being processed by our town and township enterprises. In running enterprises and engaging in the processing proceeding from our own natural resources, we will not scramble for raw materials with the state. On the contrary, the rapid development of our town and township enterprises will make contributions to the state by helping satisfy the people's needs and dispel the contradictions between the market supply and demand.

Third, viewing the current situation on the development of our province's town and township enterprises, our province falls far short of those provinces which began to develop town and township enterprises in an earlier time. Now even though our province is accelerating the development speed, there is no need to worry about the overly rapid growth rate. Last year, our province's output value of town and township enterprises amounted to 2.8 billion yuan, ranking 21st in our country. This year, even though we have made great progress, this figure only develops to about four billion yuan, less than that of a special zone in an advanced province. Even though we register a 30 to 40 percent increase a year, our absolute value will be less than 10 percent scored by an advanced province. We should clearly understand it.

Fourth, with wide domestic and foreign markets, it is an objective need to accelerate our town and township enterprises. Products by our province's town and township enterprises have occupied a big proportion in foreign trade and export, and have been well received on domestic markets. Such a need for a good market constitutes the objective demand for accelerating the development of town and township enterprises.

Hou Jie stressed: Leaders at all levels must fully understand that developing town and township enterprises constitutes a strategic measure for readjusting the rural production set-up, developing the rural commodity production, and invigorating the province's economy. Leaders at all levels must actually attend to this work without any negligence. In approaching an issue, we

should persist in the ideological line of seeking truth from facts, and should not blindly follow the public trend.

Hou Jie said: To accelerate the development of town and township enterprises, an important thing is to strengthen the macro-guidance, and improve the information and technical services. We should also give play to the multifunctional role of big cities in promoting the development of town and township enterprises, should organize some urban technicians to work for rural areas, should organize urban enterprises to sell their products in rural areas, and should further reduce restrictions on policies. By so doing, we can promote the development of town and township enterprises throughout the province and enable such enterprises to play their due role in vitalizing the rural economy.

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ECONOMIC PLANNING

DIRECTION FOR ECONOMIC REFORM IN 1986 DISCUSSED

Beijing RENMIN RIBAO in Chinese 25 Nov 85 p.2

[Article by reporter Zhao Yuqing [6392 3768 1987]: "Satisfactorily Handle the Relation Between Macroeconomic Control and Microeconomic Flexibility--He Guanghui, Vice Chairman of the State System Reform Commission, Talks About the Restructuring of the Economic System Next Year"]

[Text] Changchun, 24 November--He Guanghui [6320 0342 6540], vice chairman of the State System Reform Commission, said at the symposium on the restructuring of the economic system in the northeastern region which ended recently that the restructuring of the economic system in 1986 should center on invigorating enterprises continually, particularly center around the central link involving the large and medium enterprises and satisfactorily handle the relationship between macroeconomic control and microeconomic flexibility.

He said that the government at all levels should foster the macroeconomic concept. The government should delegate the power of managing the microeconomy to enterprises. The government should shift toward indirect management and concentrate its effort on indirect control of the macroeconomy so as to achieve good macroeconomic results in invigorating the microeconomy. A policy to master, supplement, retain the advantages and discard the disadvantages and gradually perfect the reform measures already in force should be adopted.

He Guanghui also emphasized that in 1986 we should implement the pertinent provisions approved by the State Council about enhancing the vitality of large and medium enterprises and energetically promote the lateral economic relations of various forms and in different levels among the enterprises so as to shape them into various types of enterprises associations and groups. This is an important way to break down barriers between higher and lower levels, do away with the mixing of government and enterprise functions, accelerate the restructuring of the economic system and to readjust the product mix, production setup and enterprise structure in line with the demands of the commodity economy.

He also said that we should proceed from studying the prominent contradictions in current economic life, center on developing the market of the means of production and effectively solve internal distribution of enterprises, namely, the wage reform in enterprises and the issue of rational distribution in society. Cities selected for experiment should keep on exploring and experimenting in reform energetically, further invigorating the cities and giving play to the functions of cities so as to create fine economic and social environments for invigorating enterprises.

ECONOMIC PLANNING

BRIEFS

GUANGDONG HOLDS MEETING--The provincial conference on industrial and communications work opened this morning. The conference put forward the main endeavor target for industrial and communications enterprises in the province for next year. In short, the main endeavor target is maintaining, decreasing, scaling three new heights, and achieving simultaneous growth in output value, profits, taxes, and financial income. Maintaining means that on the premise of controlling the amount of fixed assets investment and raising the economic efficiency of the whole society, we must maintain an appropriate increase rate. The province's industrial output value for 1986 is scheduled to increase by 10 percent over 1985. Decreasing means to decrease the consumption of goods, the number of loss suffering enterprises, and the amount lost by enterprises in the province. Scaling three new heights means to upgrade the quality of products, so as to scale a new height in improving the quality of products; to earn more foreign exchange from exporting products, so as to scale a new height in developing export-orientated enterprises; and to upgrade the management level of enterprises, so as to scale a new height in tapping internal potentials and promoting modern business management in enterprises. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 17 Dec 85 HK] /12913

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AGGREGATE ECONOMIC DATA

YUNNAN'S URBAN, RURAL MARKETS FLOURISH

Kunming YUNNAN RIBAO in Chinese 12 Oct 85 p 1

[Article: "Commercial Outlets Increase Fourfold, Supply of Goods Rises Daily in Abundance--Yunnan's Urban and Rural Markets Prosper During Sixth 5-Year Plan Period"]

[Text] Data provided by the Yunnan statistical bureau indicated that with the restructuring of the circulation system and the implementation of the policy of "opening to the outside world and invigorating the domestic economy," the urban and rural commodity markets in Yunnan Province are thriving daily during the Sixth 5-Year Plan period.

--Retail commercial, catering and service outlets have increased notably. During the Sixth 5-Year Plan period, as a result of the reforms introduced in the circulation system involving various economic forms, more circulation channels and methods of operations, reducing the links of circulation and giving impetus to the state, collective and individual forces in running commerce and catering and service trades, these professions and trades have developed vigorously throughout the province. In 1984, there were more than 235,000 commercial outlets of various categories throughout the province which represented a more than fourfold increase over 1980, the total number of employees increased by more than 284,000. By the end of 1985, it is estimated that there will be more than 300,000 commercial outlets of various categories.

--The supply of commodities is increasing daily. It is expected that the supply of retail commodities in 1985 will reach 9.17 billion yuan in value, more than double that in 1980. The market supply situation has kept on improving as a result of the increase in the supply of goods. The supply of commodities requiring coupons in purchase in the past has been liberalized, new types of products are being introduced thus supplying the market with a rich array of products.

--The volume of retail sales has increased markedly. It is expected that the retail sales volume throughout the province will reach 9.22 billion yuan in 1985, a 1.14-fold increase over 1980, the average annual increase of 16.4 percent is higher than the average annual growth in the various periods from the First 5-Year Plan to the Fifth 5-Year Plan.

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ECONOMIC MANAGEMENT

GANSU GOVERNOR, PARTY SECRETARY SPEAK AT INVESTIGATION MEETING

HK091303 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 7 Jan 86

[Text] This morning, at a report meeting on investigations of large and medium-sized enterprises which was organized by the provincial government, Governor Chen Guangyi stressed: This year the province must continue to carry out reforms and to consolidate, assimilate, and make more achievements. We should work hard and solve some prominent problems so that we can achieve better reform results.

In November of last year, the provincial people's government organized some comrades of the departments concerned and conducted a month-long investigation of 10 large and medium-sized enterprises, including the Lanzhou Oil Refinery and the Lanzhou Petrochemical Machine-building Industry Company.

At today's report meeting, Governor Chen Guangyi introduced in detail the situation of reforms and the achievements made by the large and medium-sized enterprises. He also analyzed the reform problems and probed the in-depth development of enterprise reforms.

Chen Guangyi pointed out: The aim of reforms is to make the enterprises possess the ability to remold and develop themselves. At present, the direction of enterprise reforms is switching from breaking through a point in one area to developing in an in-depth and comprehensive way. The tasks of departments of the superstructure in reforms are to replace administration by services, and to integrate reforms with remolding, development, and opening up. They should develop them simultaneously so that we can score new achievements in economic structural reform.

Li Ziqi, secretary of the provincial CPC Committee, and Vice Governor (Zhang Wule) also spoke at the meeting.

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## ECONOMIC MANAGEMENT

### OFFICIALS CITED ON LIAONING PLAN RESULTS

OW081859 Beijing XINHUA in English 1513 GMT 8 Jan 86

[Text] Shenyang, January 8 (XINHUA)--Factory retooling since 1981 has been a crucial element in the development of Liaoning Province, a major industrial base in northeast China.

Local officials said here today total industrial output value in Liaoning increased 42 percent during the period of the Sixth Five-Year Plan (1981-1985). The total figure was not yet available.

They said 12.8 billion yuan was spent during the 5 years on retooling on the province's industries, including metallurgy, machinery, petrochemistry and building materials.

Thanks to the retooling, 2,200--or 32 percent--of the province's machinery products have reached international technology standards, a 22 percent increase over 1980.

Liaoning products won 237 national gold and silver medals for quality in the past 5 years, the second most in the country, the officials said.

Since most of the province's 17,000 enterprises were built in the 1950's and 1960's, they said, technical upgrading was crucial to achieving the province's goal of quadrupling production by the year 2000.

Officials said Liaoning also made substantial gains in energy conservation and production and in communications over the past 5 years--at a cost of five billion yuan.

Conservation measures enabled the province to limit the increase in its use of nonrecoverable energy resources to 14 percent over the plan period even though total industrial output value increased 42 percent.

During the period, the province's coal mining capacity increased by 4.42 million tons, its electrical generating capacity increased by 950,000 kilowatts, and its oil extraction capacity increased by 3.7 million tons. Ten new airline routes began service over the 5 years, quadrupling the province's air traffic.

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ECONOMIC MANAGEMENT

INCREASED INCOME TAX FOR RURAL, TOWNSHIP ENTERPRISES

Beijing JINGJI RIBAO in Chinese 7 Oct 85 p 3

[Article by Shen Si [3088 1835]: "Income Tax from Rural and Township Enterprises Should Be Adequately Raised"]

[Text] The state has been implementing a lower-tax and tax-free policy on rural and township enterprises (originally called commune and brigade enterprises) for many years. This is especially true since the 3d Plenum of the 11th CPC Central Committee, when the state again adopted numerous measures to reduce income tax for rural and township enterprises. This is necessary when the rural and township enterprises in our country are still not too well developed. This preferential policy will remain in force from now on. However, judging from the development of these enterprises in our country at present, I think the state should adequately raise the level of their income tax burden.

First, because they have made giant strides, the rural and township enterprises should contribute more to the state. According to incomplete statistics, there were more than 52 million people; their total output value amounted to more than 170 billion yuan accounting for more than 40 percent of the output value in the rural economy; the total income came to more than 150 billion yuan and there were more than 300 counties with an income in excess of 100 million yuan; the new profits gained by these enterprises were close to 19 billion yuan and the tax delivered to the state came to more than 9 billion yuan; the total wages for workers and staff members amounted to more than 30 billion yuan and the average per capita annual wage was close to 600 yuan. Rural and township enterprises today have become a part of the established rural economic structure and a positive force in China's production lineup and at the same time an important pillar in making the rural economy flourish and improving the peasants' livelihood. And it can be said that they possess the foundations and conditions for making more contributions to the state.

Second, higher income tax can help strengthen macroeconomic control and promote the steady and healthy development of the rural and township enterprises. In 1984, excessively sharp increases were registered not only in the output value of these enterprises (up more than 40 percent), credit (a rise of more than 200 percent) and investment in fixed assets (increased by more than 20 percent), excessively fast increase in consumption funds (total wages increased by more than one-third and a considerable portion of the enterprise profit retention

was turned into consumption funds) was also reported. We have to say that lower income tax and overretention of profit by enterprises constituted one of the important reasons for all this.

Third, adequately raising the income tax burden of the rural and township enterprises can balance the income tax burden between these enterprises and urban collective enterprises and state enterprises to give full expression to the principle of equal competition. Although the income tax now being paid by the rural and township enterprises is similar in form to that applicable to the urban collective enterprises and small state enterprises and uniformly adheres to the new eight-grade progressive tax rate, the state has by policy given different preferential consideration to various types of collective enterprises by implementing a series of measures to reduce or exempt taxes. As a result, the level of the income tax burden for enterprises of different nature is, in fact, not the same. The income tax burden for state enterprises is somewhat more than 60 percent, for the urban collective enterprises somewhat more than 30 percent, but, for the rural and township enterprises just around 20 percent. This inequality has weakened the function and role of income tax as a direct tax in directly regulating the benefits of various economic components. One of the inherent qualities of a commodity economy is competition, equal competition. "Equal opportunity and rational burden" are the universal principles of taxation. Keeping the income tax burden in balance and letting different enterprises compete along the same line can better inspire enterprises to improve their economic results. Therefore, we ought to adequately raise the income tax burden a little after the rural and township enterprises are greatly developed.

Then, how should the income tax burden for these enterprises be adequately raised?

First, income tax should be levied in strict adherence to the new eight-grade progressive tax rate. The State Council has clearly stipulated that rural and township enterprises should follow the eight-grade progressive tax rate and should no longer adhere to the 20 percent tax rate. This will be conducive to implementing the policy of rational burden, regulating income and supporting the development of medium and small enterprises. The issue is that various areas must implement this stipulation strictly and cannot go their own ways.

Second, the various stipulations governing income tax exemptions should be revoked. There are many measures by which the state reduces and exempts rural and township enterprises, from taxes, and income tax exemption is one of the important measures. For example, consideration has been given to newly established enterprises, enterprises having trouble paying income tax, enterprises serving agricultural production and the peasants' livelihood and enterprises set up by educated urban youth working in the countryside and mountain areas exempting them from income tax for a fixed period of time or at a fixed rate. In some places, the overly liberal scope of exemption, period of exemption and the amount of exemption have greatly depleted the amount of tax that should be delivered. If various stipulations about tax exemption are abolished and taxpayers eligible under the state tax law pay their taxes under any circumstances according to regulations, it will not only enhance the enterprises' concept of paying tax and safeguard the solemnity of the tax law but also do

away with the practice of granting tax exemptions at will and thus reducing state financial losses. In the meantime, to implement the principle of "dealing with each case on its own merits," for enterprises who are granted income tax exemption under the original unified ruling, tax exemption may be changed to take effect in the form of support for revolving funds or loans for financial subsidies. For enterprises who have special needs, consideration may also be given to allocating funds to support them financially or giving them a tax refund.

Third, the amount of income tax should be strictly calculated and checked in accordance with state regulations. The calculation of the amount of income tax is the basis and foundation of income tax levy, which has a direct bearing not only on the state's financial revenue and the burden of the taxpayers but also on the correct handling of the interests of the state, the collectives and individuals and the implementation of the state taxation policy. Tax evasion is a rather serious phenomena in many places at present. Many places have failed to implement the State Council's demand banning enterprises from repaying loans with tax money and stipulating that various special loans should be repaid before taxation time; some enterprises have calculated and paid their income tax by using the income derived from industrial and commercial undertakings and the surplus amount left over after deducting expenses for subsidizing agricultural production. All this has greatly reduced the state revenue from income tax and infringed upon the interests of the state.

It goes without saying that specific analysis should be made on specific conditions. China's rural and township enterprises remain in the developmental stage at present, and in some areas, they are just starting; the economic foundation and conditions for production by those enterprises are still far more inferior to these of the state enterprises and urban collective enterprises; the rural and township enterprises are still burdened with various kinds of social expenditures in the countryside; the practice of "apportioning" burden on the rural and township enterprises by various quarters has remained a very serious issue; and the level of total accumulation by these enterprises remains low; therefore the state should continue to support and take care of them. For this reason, by adequately raising income tax for the rural and township enterprises, we are referring to their actual burden after the tax burden instead of the tax rate was raised and certain exemptions were eliminated. On the other hand, we are also referring to averaging the level of burden nationwide and not resorting to "seeking arbitrary uniformity in everything." Certain tax burdens may be adequately raised on enterprises which are in better shape and developing faster; on the other hand, the existing level of burden should be maintained or further lowered for those which are in poor shape and just starting.

In short, judging from the present development of the rural and township enterprises in our country, it is necessary and also possible to adequately raise some of the tax burdens, however, specific methods, time and steps must be differentiated according to different conditions instead of reapplied in a uniform manner.

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## ECONOMIC MANAGEMENT

### YUNNAN'S INVESTMENT IN FIXED ASSETS DISCUSSED

Kunming YUNNAN RIBAO in Chinese 12 Oct 85 p 1

[Article: "Structure of Yunnan's Investment in Fixed Assets Tends To Become Feasible--Investment in Energy, Education and Scientific Research Increases More Rapidly During Sixth 5-Year Plan Period"]

[Text] It is learned by this reporter from the Yunnan statistical bureau that during the Sixth 5-Year Plan period, by steadfastly controlling the scale of investment, adhering to the policy of ensuring key construction and readjusting the investment in fixed assets, the investment structure in Yunnan has become more feasible.

First, the capital construction of the energy industry has been strengthened. A total of 1.33 billion yuan in investment has been fulfilled during the Sixth 5-Year Plan period, an increase of 51.9 percent over the Fifth 5-Year Plan period, and the proportion of the total amount of investment rose from 15.8 percent during the Fifth 5-Year period to 19.6 percent.

Second, the investment of education and scientific research departments has increased quite rapidly. During the Sixth 5-Year Plan period, the educational departments invested 480 million yuan, which represented a 2.7-fold increase over the Fifth 5-Year Plan period, and the proportion of the total amount of investment rose from 2.3 percent to 7.1 percent; the scientific research departments invested 100.6 million yuan, an increase of 26 percent over the Fifth 5-Year Plan period.

Moreover, investment in building up the weak links of the national economy and in areas bearing on the people's livelihood has also increased considerably. Compared with the Fifth 5-Year Plan period, the investment in the building material industry showed a 1.3-fold increase, investment in light and textile industries registered a 1.5-fold increase, and investment in cultural construction reported a 2.1-fold increase. On the other hand, iron and steel, machine-building and chemical departments reduced investment by 22 percent, 52.5 percent and 3.4 percent, respectively, in line with the Sixth 5-Year Plan calling for curtailment of investment.

During the Sixth 5-Year Plan period, more than 290 million yuan are invested in increasing production and energy conservation, constituting 8.5 percent of the investment in updating and renovation; adding the investment in energy capital construction, the total amount came to 1,623,000,000 yuan thereby easing the

strain on energy supply in Yunnan Province. Investments for strengthening transportation have also increased considerably during the Sixth 5-Year Plan period. In the meantime, Yunnan Province has also made an effort to increase investment in improving the performance of products and increasing the varieties of products, with a total of 377 million yuan being invested in these areas during the Sixth 5-Year Plan period, accounting for 10.9 percent of the proportion of investment in updating and renovation. In addition, Yunnan Province has also made investment in disposing of "three wastes" and in labor protection and safety totaling 122 million yuan, thereby creating material conditions for improving the environment.

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ECONOMIC MANAGEMENT

LIAONING ECONOMIC ACHIEVEMENTS IN PAST 5 YEARS

OW071250 Beijing XINHUA Domestic Service in Chinese 0122 GMT 7 Jan 86

[By reporter Liu Xinxin]

[Excerpts] Shenyang, 7 Jan (XINHUA)--During the "Sixth 5-Year Plan" period, Liaoning Province, one of China's industrial base areas, persistently carried out reforms and technical innovations, made remarkable progress in technology and management, and embarked on a new path of rejuvenation.

During the "Sixth 5-Year Plan" period, Liaoning Province persistently carried out reforms, opened itself to the outside world, and imported advanced technology and management skills from foreign countries under a unified national plan. It carried out key technical innovations in the metallurgical, machine-building, petrochemical, and building material industries. Its investments in the past 5 years totaled 12.8 billion yuan, including in [word indistinct] 10-million-yuan projects.

Fairly rapid progress was made in developing energy resources, streamlining communications, and conserving energy. During the "Sixth 5-Year Plan" period, Liaoning invested more than 5 billion yuan in developing energy resources and streamlining communications, and enhanced coal-mining capabilities by 4.42 million tons, power-generating capabilities by 950,000 kilowatts, and crude-oil-producing capabilities by more than 3.7 million tons. Remarkable results were attained in energy conservation. During the "Sixth 5-Year Plan" period, total output value in the province rose 42 percent, while primary energy consumption increased only approximately 14 percent.

Fundamental changes took place in agricultural production. Grain cultivation became self-sufficient, and the ratio of light industry in Liaoning's entire economy increased every year. The situation in the development of heavy industry improved. The rate of growth in heavy industry in the past 2 years was over 11 percent. Economic efficiency in industry increased every year. The rate of growth in turning profits and taxes to the state greatly exceeded the rate of growth in output value. During the first 10 months of 1985 the province turned over more than 6.02 billion yuan of taxes and profits to the state, an increase of 22.8 percent as compared with the same period of 1984.

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ECONOMIC MANAGEMENT

BRIEFS

SICHUAN DEVELOPS TOWNSHIP ENTERPRISES--In 1985, Sichuan's town and township enterprises which stood new tests and developed in a continuous and steady way. Their gross annual output value totaled 13.1 billion yuan, increasing by 47.5 percent over that of last year. Their total revenue was 11.2 billion yuan, an increase of 52.2 percent over last year. Their plans for 1986 are to achieve a gross output value of 15.1 billion yuan and a total revenue of 12.9 billion yuan, or to increase the amount by more than 15 percent over 1985. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 3 Jan 86 HK] /8918

YUNNAN NATIONALITY ECONOMY DEVELOPS--Since 1981, CPC Committees and governments at all levels in Yunnan Province have taken a series of measures, such as reducing or remitting agricultural tax and some industrial and commercial taxes in the nationality regions and allowing the masses of various nationalities to have a free hand in exploiting and utilizing resources and developing commodity production. As a result, the economy in the nationality regions has prospered. According to statistics in 1984, the gross industrial and agricultural output value in the nationality autonomous regions was 44.5 percent more than in 1980 and peasants' net income recorded an increase of 150 percent over 1980. They continued to increase relatively greatly in 1985. [Summary] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 2 Jan 86 HK] /8918

YUNNAN ECONOMIC, TECHNOLOGICAL LINKS--In 1985 all localities and departments in Yunnan Province actively developed horizontal economic links. They have vigorously developed economic and technological cooperations with areas and units in other provinces. In 1985, they reached agreements with units and departments in other provinces on more than 2,000 projects and raised some 140 million yuan of funds. These economic and technological cooperations have promoted the training and import of various technological and professional personnel in the province. The province has established economic and technological relations with 26 provinces and cities. [Summary] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 5 Jan 86 HK] /8918

CSO: 4006/546

FINANCE AND BANKING

FINANCE MINISTRY NOTES FISCAL PROGRESS IN 1985

OW311252 Beijing XINHUA in English 1233 GMT 31 Dec 85

["Round-up: China Set To Balance the Books"--XINHUA headline]

[Text] Beijing, December 31 (XINHUA)--China's finances have improved dramatically over the past few years, and it is now poised to shed its long-standing budget deficit, according to the Finance Ministry.

Revenue from taxes and state company profits, which had declined between 1979 and 1981, increased at an average annual rate of about 13 percent between 1982 and 1984.

In the first 11 months of 1985, state revenue totalled 168.5 billion yuan--34.8 percent more than in the same period of 1984.

Revenue had fallen by 4.8, 2.3 and 2.5 percent respectively between 1979 and 1981, because of problems remaining from the cultural revolution's 10 years of turmoil.

Ministry officials attributed the turnaround in revenue since then to the rapid expansion of industry and agriculture.

The average annual growth rate of total industrial and agricultural output value between 1981 and 1985 is estimated at more than 10 percent.

The budget deficit, which stood at a hefty 17 billion yuan in 1979, had been whittled down to five billion by 1984, as great efforts were made to balance revenue and expenditure.

And the ministry expects final 1985 figures to show that it has been eliminated.

Increased revenue has enabled the government to spend more on improving and developing energy resources, transport, culture, education, science and public health.

Spending on capital construction, which had dwindled in 1981, began to expand the following year. Various measures have been taken since then to

pool funds to support key state schemes, particularly those concerning energy and transport.

Spending on education increased at an average annual rate of 14.5 percent between 1979 and 1984, much higher than the average 5.7 percent growth in overall state expenditure.

Between 1981 and 1985, financial departments allocated sufficient funds to provide jobs for more than 30 million people in urban areas.

The average urban wage increased by more than 20 percent during this period, while average net peasant income rose by 80 percent.

The financial resources of the state enterprises have also increased as they have been given more decisionmaking power under the economic reforms.

These enterprises received 35 billion yuan from their profits in 1984--12.7 times as much as in 1978, according to official figures.

However, ministry officials acknowledge that financial problems remain, such as the heavy burden of state subsidies and difficulties in concentrating local funds into key development schemes.

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CSO: 4020/163

FINANCE AND BANKING

SHANDONG PEOPLE'S CONGRESS MEETING HEARS REPORTS

SK260955 Jinan Shandong Provincial Service in Mandarin 2300 GMT 24 Dec 85

[Text] The 17th Standing Committee meeting of the 6th provincial People's Congress held a plenary session on the morning of 24 December.

At the session, participants listened to a report on our province's auditing work delivered by (Yu Yanhao), deputy director of the provincial Auditing Bureau, and a report on our province's implementation of the statistics law delivered by Zhao Zongqi, director of the provincial Statistics Bureau.

In his report (Yu Yanhao) pointed out: Over the past year or so, the auditing organs at all levels across the province have enthusiastically explored ways for carrying out the auditing work on a pilot basis in a step-by-step manner in the course of its establishment. They have scored certain achievements in their work. According to statistics, the auditing organs across the province have audited the accounts of 2,800 enterprises and establishments. A total of 376 million yuan of illegal funds have been discovered.

He said: Next year, the auditing organs should focus their work points on controlling the scale of the capital construction and the increase of consumption funds, on promoting a turn for the better in party style and social practice, and on serving the socialist modernization and the goal of making the people rich and Shandong prosperous.

In his report Zhao Zongqi said: Over the past 2 years, our province has made new progress in statistics work through studying and implementing the statistics law. Our province's statistics departments have made the best achievements in carrying out their organizational and professional construction and in serving and supervising the economic construction.

According to statistics, the provincial statistics bureau has submitted about 200 important statistical and analytical reports to leaders at all levels and higher-level professional departments, and this has provided the basis for leaders at all levels to formulate policy decisions on macro-economic control.

He said: From now on, we must continue to deeply disseminate and implement the statistics law, to further organize the statistics work effectively and scientifically, and to make efforts to bring the functions of the statistics departments to serve and supervise the socialist modernization.

Xiao Han, vice chairman of the provincial People's Congress Standing Committee, presided over the session. Attending the session were Li Zhen, chairman of the provincial People's Congress Standing Committee; and Xu Leijian, Zhang Zhusheng, Xu Jianchun, and Lin Ping, vice chairmen of the provincial People's Congress Standing Committee. Attending the session as observers were Ma Shizhong, vice governor of the provincial government; Liang Deshan, president of the provincial Higher People's Court; Li Huimin, chief procurator of the provincial People's Procuratorate; and responsible comrades of the relevant departments under the provincial government, the city People's Congress Standing Committees under the jurisdiction of the province, the district liaison offices in charge of the People's Congress work, and some county and city People's Congress Standing Committees.

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CSO: 4006/531

FINANCE AND BANKING

GUANGDONG'S BALANCE OF FOREIGN CURRENCY DEPOSITS RANKS FIRST

HK081022 Beijing ZHONGGUO XINWEN SHE in Chinese 0904 GMT 6 Jan 86

[Text] Guangzhou, 6 January (ZHONGGUO XINWEN SHE)--By the end of last November, the balance of foreign currency deposits of the residents in Guangdong Province had reached U.S.\$41.61 million, ranking first in the country.

Since Guangdong Province introduced a new one currency withdrawal method (that is, people can withdraw their money from banks in the same form of foreign currency they deposited in banks) in regard to foreign currency deposits for residents throughout the province in March of last year, the number of depositors has increased drastically from the previous 300 or so to more than 64,700 at the end of last year.

Guangzhou City has the largest balance of deposits, totalling over \$16 million. Next come Jiangmen, Foshan, and Shantou. At present the number of foreign currency depositors on Hainan Island, where previously such depositors existed, now total over 2,300, and their deposits top U.S.\$1.2 million. The balance of foreign currency deposits of Shenzhen, Zhuhai, Shantou, and the Longhu Economic Zone constitutes more than 30 percent of the province's total.

Of Guangzhou's savings deposits in foreign currency, most are in Hong Kong dollars. The balance of deposits in Hong Kong dollars was HK\$280 million, that in U.S. dollars totalled over U.S.\$5.6 million.

The Guangdong Branch of the Bank of China has set up more than 120 banks taking foreign currency deposits throughout the province. However, the number of such banks is still too small, as widely noted by the residents. According to the briefing given by a responsible person, more banks accepting foreign currency deposits will be set up in various medium and big cities this year.

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CSO: 4006/560

FINANCE AND BANKING

BANK OF CHINA PLANS TO DEVELOP NEW BANKING OPERATIONS

HK180628 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 18 Dec 85 p 1

[Article by Cecilia Ko]

[Text] The Bank of China [BOC] group, already a dominant force in the local retail banking market, is set to build up its merchant banking business.

Bank of Communications, a member of the BOC group, began gaining visibility on the capital markets scene after announcing it will issue between \$200 million and \$250 million worth of certificates of deposit [CD] early next year.

The bank also plans to set up a new treasury department modelled on the merchant banking arm of a foreign bank.

Mr Tang Yu-lap, assistant general manager in charge of the bank's treasury activities, told BUSINESS NEWS the new department will provide financial advisory services, underwrite and trade money market instruments as well as deal in foreign exchange and money markets.

The new department, to be formed early next year will actually be a combination of the current foreign exchange division and the capital markets group, he said.

More experienced dealers in bonds, CDs, commercial papers and foreign exchange have been recruited and Mr Tang expects the team to expand to more than a dozen.

Mr Tang said that the CD issue is viewed as the first step to test the market perception of a BOC member.

He said he hopes the issue will help enhance the bank's status in the capital markets.

Details of the issue, to be arranged and lead-managed by BT Asia, will be determined early next year, he added.

According to Mr Tang, the policy of the BOC group to diversify into more modern banking business was reaffirmed at a senior management meeting held in Beijing last month.

The meeting emphasized the use of Hong Kong as the bridge to provide China with updated information and expertise on banking.

Backed by huge Chinese resources, the BOC group will continue to use Hong Kong and Macao as a base for expansion into overseas markets.

Against this background, Mr Tang said the Bank of Communications decided earlier this year to broaden the range of its services beyond the traditional retail and commercial banking, in line with the modern concept of one-stop banking.

As an initial step, a capital markets group was formed six months ago and three dealers were recruited to closely watch the Hong Kong dollar CD and commercial paper markets.

For the past six months the bank has been subscribing to a number of CDs and commercial paper, which are held as short to medium-term investments.

Mr Tang described this as a period of learning and observation, adding that next year the bank will take a more active role in both the primary and secondary markets.

He explained that when the new treasury department is set up, the bank will begin building up a trading portfolio and try to quote daily two-way prices on money market instruments.

The new department also plans to introduce to clients more financial hedging devices, such as currency options.

Emphasis will be placed on giving advice to corporate customers on fund-raising as well as investment and financial asset management, Mr Tang added.

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FINANCE AND BANKING

TAXES PLAY IMPORTANT ROLE AS ECONOMIC LEVER

OW280541 Beijing XINHUA Domestic Service in Chinese 0748 GMT 27 Dec 85

[By reporter Tian Chuan]

[Text] Beijing, 27 Dec (XINHUA)--As a result of substituting tax payments for profit delivery and reforming the industrial and commercial tax system during the Sixth 5-Year Plan period, China's industrial and commercial taxes are no longer in a unitary form. The state has basically set up a tax system which suits various levels of our various economic structures, operations, and sectors. Taxes now are playing an increasingly important role as an economic lever in our economic life.

In 1983, China began first-phase reform in substituting tax payments for profit delivery, in order to correct the malpractice of "eating from the same big pot" prevailing in relations of enterprises to the state. Since then, the relations of distribution between the state and enterprises have been determined by tax obligations. In 1984, the state carried out second-phase reform in substituting tax payments for profit delivery on the basis of the first-phase reform. At the same time, it has also reformed the industrial and commercial tax system, abandoned a unitary tax system, and set up various taxes for state-owned enterprises, such as income, regulatory, product, business, resources, appreciation, salt, and urban maintenance and construction taxes. These taxes are levied according to proceeds, income, or class-differential proceeds Ji Cha Shou Ru 4787 1567 2392 0354]. In addition, the state is preparing to restore and enact certain local taxes. Now, it has preliminarily set up a new industrial and commercial tax system consisting of 22 taxes for various levels and purposes.

The more rational new industrial and commercial tax system has laid a foundation for a steady increase in state revenues. Moreover, it is performing a leverage in a wider area of the economic field. With the leverage of various tax measures and rates, the state can regulate the profits for various enterprises, trades and products, and thus promote a coordinated economic development, restrict the production of unmarketable products, and encourage production of products in short supply. In the last few years, the state has used taxes as an economic lever and successively readjusted the tax rates for cement, glass, soap, rubber-soled

cotton shoes, evaporated milk, powdered milk, matches, and detergent, which were in short market supply. The readjusted tax rates have aroused the enthusiasm of enterprises for producing these products and increased their output. In 1982, the State Council approved a special tax on fuel oil to rationalize energy consumption by encouraging the use of coal and reducing fuel oil consumption among enterprises. The fuel oil tax has gradually promoted enterprises to substitute coal for fuel oil, thus rationalizing our energy consumption and enhancing the overall efficiency of energy. In 1985, the State Council has successively promulgated such economic legislation as "Interim Procedures Concerning the Wage Regulatory Tax for State-Owned Enterprises" and "Interim Provisions Concerning the Bonus Tax for State-Owned Enterprises" to prevent too fast an increase in consumption funds during reform of the wage system of state-owned enterprises. These taxes have played a positive role in regulating the increase in consumption funds. Taxation is playing an increasingly important role as an economic lever to help the state control macroeconomic activities.

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CSO: 4006/531

FINANCE AND BANKING

ARTICLE REVIEWS NEW FOREIGN COMPANY TAX LIABILITY LAWS

HK230416 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 23 Dec 85 p 1

[Article by Olivia Sin]

[Text] China has issued supplementary regulations to clarify grey areas in its laws governing the tax liabilities of foreign representative offices.

The regulations released by the Beijing Tax Bureau spell out specific conditions under which the offices will be liable to tax.

Included in the provisions is a formula to solve the controversial issue of how to determine the revenues of representative offices.

According to information provided by the Arthur Andersen and Co., representative offices providing liaison, negotiation and marketing survey of "auxiliary" nature of their head offices to assist in the conclusion of sales contracts with China will not be subject to tax.

However, income derived from acting as agents to assist in contract signing on behalf of their head offices or a third party will be treated as commissions liable for taxation.

The new regulations were issued to supplement the interim tax provisions announced in May requiring all foreign offices to pay profit tax as well as industrial and commercial consolidated tax (ICCT).

The collection of ICCT is effective June 1 while profit tax will be back-dated to January 1 this year, according to the regulations.

The interim provisions had caused grave concern among hundreds of representative offices in China and traders and accounting firms had sought clarification from the Chinese authorities.

Following a large-scale meeting of tax officials from various provinces, the supplementary regulations were released in October.

Since many foreign representative offices did not keep detailed accounts of their expenses, the problem of how to determine their income has become a sticky issue.

The latest China newsletter issued by Arthur Anderson says the gross income of the offices will be calculated on the basis of a cost-plus formula.

As reported earlier in BUSINESS NEWS, the gross incomes of representative offices will be calculated at 25 per cent plus operating expenses.

The Chinese formula is thus harsher than the international practice which puts income at only five to eight per cent plus operating costs.

The supplementary regulations also said representative offices should keep proper accounts and records and submit financial statements and audited reports certified by a firm of Chinese public accountants along with income tax returns.

If a foreign firm has several representative offices in different locations in China, each office should report separately to the local tax bureau.

If the various offices contribute to a single contract and separate reporting of income proves difficult, a single filing will be allowed on approval from the relevant tax bureau.

A late payment penalty of 1/2 per cent per day will be imposed on offices failing to pay tax or file tax returns.

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CSO: 4020/163

FINANCE AND BANKING

GANSU HOLDS MEETING TO DISCUSS AUDITING WORK

HK011546 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 27 Dec 85

[Excerpts] The 16th session of the 6th provincial People's Congress Standing Committee held a plenary meeting this morning. Xu Anming, vice chairman of the provincial People's Congress Standing Committee, first relayed the spirit of the 13th meeting of the 6th NPC Standing Committee and the speech of NPC Chairman Peng Zhen. Then the participants listened to a report by (Du Yuzhang), deputy director of the provincial Auditing Bureau, on auditing work in the province.

(Du Yuzhang) said that since their establishment in September 1983, auditing departments at all levels in the province have carried out auditing supervision centered on reform of the economic structure, with stress on finance and financial revenue and expenditure, achieving remarkable results.

He said: Over the past 2 years or so, we have audited a total of 671 items in industrial, communications, agricultural, commercial, cultural, educational, financial, and banking departments. This year we have also conducted auditing examinations of new malpractices, such as arbitrarily issuing money and material objects, in 837 enterprises and institutions. We have conducted two large-scale financial examinations in cooperation with financial departments at all levels. By the end of November, we had discovered and dealt with various cases in violation of financial discipline involving some 160 million yuan, and had discovered and corrected some new malpractices in the economic field.

Wu Jian, vice chairman of the provincial People's Congress Standing Committee, presided over the meeting. Attending the meeting were Li Dengying, chairman of the provincial People's Congress Standing Committee, and Wang Yaohua, Liu Lanting, He Jianshan, (Xu Feiqing), Li Qiyang, Ma Pillie, and Yang Fuxin, vice chairmen of the provincial People's Congress Standing Committee.

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CSO: 4006/531

FINANCE AND BANKING

IDA TO PROVIDE CREDIT FOR AGRICULTURAL PROJECTS

OW200704 Beijing XINHUA in English 0640 GMT 20 Dec 85

[Text] Beijing, December 20 (XINHUA)--The international development association will provide a credit of 90 million U.S. dollars to finance agricultural projects in Fujian and Hunan Provinces, according to a special report from Washington in today's CHINA DAILY.

The English paper says the overall cost of these projects will amount to 257 million U.S. dollars.

The projects are expected to directly benefit at least 74,000 Chinese people by creating jobs and raising the income of workers, the paper adds.

The IDA credit will be used, together with another 90 million U.S. dollars from the Agricultural Bank of China, to finance a three-year investment in production of fresh and salt water fish, fruit and livestock, and in food processing.

Farmers, rural collectives and local governments are expected to raise about 77 million U.S. dollars for the project, the CHINA DAILY says.

The paper does not give details such as the term and the rate of interest for the IDA credit.

But it says technical assistance will be provided to train about 1,500 staff members of the Chinese bank in project preparation, appraisal and implementation.

One of the aims of the project is to enhance the efficiency of the agricultural sector by increasing the role and autonomy of the banking system and making greater use of credits, instead of grants to finance development projects.

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CSO: 4020/163

FINANCE AND BANKING

COMPANY EXPANDS FOREIGN INSURANCE BUSINESS

OW091336 Beijing XINHUA in English 1324 GMT 9 Jan 86

[Text] Beijing, 9 January (XINHUA)--The People's Insurance Company of China (PICC) can now offer a full range of insurance to cover all the country's foreign business dealings, a senior official said here today.

The company now has 80 branches, and has kept pace with the development of China's foreign trade and economic ties with overseas firms over the past five years, said PICC Vice-President Cheng Wanzhu at a national insurance meeting which began here today.

By 1985, the amount insured at the PICC, China's sole national insurance company, was valued at more than 60 billion U.S. dollars--double the 1980 figure of about 30 billion U.S. dollars.

Between 1981 and 1985, it received more than 830 million U.S. dollars in premium, representing an average annual growth of 10 percent. Last year's income from premiums is expected to reach 230 million U.S. dollars--32 percent more than 1984.

Since 1981, the PICC has paid out 410 million U.S. dollars on claims of foreign business losses. In one instance, the company paid five million U.S. dollars over the loss of the U.S. oil-drilling ship, the "Glomar Java Sea," which sank in the South China Sea in November, 1983.

During the sixth Five-Year Plan (1981-1985), foreign business services were extended from merely covering imports and exports and ocean-going ships to the import of technology and funds, overseas contracted schemes and labor services, tourism, and many other forms of cooperation with foreign countries.

Many of the new categories involve a high degree of technical complexity, such as those concerning offshore oil exploration, shipbuilding and the construction of nuclear power stations.

Since 1981, many new clients have appeared in the form of Sino-foreign joint ventures, cooperative ventures, enterprises backed solely by foreign capital and offshore oil exploration schemes involving foreign partners.

Cheng said the rapid growth in services had enabled China's foreign business relations to develop normally, and there still remained great potential for further expansion of business. He urged all employees to work harder, improve their skills and help open new branches and develop new markets.

Cheng expected PICC business to grow in the new Five-Year Plan (1986-1990.)

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CSO: 4020/169

FINANCE AND BANKING

JINGJI RIBAO ON PREDICTED TWO-TIER MARKET IN CHINA

HK250754 Beijing JINGJI RIBAO in Chinese 14 Dec 85 p 2

["Theoretical Commentary": "Rudiments of a Capital Market Existed in Our Country in the Past, and There May Be a Two-Tier Market in the Future"]

[Text] Huang Yingfei [7806 7727 7278] and Xia Bin [1115 2430] of the Monetary Research Institute under the Central Bank of the People's Bank of China wrote an article commenting on the gradual formation of China's capital market. The article says: The proposal of the CPC Central Committee on the Seventh 5-Year Plan points out that "under the guidance and control of the People's Bank of China, they should employ all kinds of monetary measures to promote lateral circulation of funds and to gradually establish a funds market." Has the first step in the gradual formation of China's capital market been taken? What are its prospects? The academic circles of banking have diverse views on this. We would like to air our view here.

I. Rudiments of a Capital Market Have Already Emerged in China at Present

With the in-depth development of the reforms in the economy and financial system in recent years, many changes have taken place in the realm of capital in China. Despite the immaturity of these changes, they have formed into important structural factors for a capital market, providing basic conditions for the gradual formation of China's capital market, namely:

--the breakup of "one big unified" banking system. The coexistence of various types of professional banks and monetary organs other than banks came into being under the leadership of the People's Bank of China. Apart from the 30 investment trust corporations set up with the approval of the People's Bank of China, yet to be approved are between 200 and 400 monetary organs in various categories with funds collected at the provincial, prefectural, and county levels or by the people. It is estimated that a further variety of monetary organs will develop. This will provide a foundation for the gradual formation of a capital market in the banking system and organization.

--Since the latter half of 1984, loan-granting between banks has been permitted with interest compounded daily, based on the negotiation of the two parties concerned. This has provided a means of support for the gradual formation of a capital market over the past year. This is progress, despite the effects of various factors and the rather small scope of volume of such loans.

--On the basis of experimentation over the past few years, discounts on commercial promissory notes has been popularized since April 1985. This measure has improved the monotonous form of banking operations in China.

--In recent years, stocks and bonds have entered into China's vast urban and rural areas and the bank system has begun issuing bonds. Direct fund-raising activities have been very active. At present, the People's Bank of China is drawing up regulations to give correct guidance to securities activities.

Commercial credit and trust operations popular in the economic activities in the vast urban and rural areas in recent years, the loan-granting activities popular among the people in some localities in particular, express many basic factors in the formation of capital market in China and the urgent need in China's economic life for the formation of a capital market.

## II. Two Categories of Demand; the Results of Two Tiers

How should we further develop the above "rudiments"? What kind of capital market should be formed? There are disputes in China's academic circles dealing with economics and banking. An effective solution will not be reached by copying the pattern of the foreign capital markets. It will be conditioned by the demand for monetary activities in the process of the reform of China's economic structure.

Looking into China's capital market, there may be a two-tier market in the future, featuring one capital market at a lower tier and another at a higher tier.

By a capital market at a lower tier is meant that the Financial Department of the state maintains the existing realm of control over the national economic construction, with enterprises given some power in the distribution and employment of its own funds. The greater portion of construction funds is distributed based on the national plan through the state's financial departments (or entrusted to the construction banks in the form of loans). Under such a precondition, the realm of the activities of the capital market is limited to only the existing credit funds and extrabudgetary funds because of the long-term short supply of funds in the market.

Therefore, only a monetary market (a short-term capital market) can be developed in the capital market, such as the market for granting loans with interest compounded daily and the market for commercial promissory notes. The capital market (long-term capital market) will not be fully developed. The enterprises may collect funds through the use of stocks and bonds, but there will not be too great a breakthrough in the scope of such activities.

By a capital market on a higher tier, it means the overwhelming majority of the construction funds of the society will break up the existing administrative decisionmaking system. The poorly efficient fund distribution system and a market environment for capital circulation will be created through such economic levers as interest rates and foreign exchange rates in order to restrict the scope of economic construction and to determine the direction of flow for funds

distribution. Under this prerequisite, the setting up of monetary organs under various ownership systems is permitted. Relative stability of long and short-term banking operations will be achieved. Some of them will overlap each other, and competition between banks is encouraged. Various categories of monetary means will be developed as far as possible, and various types of credit activities will be unfolded. The Financial Department will be chiefly responsible for the plans for the revenue and expenditure for administration, national defense, science, technology, and education, as well as the distribution of construction funds for energy resources, communications, transportation, and the infrastructure. The planned economic construction funds will be accumulated and managed by the enterprises themselves. Under the comparatively full guarantee of steady prices and competitive external conditions, the employment of this part of capital will naturally be distributed through "monetary means." When the interest rate system is effectively reformed, the market interest rate will be comparatively correct in expressing the demand and supply situation regarding long and short-term capital in the society. It will become a channel for capital operations. On this basis, it is possible to form some related sub-markets on a comparatively large scope within the monetary and capital markets, such as markets for treasury bonds and loan-granting with interest compounded daily, between banks and stocks and bonds. Thus, the central bank may fully use a series of means in the modern banking system, control all categories of monetary organs, and take part in market activities. Moreover, it will realize indirect control over the scope of economic construction and the flow direction of capital through interest rates and the fluctuations between long and short-term markets, thus further realizing the target of the state's economic policy. Under such a pattern, the power of the policy of the Central Bank is not weakened. When invigorating the circulation of microcapital, the Central Bank will keep in firm control the macroscope and structural readjustment of capital.

Which of the two tiers of the capital market will be selected? This does not depend only on theoretical analysis, but on how big a stride will be made in China's reform of the economic structure. In other words, the development of the commodity market requires a correspondingly complete capital market to go with it. The tiers of development for the capital market depend on the depth of development of the commodity market, that is, the depth of China's market for consumer goods and the means of production. They are twins and the difference between them should not be too great.

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CSO: 4006/560

FINANCE AND BANKING

BRIEFS

SHANGHAI: MORE INSURANCE COVERAGE--Shanghai, December 23 (XINHUA)--The Shanghai branch of the People's Insurance Company of China is expected to earn 210 million yuan in domestic and overseas premiums this year, compared with 179 million yuan last year. Wei Yuanjie, general manager, said here today that the city offers more than 60 kinds of domestic insurance policies. More than 23,000 enterprises have insured their assets, while 730,000 urban and rural households have taken out property insurance. Some 66,000 automobiles and 12,000 ships have also been insured. Wei said the Shanghai branch has already opened more than 30 insurance policies concerning trade and economy with foreign countries, with an annual premium income of 30 million U.S. dollars. These include insurance against losses during goods transportation, construction risks, loss of property, oil-prospecting risks and profit loss. [Text] [Beijing XINHUA in English 1505 GMT 23 Dec 85 OW] /6662

BEIJING WORKERS' INCOMES UP--Beijing, December 23 (XINHUA)--Average income jumped by almost 30 percent to 1,300 yuan for urban workers in Beijing this year, Deputy Mayor Han Boping said here today. Meanwhile, average peasant income in rural Beijing rose by almost 13 percent to 750 yuan, he told a press conference given by Mayor Chen Xitong. Beijing's industrial and agricultural output value this year has increased by 10.7 and 17.8 percent respectively compared with 1984. And grain production has reached a record 2,195,000 tons. Han said that in the coming year, Beijing authorities would push ahead with reforms in the economy, science, technology and education. Over the next five years, emphasis would be placed on building roads and other infrastructure, developing rural towns and improving the environment. [Text] [Beijing XINHUA in English 1934 GMT 23 Dec 85 OW] /6662

1985 TREASURY BONDS SALES--Beijing, December 26 (XINHUA)--The state treasury has received 6.04 billion yuan in the first eleven months from the sale of treasury bonds, according to the treasury's sales-promotion committee. This was 0.8 percent more than planned. Of the total, more than 3.8 billion yuan in bonds were brought by individual citizens, and the rest, by enterprises, government offices and other units. [Text] [Beijing XINHUA in English 0903 GMT 26 Dec 85 OW] /6662

PLANNED TREASURY BOND SALE--Beijing, January 3 (XINHUA)--The State Council plans to sell five-year treasury bonds worth six billion yuan this year--the same as in 1985--at rates ranging from six to 10 percent. Individual citizens, paid 10 percent interest, are expected to buy treasury bonds worth

four billion yuan, according to a State Council circular published today. Bonds are available in five yuan, 10 yuan, 50 yuan and 100 yuan denominations. Local governments and state-owned and collective enterprises, which receive six percent interest, are expected to buy bonds worth two billion yuan. The bonds, first issued in 1981, are sold each year to raise funds for energy, transport and other major development projects. While individuals may purchase the bonds as late as September 30, governments and enterprises must buy them by June 30. Interest on all bonds begins to accrue July 1. [Text] [Beijing XINHUA in English 0827 GMT 3 Jan 86 OW] /6662

SHANGHAI SAVINGS DEPOSITS--During the Sixth 5-Year Plan, saving deposits in Shanghai's urban and rural areas increased by big margins. Over the past 5 years, savings deposits in Shanghai have increased by 3.99 billion yuan. As of 10 December, the total of Shanghai's savings deposits in both urban and rural areas had reached 6.88 billion yuan. [Summary] [Shanghai City Service in Mandarin 2300 GMT 18 Dec 85 OW] /12640

XINJIANG FINANCIAL ACHIEVEMENTS--Xinjiang's financial revenue turned for the better during the Sixth 5-Year Plan, rising by an annual average of about 15 percent. The plan's target was reached 2 years ahead of schedule. The situation of an annual decline in revenue was fundamentally reversed. From 1982 to 1984, revenue rose by an average of over 100 million yuan a year, and the future for 1984 showed a rise of 422 million yuan over that for 1981, an increase of more than 100 percent. Revenue this year is expected to exceed 800 million yuan. The income of the region's industrial enterprises in 1984, was 82.38 million yuan, more than 200 percent higher than in 1981. Income of commercial and supply marketing enterprises rose from 60 million yuan in 1981 to 94 million yuan in 1984. The situation this year is even better. The region's expenditures during the Sixth 5-Year Plan rose by an annual average of about 10 percent, due to the yearly improvements in the revenue situation and the big increase in financial subsidies provided by the state. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 21 Dec 85 HK] /12640

GUANGXI TAX EXEMPTION WORK--Tax examination is now going on in depth throughout the region. Self examination and cross examination have basically ended. According to the Regional Statistics Bureau, by the end of November, the region had discovered tax evasion totalling 147 million yuan. Some 76 million yuan has been submitted to the state treasury. Tax departments at all levels in the region are now concentrating their efforts on selective and key examination. According to the requirements of the circular of the regional people's government, they are grasping the work of submitting taxes to the state treasury and handling relevant cases, so as to increase the state's revenue. [Text] [Nanning Guangxi Regional Service in Mandarin 1130 GMT 27 Dec 85] /12640

RURAL SAVINGS--By the end of November 1985, China's total rural savings reached 69.4 billion yuan, increasing nearly 60 billion yuan over 1979. [Excerpts] [Beijing Domestic Service in Mandarin 1200 GMT 4 Jan 86 OW] /12640

31 January 1986

ANHUI FLOOD DAMAGE INSURANCE--Hefei, 6 January (XINHUA)--The Anhui branch of the People's Insurance Company of China (PICC) has expanded its services to cover flood losses since 1 January this year. This was approved by the PICC, and the ministries of finance and of water resources and electric power. The PICC will compensate for crop losses according to the insurance period contracts if the water level in that section surpasses the insurance limit. This will not affect the state-provided relief measures. The insurance, tentatively set at three year coverage, covers a flood-prone area of the Nanrun section along the Huai River in Anhui Province. The state will pay 70 percent of the premium and the rest will be paid by peasant households.  
[Text] [Beijing XINHUA in English 0719 GMT 6 Jan 86 OW] /12913

JIANGXI INDUSTRIAL, COMMERCIAL TAXES--During the Sixth 5-Year Plan, Jiangxi Province collected industrial and commercial taxes, totalling 5,841.84 million yuan. [Summary] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 31 Dec 85 OW] /12232

CSO: 4006/560

## MINERAL RESOURCES

### QINGHAI: REMOTE SENSING UNCOVERS UNDERGROUND RESOURCES

OW201746 Beijing XINHUA in English 1621 GMT 20 Dec 85

[Text] Xining, December 20 (XINHUA)--A Glauber's salt deposit with reserves estimated at 300 million tons has been discovered in Qinghai Province by using remote sensing techniques.

The deposit was discovered in a general survey of the salt and mineral resources in the province's Qaidam basin, provincial officials said.

Northwest China, where, sparsely populated [as received], has not been thoroughly investigated geologically, covers Qinghai, Gansu and Shaanxi Provinces, and the Xinjiang Uygur and Ningxia Hui Autonomous Regions.

China began using the techniques for geological surveys in the area several years ago, and now geological stations that can interpret aerial photos have been built in Xinjiang, Qinghai, Gansu and Shaanxi.

The surveys are preparations for China's shift of economic development focus to northwest China at the turn of this century.

Geologists in Qinghai used remote sensing techniques to investigate mineral resources around the areas along railways and highways in the province's western part. The techniques helped save time by one third.

The techniques have also helped find underground water resources on the arid loess plateau in the northwest, which can provide drinking water for 1.8 million people who used to drink water stored during the rainy seasons.

The Qaidam basin in Qinghai has 130,000 hectares of fertile arable land. But, the annual rainfall there is just from 50 to 160 millimeters, and the annual evaporation is from 2,500 to 3,500 millimeters.

With the help of remote sensing techniques, 340 billion cubic meters of underground water resources have been found. In the past several years, about 3.3 billion cubic meters of water was used for farming every year.

Up to now, 46,000 hectares of land in the basin have been reclaimed, providing 75,000 tons of grain every year.

Xinjiang geologists have found a gold mine, and hot springs have been located in Qinghai, Xinjiang and Shaanxi by the same method.

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CSO: 4020/163

## MINERAL RESOURCES

### BRIEFS

**SOUTHERN SICHUAN COAL DISCOVERY**--Chengdu, 19 Dec (XINHUA)--A large coal field with an estimated reserve of 1.1 billion tons has been verified in the southern part of Sichuan Province, southwest China. The field is one of ten mineral deposits found this year. The biggest among them are a phosphorus deposit with a verified reserve of 220 million tons, and a mercury deposit with a reserve of 90 million tons. Other newly found deposits include gold and uranium, associated copper, lead-zinc and graphite. All have exploitable value, geologists said. In addition, three gold mines and a peat region with plentiful deposits have been discovered in the northwestern part of the province. About 134 kinds of minerals have been identified in the province so far, of which 78 deposits have been verified, said a local geologist. [Text] [Beijing XINHUA in English 0752 GMT 19 Dec 85 OW] /6662

**NEW MINERAL FIND**--Qingdao, 1 Jan (XINHUA)--A crystalline mineral found in China in 1982 has been classified by the International Mineral Association as a new mineral. Researchers from the Institute of Oceanography under the Chinese Academy of Sciences discovered the mineral, which is a lucid light-green in color, in waters south of the Diaoyu Islands, Taiwan Province. It is composed of oxide of sodium, aluminum, and thromium. [Text] [Beijing XINHUA in English 1309 GMT 1 Jan 86 OW] /6662

**JILIN BENTONITE DEPOSIT**--Changchun, 1 Jan (XINHUA)--An inter-provincial company has been set up to exploit China's largest bentonite deposit near Changchun, capital of Jilin Province. The 100-meter thick bentonite deposit in a coal mining area has verified reserves of 63 million tons, local experts told XINHUA today. The Bentonite Joint Development Company of the Changchun Shibeiling Coal Mine, which plans to turn out 30,000 tons of bentonite a year mainly for foreign markets, is joint company between the Shibeiling Coal Mine and a Sino-American joint venture in Guangzhou, capital of Guangdong Province. Bentonite is used in deep-sea drilling and metallurgical, chemical and food-processing industries. [Text] [Beijing XINHUA in English 1302 GMT 1 Jan 86 OW] /6662

CSO: 4020/163

INDUSTRY

SHAANXI NATIONAL DEFENSE SYSTEM PROMOTES CIVIL INDUSTRY

HK070755 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 6 Jan 86

[Text] During the Sixth 5-Year Plan period, the province's national defense system of science, technology and industry seriously implemented the principle of passing research results to civilian industry. The system passed 639 items of research results to civilian industry, and earned a direct income of over 270 million yuan.

Since 1982, the provincial system of science, technology and industry has popularized 263 items of research results among various civilian industries. These are remarkable achievements. The No 204 Institute under the Ministry of Ordinance Industry applied its microwave technology to the crushing of gall bladder stones, causing strong reactions in medical circles at home and abroad. No 631 Institute under the Ministry of Aeronautics Industry popularized its structural analysis software, Hanyu coding device [Han Yu Ma Sheng Qi], transmission bus and other computing technology among more than 30 units within and outside the province, thereby improving the product quality and competitiveness of these units.

Now, most of the research and production units of the provincial national defense system of science, technology and industry have established organizations that provide scientific and technological support services, specialized in passing research results to civilian industry. Last year alone, they developed more than 200 items for relatively large-scale technological projects worth over 200 million yuan in total.

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CSO: 4006/557

INDUSTRY

LIAONING NOTES ACHIEVEMENTS IN CAPITAL CONSTRUCTION INVESTMENT

SK090345 Shenyang LIAONING RIBAO in Chinese 21 Dec 85 p 1

[Text] During the implementation period of the Sixth 5-Year Plan, our province has invested 16.88 billion yuan in capital construction projects of state-run enterprises, a 12.3 percent increase over the figure scored during the period of the Fifth 5-Year Plan.

During the period, the province has incurred a striking characteristic in capital construction, in which it has put its investment emphasis on the projects of energy resources, communications and transportation and raw material industries considered weak links in the national economy in order to gradually achieve a harmonious proportional relationship among the sectors of industry. During the 5-year period, our province has invested 5.17 billion yuan in the industries involving energy resources, a 53.4 percent increase over the figure scored during the implementation period of the Fifth 5-Year Plan, accounting for 30.6 percent of the total investment in capital construction. The projects of the power industry that have been completed and put into production are the two generating sets of the Shenyang Heat and Power Plant, the three generating sets of the Jinzhou Power Plant, the generating set of the Qinghe Power Plant, and the generating set of the Taipingwan Hydro-Electric Power Station. The total installed capacity of these new generating sets has reached 897,000 kilowatts. The projects of the coal industry that have been completed and put into production are the Xingyang coal pit in the Shenyang mining area and the Xiaoqin coal pit in the Tiefa mining area, which have shown a more than 2 million ton increase in annual coal output. The projects of the Liaohe oil-field that have been completed and put into production have made possible an increase of 3.75 million tons in oil drilling capacity. The projects of the raw material industries that have been completed and put into production are the Liaoyang Petrochemical Fiber Company, the largest integrated petrochemical fiber complex in the country; the new iron mine under the Anshan Iron and Steel Company, which has facilitated an increase of 12.2 million tons in the company's capacity for iron extraction; and the large number of building material industrial facilities set up by the Benxi cement plant, the Shenyang glass factory, and the Shenyang light building material company, which have formed a new production base of building materials.

During the period, the province has shown a 2.4-fold increase over the figure scored in the Fifth 5-Year Plan period with regard to its investment in the nonproduction construction, such as housing projects, cultural and sanitary projects, and urban public utility projects, bringing about a harmonious relationship between production and nonproduction.

## INDUSTRY

### ZHEJIANG RURAL INDUSTRY SHOWS GOOD GROWTH

OW260926 Beijing XINHUA in English 0721 GMT 26 Dec 85

[Text] Beijing, 26 Dec (XINHUA)--Farmers in China's coastal province of Zhejiang are expected to earn a net income of 500 yuan per capita this year, 57 yuan more than in 1984, thanks to the growth of rural industry, a senior provincial official told XINHUA here today.

Rural income per capita for the year 1984 was 355.3 yuan, according to official record.

The province's rural industry is expected to produce 23 billion yuan this year in terms of output value, said Zhong Bairong, director of Zhejiang's Agricultural Research Office.

This accounts for 10 percent of the estimated national total, or one-third of the provincial industrial and agricultural output value, Zhong said.

China's rural industry includes the industrial and transport sectors as well as the service trades. The number of such enterprises exceeds 6 million.

Zhejiang's rural industrial sector produced 20 billion yuan in 1985, almost equivalent to the province's 1982 industrial output value, while in 1978, the year before China introduced the open policy, the rural industrial sector produced only 2.1 billion yuan.

The growth of rural industry has improved the links between the city and country, with the former getting more cheap labor and larger markets while providing more technical training for industry to upgrade its products.

Statistics show that a total of 2,269 rural enterprises have now become "satellite plants" of the province's big-city factories.

Rural industry in Zhejiang now employs 4.2 million people who have been freed from the land by the current rural economic reform. These people, about 7 percent of the country's total, or about one-tenth of the province's population, would have constituted a big headache for the authorities if they had flocked into the cities looking for work, Zhong said.

Zhong held that it is difficult for agriculture to grow quickly by relying on itself to accumulate funds, and much harder for it to provide funds for other rural undertakings, such as education, public health work, and public facilities.

"Having become a pillar of the rural economy, Zhejiang's rural industry has accomplished all these things," Zhong said.

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CSO: 4020/146

INDUSTRY

SHAANXI MILITARY INDUSTRY TO EXPAND PRODUCTION OF CIVILIAN GOODS

HK200851 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 17 Dec 85

[Text] After overfulfilling this year's production plan at the end of November, the province's National Defense Science, Technology, and Industry System promptly made preparations for the Seventh 5-Year Plan and next year's plan, so as to make a new breakthrough in the production of civilian products.

This year, in the course of implementing the principle of switching production to that of civilian products while ensuring the production of military products, the province's military industrial enterprises have rapidly developed the production of civilian products. The output value of the province's military industrial enterprises civilian products increased by 70 percent over 1984, accounting for about 45 percent of the total output value of the province's military industrial enterprises. More than 70 percent of military industrial enterprises in the province had established relatively stable systems of developing both military and civilian products, and have switched from closed-type research and production systems to open-type business operations. More than 50 military industrial enterprises have joined hands with local enterprises in developing some 30 priority civilian products, thus opening up a large domestic market. Military industrial enterprises and national defense scientific research institutes have transferred 639 items of technology to civilian enterprises. The income from the transference was more than 200 million yuan.

The provincial National Defense Science and Technology Office recently reviewed the production of civilian products in the system, and put forward the plan for the output value of civilian products for next year, in connection with the implementation of the Seventh 5-Year Plan. Many enterprises have also made early and good preparations for next year's production of civilian products.

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CSO: 4006/489

INDUSTRY

LIGHT INDUSTRY REGISTERS LARGE GROWTH

OW031605 Beijing XINHUA in English 1548 GMT 3 Jan 86

[Text] Beijing, January 3 (XINHUA)--China produced 10 million bicycles of the quality "Phoenix", "Yongjiu" (Everlasting) and "Flying Pigeon" brands in 1985, double the figure for 1980.

Bicycles are the major means of short distance transport in both town and countryside in China. The three most famous brands are still the dream of many.

A spokesman for the Light Industry Ministry described the increase as an outstanding achievement made by the industry during the Sixth Five-Year Plan period (1981-85).

During that period, the industry achieved a 10.7 percent increase in output value annually, compared with the targeted seven percent.

In all, it supplied nearly 500 billion yuan worth of goods--36 percent of the country's retail sales volume--and paid 130 billion yuan in profits and taxes to the state.

Production of synthetic detergent, canned food, milk products and glassware doubled, and that of beer and other beverages tripled, the official said.

The increase was 70 percent for the output of plastic products, carpets and toys.

Meanwhile, production of washing machines was 34 times what it was in 1981 and that of refrigerators, 29 times. The variety of electrical appliances rose from 30 to 100.

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CSO: 4020/165

INDUSTRY

TEXTILE MINISTER ADDRESSES NATIONAL MEETING

OW051440 Beijing XINHUA in English 1431 GMT 5 Jan 86

[Text] Beijing, January 5 (XINHUA)--China's Textile Industry Minister Wu Wenying today urged textile mills to turn out more marketable products while developing new varieties and improving the quality.

China's output of textiles has increased year by year, but still falls short of demand. The output of chemical fibers increased from 450,000 tons in 1980 to 900,000 tons last year, that of woolen fabrics and knitting wool also doubled, and that of terylene-tow knitwear increased 520 percent.

Wu told a national meeting on textile production, which opened here today, to develop textiles for decoration and industrial purposes in addition to textiles for clothing.

Burgeoning tourism and the accompanying boom in hotel building place a great demand for decoration materials. And the rapid development of the nation's economy also leads to an increasing need for next textiles, such as filtering materials resistant to high pressure and temperature, new materials for medical use and textiles used in agriculture and the metallurgical, mining, chemical, power and automobile industries.

As for the development of garment industry, the minister urged better designing and dress making techniques and the combination of clothing material manufacturing with garment making.

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CSO: 4020/165

INDUSTRY

JINGJI RIBAO CITES MINISTER ON TEXTILE INDUSTRY

OW061953 Beijing XINHUA in English 1626 GMT 6 Jan 86

[Text] Beijing, January 7 (XINHUA)--1985 was a good year for the Ministry of Textile Industry, today's ECONOMIC DAILY reported.

The paper quoted Minister Wu Wenying as saying that the total output value reached 87.5 billion yuan, an increase of 12 percent over 1984.

A total of 12 billion yuan has been delivered to the state in tax and profit, up 14 percent over 1984.

Wu attributed the good results to giving enterprises more autonomy and adding more advanced equipment.

Textile mills are empowered to purchase cotton in the nearby countryside according to their own needs. The amount of cotton used to be allocated by the state.

An imported chemical fiber plant from the Federal Republic of Germany went into trial production last year. The plant is able to turn out 35,000 tons of polyester a year.

A Chinese-built production line with an annual production capacity of 15,000 tons of polyester staple fiber at the Shanghai general petrochemical plant passed state technical appraisal last December.

In other developments in the textile industry, the first textile industrial trade fair took place last year in Jiaxing, Zhejiang Province, concluding transactions valued at about 400 million yuan.

The Ministry of Textiles began a new journal, CHINA'S TEXTILES, and the first textile museum, located in Nantong, was opened to the public.

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CSO: 4020/165

INDUSTRY

NEI MONGGOL TEXTILE INDUSTRY EXPANDS RAPIDLY

SK181108 Hohhot NEI MONGGOL RIBAO in Chinese 5 Dec 85 p 1

[Excerpt] Our region's textile industry has vigorously developed under the guidance of the principle of "readjusting, restructuring, consolidating, and improving and of opening to the outside world and invigorating the domestic economy." The region's woolen textile bases in the west, with Hohhot as the center, and in the east with Chifeng and Tongliao Cities as the centers, which produce all sorts of textile products such as coarse and fine textile products, silk fabrics, and woolen fabrics, have become important pillars of the regional economy. During the Sixth 5-Year Plan period, the region's total textile industrial output value increased from 414 million yuan in 1980 to 700 million yuan in 1985, showing an average annual increase of 11.07 percent. The amount of taxes and profits rose from 89.32 million yuan in 1980 to 120 million yuan in 1985, showing an average annual increase of 6.1 percent.

Since the 3d Plenary Session of the 11th CPC Central Committee, the regional people's government has implemented the principle of "six priorities" in textile industry and vigorously developed the light and textile industries. During the Sixth 5-Year Plan period, the region as a whole imported and newly constructed 23 projects with a total investment of 263.86 million yuan, increased the number of woolen spindles from 26,006 in 1980 to 55,416 in 1985, an increase of 29,010 spindles, or an increase of 3,000 spindles over the total number of spindles the previous 30 years before 1980. The number of cotton spindles during this period increased by 15,000 and reached 133,000. Through replacing equipment and updating technology, some key woolen textile enterprises have displayed their potential and improved their economic results every day.

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CSO: 4006/489

## INDUSTRY

### SHIPBUILDING INDUSTRY INCREASINGLY COMPETITIVE

HK020627 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD Supplement) in English 2 Jan 86 p 1

[Article by Mike Marray]

[Text] China has served notice of its increasing competitiveness in the troubled world shipbuilding industry, when it recently obtained an order from a West German company for two highly sophisticated car carriers.

One of China's biggest yards, the Jiangnan Centre in Shanghai, is reported in Lloyd's list to have secured an order from Christian F. Ahrenkiel for two 3,500-unit vessels.

Although contract prices and terms are not known the order could be worth around \$240 million at today's prices.

Car carrier building has, up to now, been chiefly the province of the Japanese, with South Korea, Sweden and Yugoslavia also figuring in the market.

In recent times China has been making a substantial effort to attract overseas business. She has signed more than 30 licensing and co-production agreements with Japanese, U.S., French, British and Swedish interest.

The winning of the Ahrenkiel contract underlines the competitiveness of the Chinese industry, which has been known to quote prices up to 25 percent lower than South Korea on some projects.

Ahrenkiel is the third West German owner to place an order with China, following two Hamburg based companies who both ordered container vessels as a result of low prices.

These orders follow hard on the heels of China's success in winning for its Dalian facility orders for two 120,000 tonnes deadweight tankers for ultimate charter to the Norwegian state oil company, Statoil.

There have also been extensive orders for car carriers placed this year by Scandinavian and other owners, in what is said to be one of the few profitable areas of shipping.

China's new found importance comes at a time when there is increasing concern within the Asian region about persistent overcapacity in the region's shipyards which, between them provide some 70 percent of the world's shipbuilding output.

There is even talk in Japan of the establishment of a shipping cartel.

The emergence of China as a force to be reckoned with on the shipbuilding scene will give no comfort to the other shipbuilding countries.

A recent report of the International Metalworkers Federation called for international action be taken to ensure an adequate distribution of shipbuilding orders under fair trade and fair labour standards.

The fear was voiced that faced with the prospect of a steep reduction in activity shipyards worldwide, often with government backing, would go hunting for new orders and offer still lower prices to shipowners.

Meanwhile, Chinese shipping lines also seem to be faring well, despite the worldwide problems of overtonnage and falling rates.

China and Malaysia are due to hold another round of talks in Kuala Lumpur on January 6 regarding proposals to share equally the carriage of seaborne trade between the two countries.

At present Malaysia has no direct shipping links with China and most Malaysian exports and imports are lifted by vessels belonging to the Chinese state owned China Ocean Shipping (Cosco).

At a meeting in Beijing on November 28 it was agreed that the national lines of the two countries should be given the opportunity to carry the cargo generated in their bilateral trade.

It was reported that a proposal had been made that shipping space could be shared in each other's vessels to achieve higher utilisation of space.

As well as bilateral trade the talks are also expected to consider the extensive cross-trading activities carried out by Chinese vessels especially for European, Mediterranean and West African markets.

Chinese ships are the single largest carriers of rubber latex from Malaysia and recently have also increased the shipments of dry rubber as well for European and UK ports.

Cosco also has a direct full container service aimed at the Southeast Asian market covering Penang, Port Kelang, Singapore, Bangkok, Hong Kong and Shanghai.

This service was inaugurated early last year.

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CSO: 4020/165

INDUSTRY

NEI MONGGOL DEVELOPS GOAT'S WOOL INDUSTRY

OWO61950 Beijing XINHUA in English 1622 GMT 6 Jan 86

[Text] Hohhot, 6 January (XINHUA)--A modern wool industry using wool from goats has been built in Ih Ju League (Prefecture), in the Inner Mongolian Autonomous Region, since China adopted the open policy in 1979.

The industry consists of cashmere and woolen sweater plants, two wool mills and a woolen carpet factory.

Last year they produced an output value of 74.9 million yuan, with a profit of 20 million yuan that made up 95 percent of the league's total for industry.

Imported from Japan, the cashmere sweater plant is able to process 1,200 tons of goat's wool and produce 300,000 sweaters a year, which makes it one of the largest producers of such garments in the world. They are exported to more than 20 countries and regions in Europe, America and Asia.

Located on the Ordos highlands with an altitude of 1,500 meters, Ih Ju raises 2.2 million goats, with an annual wool output of 500 tons, accounting for one-eighth of China's total or one-twelfth of the world's total.

Previously, the wool was spun into yarns and woven into felts and carpets by hand or shipped to other parts of China for processing.

The industry employs more than 100 engineers, assistant engineers and technicians and 4,200 workers. Most of them are trained from among local herdsmen and peasants.

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CSO: 4020/168

INDUSTRY

TOURISM FLOURISHES IN REMOTE NINGXIA HUI REGION

OWO70814 Beijing XINHUA in English 0649 GMT 7 Jan 86

[Text] Yinchuan, 7 January (XINHUA)--"A scenic spot of world level," said an American couple last September after visiting the desert region of Shapotou in northwest China's Ningxia Hui Autonomous Region.

The couple slid on the sand dune, rode camels through the sand, floated on the Yellow River and visited the historic remains of the Great Wall.

Shapotou, whose name is derived from a sand dune over 100 meters high, is in the southern part of Tengger, China's third largest desert. Last year, the regional government allocated 350,000 yuan for developing tourism in the area.

The Ningxia region is inhabited by 4 million people, most of whom are of the Hui nationality. The Hui are an Islamic minority group with unique national costumes and distinguished folk arts.

In the regional capital of Yinchuan, there are abundant historic relics including what is called the "Chinese pyramids," the imperial tombs of the western Xia Regime (1038-1227).

This region also includes the Helan Mountains and Liupan Mountains where the Red Army led by the late Chairman Mao Zedong marched a half century ago.

The Yinchuan plain yields fertile farmland, grazing areas, and dense forests including an ancient frontier fortress.

Since July 1983 when the region was opened to foreign visitors, tourism has flourished, said Jiang Zongzhou, head of the regional Tourism Bureau.

Ningxia has now developed Yinchuan, Yinnan and Shapotou into tourist areas that include over 20 scenic spots where visitors can experience the historical culture and customs of the Hui nationality.

Hotels have been built for the visitors, and guides, bus drivers and other service people have been trained.

Ningxia has a good transportation network. There are air routes from Yinchuan to Beijing, Lanzhou, and Xian, and railroad service to Beijing.

The regional Tourism Bureau received 1,270 visitors from over 30 countries and regions last year including Belgium, Egypt, Finland, France, Iran, Japan, Pakistan, the Philippines, Sudan, and the United States.

INDUSTRY

JINGJI CANKAO REPORTS DEFECTIVE STEEL IMPORTS

HK181045 Beijing ZHONGGUO XINWEN SHE in Chinese 1001 GMT 12 Dec 85

[Report: "A Beijing Paper Discloses Serious Problems Concerning the Quality of Imported Steel Billets"--ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 12 Dec (ZHONGGUO XINWEN SHE)--In recent years, China has imported a great deal of continuous-cast square steel billets, rolled square billets, and other semifinished steel products. However, it has been discovered that the quality of these steel products is quite poor.

Today, JINGJI CANKAO reports that according to the Liaoning Commercial Inspection Administration, there is a very serious problem concerning the quality of imported steel billets. Because of this, only a few of these semifinished steel products can be turned into finished products at a high energy consumption rate and with poor economic results.

Starting from the second half of 1984, Dalian Port has imported steel billets in 12 batches. Of the 11 batches inspected, which have a total weight of 67,500 tons, 4, with a total weight of 18,800 tons, have serious quality problems.

According to this report, of the 5,170 tons of steel billets imported by the Liaoning Provincial Metals and Minerals Import and Export Corporation, 10,990 tons [figures as received] are standard continuous-cast square steel billets. Of the latter, 5 percent have large air bubbles on their terminal faces and another 5 percent have horizontal cracks and heat checks formed during hot cutting, at their ends. When a steel mill applied cold cutting to some of these steel billets, it discovered many cylindrical air holes along the cuts. Such a serious problem has been quite rare in the past.

In FY 1985, the China Metallurgical Import and Export Corporation imported 10,750 tons of hot rolled square steel billets. Traces of contraction cavities could be found on the surface of 30 percent of the square billets. In addition, a concentration of long longitudinal cracks could be found in many billets. Some of these cracks were as deep as 6mm. Only 85 percent of these billets could be turned into steel products. This percentage is far below the national standard.

In addition, some of these billets show problems of substandard carbon, silicon, and sulphur composition and surface cracks.

The report suggests that all this is mainly a result of loopholes in the contracts.

Today, Wang Jiuan, chief of the State Commercial Inspection Administration, also published an article in JINGJI CANKAO calling for more rigorous inspection of imported commodities and attention to the formulation and perfection of specific measures and regulations on the inspection and supervision of imported products, in order to protect the country's and the consumers' interests.

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CSO: 4006/489

INDUSTRY

MINISTRY REVEALS STEEL OUTPUT AT RECORD HIGH

OW190635 Beijing XINHUA Domestic Service in Chinese 0159 GMT 18 Dec 85

[By reporters Shu Jianping and Wu Jincai]

[Text] Beijing, 18 Dec (XINHUA)--The latest statistical figures obtained by these reporters from the Ministry of Metallurgical Industry today show that the aggregated total of China's steel output for the Sixth 5-Year Plan has already exceeded 200 million metric tons.

It is unprecedented in the history of China's iron and steel industry to produce 200 million metric tons in any 5 years. The figure is a record high since China started to practice a planned economy.

China implemented its First 5-Year Plan from 1953 to 1957. The aggregated total of steel output during that 5-year period was 16.67 million metric tons.

Today, 28 years later, the 5-year aggregated total of steel output has exceeded 200 million metric tons. This means, comparing the figure of the Sixth 5-Year Plan period with that of the first, the 5-year aggregated total of steel output has increased tenfold.

A look at the statistic chart on steel output for all the different 5-year plan periods shows that, except for the Third 5-Year Plan period, which registered very little increase in steel output due to reasons known to all, the rate of increase attained in each of the other periods was at a steady pace of more than 32 million metric tons. The output increase for the soon-to-be-ended current 5-year plan period will be the largest ever. The increase has already exceeded 85 million metric tons, which is about equal to the aggregated total output registered for the entire Second 5-Year Plan period.

In a few more days, the workers and staff of China's iron and steel industry will begin to implement the Seventh 5-Year Plan. The overall target they will be striving to achieve during this period will be 260 million metric tons of steel.

According to China's metallurgical experts, there will be no insurmountable difficulties in realizing the overall output target set for the Seventh 5-Year Plan period, judging from the point of view of the experiences gained through past practice, or on the basis of the potential of China's iron and steel industry as a whole and its additional output capacity, which is continually increasing.

## INDUSTRY

### GUANGXI RAPIDLY DEVELOPS NONFERROUS METALS INDUSTRY

HK220722 Nanning Guangxi Regional Service in Mandarin 1130 GMT 18 Dec 85

[Text] During the Sixth 5-Year Plan period, the region's nonferrous metals industry has seriously implemented the eight-character principle for readjusting the national economy, as well as policies aimed at opening up and invigoration. Therefore, its production developed rapidly and the economic results greatly improved. The assigned targets for output volume, output value, and profits of the nonferrous metals industry were overfulfilled ahead of schedule. The increases were, respectively, 1.4, 1.01, and 1.62 times those of the period before the Sixth 5-Year Plan.

During the Sixth 5-Year Plan period, the region's nonferrous metals industry focused on technological transformation, reorganization, and expansion of existing enterprises, while firmly grasping the state projects, particularly the key capital construction projects. Therefore, both production capability and output volume increased steadily. In 5 years, the region's mining capability increased by 63.1 percent and its capability to select ores increased by 79.2 percent. Its capability of smelting nonferrous metals increased by more than 100 percent. The region also constantly developed the in-depth processing industry, thereby increasing the variety of products from 47 to 66 kinds. The region has further perfected and strengthened the industry in various production aspects including geological prospecting, design, scientific and technological research, capital construction, and mining, selecting, and processing ores.

During the Sixth 5-Year Plan period, the region's nonferrous metals industry also carried out consolidation and reforms by focusing on the improvement of the economic results of enterprises. Consequently, it gave more decision-making power to enterprises, popularized the system of contracted economic responsibilities for output volume and quality, enlivened the enterprises, and improved economic results. During the period, the industry increased the amount of profits and tax delivery from over 35 million yuan in 1980 to over 77 million yuan. The proportion of output value to profits and tax delivery was increased from 18.1 percent to 23.9 percent.

Moreover, during the period, the region's nonferrous metals industry scored successes in scientific and technological research. The quality of products constantly improved. Some of them even received gold or silver medals from the state or were assessed by the Ministry of Metallurgy and the region as quality and well-known products.

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CSO: 4006/489

INDUSTRY

STATE COUNCIL CIRCULAR ON AUTO INDUSTRY

OW171444 Beijing XINHUA Domestic Service in Chinese 0913 GMT 17 Dec 85

[Text] Beijing, 17 Dec (XINHUA)--The State Council recently issued a circular calling on various localities and departments to earnestly implement the "Report on Strengthening Macro-Control and Promoting Healthy Development of Automotive Industry" put forward by the State Planning Commission and other departments, to work out specific plans, and to get organized to implement such plans.

The report of the State Planning Commission, the State Economic Commission, the Ministry of Machine Building Industry, and the China Automotive Industry Corporation was approved and circulated by the State Council. The report pointed out: While there is an increasing demand for automobiles and their production is rapidly increasing, new problems have cropped up. For example, the supply still falls far behind the demand and the prices of automobiles remain unreasonably high. There is a trend to blindly increase the number of plants to turn out more automobiles and expand production facilities. Various departments vie with one another in contacting foreign companies to blindly import automobiles and place unnecessary duplicate orders. If we fail to properly solve aforementioned problems, it will be difficult to realize our strategic plan in developing our automotive industry with a good starting point into a specialized enterprise of mass production. To continue importing a large number of automobiles will inevitably prevent China from keeping a trade balance and hinder the healthy development of its automotive industry.

The circular also pointed out: In order to change this situation, we must strengthen macro-control and adopt effective administrative and economic measures. We must persistently implement a unified industrial plan and place emphasis on modifying and expanding existing enterprises. We must let the large and main enterprises take the lead, while bringing into full play the role of the enterprises of the national defense industry and the existing medium-sized and small automotive enterprises in various localities. They must pool their efforts to build the automotive industry with a good starting point and follow the path of mass production, specialization, and integration. It is necessary to develop automotive products with high standards and economic efficiency to meet the needs for the development of the national economy and satisfy market needs. At the same time, we must also lay a good

starting point and follow the path of mass production, specialization, and integration. It is necessary to develop automotive products with high standards and economic efficiency to meet the needs for the development of the national economy and satisfy market needs. At the same time, we must also lay a good foundation for China's automotive industry to enter the world market. It is also strictly forbidden to blindly develop construction projects for the manufacture of automobiles and unnecessarily expand production facilities. We must avoid duplications in importing automobiles, prevent the various departments from vying with one another to deal with foreign businessmen, and limit the number of automobiles to be imported. We must make full use of pricing and taxation as an economic lever to guide China's automotive industry onto an orbit for its healthy development.

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CSO: 4006/489

## INDUSTRY

### GUANGMING RIBAO ON DEVELOPING TERTIARY INDUSTRY

HK190939 Beijing GUANGMING RIBAO in Chinese 7 Dec 85 p 3

[Article by Tang Ruoni [0781 5387 7206]: "Theory and Practice of Developing the Tertiary Industry"]

[Excerpts] In the CPC Central Committee's proposal on the formulation of the Seventh 5-Year Plan, the construction principle of speeding up the development of the tertiary industry is put forward. This is not only a major theoretical breakthrough in the traditional idea about the structure of our industries, but is a major policy decision for practice to develop our economy. This article is an attempt to probe the theory and practice in the development of our tertiary industry.

#### The Theory on the Value of Labor Is the Foundation for the Development of the Tertiary Industry

According to the traditional ideas, Marx's theory on the value of labor does not count the activities in the nonmaterial production sector, because the labor activities provided by the nonmaterial production sector are nonproduction labor, do not create value of use value, and do not become commodities. This viewpoint that regards the theory on the value of labor as being equal to the theory on the value of material commodities is in fact a misunderstanding of Marx's theory on the value of labor. We should admit that when Marx began to study commodities, he only talked about the definition of a commodity as a material product. However, this was because of the necessity to reveal the internal contradictions regarding commodities and the currency origin of commodities, a necessity for which the nonmaterial production sector was omitted. What should be particularly pointed out is that when Marx expounded on the theory on the value of labor, he restricted his narration to the sphere of material production. But he never denied that nonmaterial production labor could also create value and use value.

#### Developing the Tertiary Industry Is a Strategic Measure To Form a New Blueprint for China's Economic Development

Under the traditional system of a high degree of centralization, our country has always pursued a development pattern that focuses on expanded reproduction by extension with quantitative economic growth. This pattern has given rise to a series of malpractices such as an excessive growth rate with low

economic results, paying attention to production while neglecting circulation, and having a lopsided composition of our industries. It has caused the growth rate of our production to fail to meet the all-round development of our social economy and the continuous improvement of our people's living standard. Since the 3d Plenary Session of the 11th CPC Central Committee, there has been a little relaxation in the high degree of centralization. This has immediately been reflected in the process of our economic development by the excessively high growth rate of our industry, the increasingly serious shortage of circulation facilities, the simultaneous expansion of investment and consumption, the consecutive years of financial expenditure and credit growing out of control, the surprisingly large amount of surplus labor in our rural areas, the daily increasing "blank areas" in our economic construction, and other problems. This shows that our reform of the old system must be coordinated with the transformation of the old development pattern which is geared to quantitative expansion. Readjusting the composition of our industries and speeding up the development of our tertiary industry is a key link in switching to the pattern that regards expanded reproduction by intention as the core. This is also a path that our country's economy must follow in carrying out its modernization.

The tertiary industry is a special sector of industry that serves the economy and society by the flow of materials, intellectual resources, information, and funds. It is characterized by small investment, quick results, a great capacity to provide employment, a high growth rate, high technology, high economic results, and being export-oriented and service-oriented. In the process of the reproduction of our society, the tertiary industry can quicken the process of the feedback of the circulation from production to consumption, spread information at home and abroad, promote the turnover and horizontal movement of funds, and quicken the training of scientific and technological personnel, the formation of a regional division of labor, and the rational layout of our productive forces. Obviously, developing the tertiary industry will play a direct and inestimably great role in promoting the transformation of the pattern of our country's economic development from a quantitative type to an efficiency type, from one of expanded reproduction by extension to one by intention, from an extensive type to an intensive type, and from a lopsided type to a balanced type.

[HK190941] Quickening the development of our tertiary industry is closely related to the reform of our economic system. It is conceivable that expanding commerce must be done simultaneously with the enlargement of the regulation of the market mechanism and the intensification of the specialization in our production units and in various areas. Expanding supplementary services such as financial, accounting, and legal services is an inevitable consequence of the enlargement of the decisionmaking power of our enterprises and of specialization. The development of tourism and the real estate industry can speed up the withdrawal of currency from circulation and the process of funds accumulation, improve the state's financial situation, and create a relatively relaxed economic environment for the reform. The establishment of a multilevel, multifunctional, and open financial system which provides powerful social insurance will add another "adjuster" to our macroeconomic management. The highly efficient and intensive modern transport, telecommunications, and marketing networks are indispensable channels for the development

of the commodity economy as an organic body. In particular, the development of the preproduction, production, and post-production services in our vast rural areas will play a vital strategic role in resolving our country's current problem related to transferring the rural population from the agricultural economic sector to the nonagricultural sector and in raising the economic results of our industrial and agricultural production.

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CSO: 4006/489

INDUSTRY

BRIEFS

PROPOSED JIANGSU TRUCK PLANT--Nanjing, 5 Dec (XINHUA)--The State Council has approved construction of a light truck plant in Nanjing, capital of Jiangsu Province. The 1 billion yuan project will use low interest loans of the Italian Government. It will import designing and manufacturing techniques from the firm IVECO, a member of the Fiat consortium. This is the largest project so far approved by the State Council for the Seventh 5-Year Plan (1986-1990), officials here said. When completed, the plant, to operate under the Nanjing Associated Automobile Manufacturing Corporation, will annually produce 60,000 trucks of 29 specifications, with loading capacities ranging from 1.3 to 3 tons. The corporation also plans to double the annual output of its own 2.5-ton trucks. Its annual truck output, including those from the imported plant, will be 100,000 after 1990. [Text] [Beijing XINHUA in English 1203 GMT 5 Dec 85] /9365

HOUSEHOLD APPLIANCE PRODUCTION INCREASES--Beijing, 21 Dec (XINHUA)--China has become the world's largest producer of electric fans and washing machines, according to the Ministry of Light Industry. The ministry puts the annual output value of domestic electrical appliances at 6 billion yuan. According to the ministry's statistics, 3 million refrigerators, 26 million washing machines, and 69 million electric fans have been sold locally in the past few years. Nowadays, urban residents are demanding refrigerators with two and three doors, and electric fans with air-conditioning as well as cooling functions. However, the output still lags behind demand. A recent investigation by the ministry shows that there are only 4 refrigerators, 36 washing machines, and 64 electric fans for every 100 urban households; in the countryside, the ratio is only 0.38 refrigerators, 5.5 washing machines, and 18 electric fans per 100 families. [Text] [Beijing XINHUA in English 1320 GMT 21 Dec 85] /9365

TIANJIN TEXTILE MILL--Tianjin, 23 Dec (XINHUA)--China's largest worsted woolen mill went into official production today in Tianjin, one of the country's textile centers. Built at a cost of 170 million yuan, the Tianjin Zhenhua worsted mill is equipped with 19,000 spindles and 468 printing and dyeing machines--all imported from abroad. It will produce 14 types of quality worsted fabrics. Sixty percent of its products will be exported. [Text] [Beijing XINHUA in English 1850 GMT 23 Dec 85] /9365

TIANJIN 1985 INDUSTRIAL OUTPUT--This year industrial enterprises in Tianjin Municipality registered increases in output, profits, taxes, and revenue. It is expected that by the end of this year, the municipality's total output value will increase by about 12 percent over 1984. The proportion between light and heavy industries has become balanced step by step. The profits and taxes realized by the industrial enterprises whose products are under the municipal unified budget for the January-November period showed an increase of 18.92 percent over the same period last year. It is expected that this year the profits and taxes handed over to the state by these enterprises will increase by 14.79 percent and 8.7 percent, respectively, over 1984. [Summary] [Tianjin City Service in Mandarin 0030 GMT 20 Dec 85 SK] /9365

XINJIANG INDUSTRIAL DEVELOPMENT--This year, the region's light and heavy industries have developed in a coordinated way and output value, profits, and taxes have increased simultaneously. From January to November, the output value of industrial enterprises in the region covered by state budget increased by 13.7 percent over the same period in 1984, achieved profits and taxes increased by 21.22 percent and financial income increased by 18.3 percent. Increase rates of achieved profits and taxes and of financial income were higher than the increase rate of output value. According to statistics, from January to October this year, the number of loss suffering enterprises in the region and their total amount of loss decreased over the same period in 1984. By the end of November, the region fulfilled or overfulfilled annual targets for 24 of the 81 products covered by the state plan. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 2300 GMT 17 Dec 85 HK] /9365

TIANJIN DEVELOPS NEW TECHNOLOGY--Tianjin, 9 January (XINHUA)--Tianjin, one of China's major industrial cities, is developing microelectronics, computers and other new technology, according to the municipal Industry Bureau here today. The bureau said last year's output value of the microelectronics industry totalled 1.93 billion yuan--triple the 1980 figure. The city produced 380,000 quality color TV sets last year, a 10th of the country's total. Tianjin, one of 14 coastal cities open to foreign trade and investment, is equipped with more than 6,000 computers, 2,500 of which are used in production and management. The city has a dozen computerized data banks for use in agriculture, energy production, business and environmental protection. Tianjin is one of China's three bases for optical fiber study. It has produced 15 results including manufacture of optical fibers, optical fiber cable testing meters and a 7-kilometer practical optical communications system. The bureau said other achievements over the past 5 years included the study of optical fiber communications, laser science and bioengineering. [Text] [Beijing XINHUA in English 0847 GMT 9 Jan 86 OW] /12232

SHANGHAI INDUSTRIAL PRODUCTION--During the Sixth 5-Year Plan the total output value of Shanghai's light industrial departments increased 10.7 percent annually, overfulfilling the set target of 7 percent. The production of washing machines and refrigerators registered a 33-fold and a 28-fold increase respectively over the past 5 years. Gross commodity sales of the light industrial departments reached nearly 500 billion yuan in the past 5 years, and more than 130 billion yuan in tax was delivered to the state. [Summary] [Shanghai City Service in Mandarin 0100 GMT 4 Jan 86 OW] /8918

LIAONING TEXTILE INDUSTRY--This year textile industrial enterprises throughout Liaoning Province are expected to create 5.4 billion yuan of output value, a 51.6-percent increase over 1980. In the 5 years covered by the Sixth 5-Year Plan period, textile industrial enterprises in the province earned more than \$830 million in foreign exchange for the state. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 24 Dec 85 SK] /12232

LIAONING TOURIST TRADE--In 1985 Liaoning Province received a total of 94,000 sightseers from abroad and created some 42 million yuan in foreign exchange and renminbi, each showing a 2-fold increase over 1979. As of 1985 the province has had some 50 travel service agencies of various kinds with total employment of 1,257 people. Since 1984 our province has built one after another the Liaoning Phoenix Hotel, the Shenyang (Youyuan) Guesthouse, the Shenyang Guesthouse, the Dalian (Nanshan) Hotel, the Tieling (Longshan) Hotel, the Jinzhou (Beishan) Hotel, and the Dandong Yalujiang Mansion. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 24 Dec 85 SK] /12232

YUNNAN'S MACHINE-BUILDING INDUSTRY--During the Sixth 5-Year Plan period, the province's machine-building industry seriously carried out readjustment and reforms. Compared to 1980, this year's gross industrial output value increased by over 80 percent. On average, the annual growth rate was 13 percent. The profits realized more than doubled or increased 26 percent per year on average. [Summary] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 26 Dec 85 HK] /12232

SHANXI INDUSTRIAL ACHIEVEMENTS--Shanxi fulfilled the Sixth 5-Year Plan targets for total industrial output value and income 1 year ahead of schedule. Total output value from January to November in 1985 was 17.3 billion yuan. The figure for the whole year is expected to exceed 19 billion, compared with the 16 billion set for 1985 by the 6th 5-Year Plan. The province's coal output in 1984 exceeded 180 million tons, compared with the 1985 target of 164 million tons set by the 6th 5-Year Plan. Output up to the end of November was 191 million tons, and is expected to exceed 200 million tons for the whole year. The province's total installed power generator capacity has reached 3.3 million kilowatts. Power generation in 1985 is expected to reach 18.1 billion kilowatt hours, 6.5 percent more than the target set by the 6th 5-Year Plan. Township enterprises are expected to produce 2.33 million tons of pig iron and 8 million tons of iron ore in 1985. The province is expected to produce 170,000 television sets and 220,000 washing machines in 1985, exceeding the 6th 5-Year Plan targets by 61.9 percent and 46.7 percent respectively. [Summary] [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 31 Dec 85 HK] /8918

BUILDING EXPORT VESSELS AIDS TECHNOLOGY--Beijing, January 5 (XINHUA)--China is now able to build ships according to any international standard and suitable for any navigational conditions, the China State Shipbuilding Corporation announced here today. This leap in technical progress was achieved through building export vessels, the corporation noted. Now customers can freely select the class, design and equipment of ships to be built in China. Over the past five years, the corporation has built ships in accordance with the standards of the registers of Britain, the Federal Republic of Germany, France, Japan, Norway and the United States. Twenty-six types of ships, including freighters, oil tankers and ferry vessels, were added in the period, bringing the total to 38. Some of the ships have computerized operational functions. The corporation contracted to build a total of 1.2 million dwt of ships for foreign customers over the past five years. China has more than 500 shipyards and 160 fitting plants. [Text] [Beijing XINHUA in English 0647 GMT 5 Jan 86 OW] /6662

RARE CRYSTAL PRODUCTION--Beijing, January 4 (XINHUA)--China has become the world's leading producer of a valuable substance, bismuth germanate crystal, used in nuclear research, medical radiography and oil prospecting, today's GUANGMING DAILY reported. The European Organization for Nuclear Research is buying 8.4 tons of the substance from China, because the quality and size of the crystals are better than those produced by other countries, the paper said. The crystals have been developed over the past four years by scientists at the Shanghai Institute of Silicate Research attached to the Chinese Academy of Sciences. Professor Samuel C. C. Ting, an experimental particle physicist from the Massachusetts Institute of Technology, United States, said in a recent letter to the institute that their crystals were of high quality. Many more tons of the substance would be required throughout the world over the next few years. Developed countries had not yet produced such amounts of large, quality crystals, the paper said. [Text] [Beijing XINHUA in English 1227 GMT 4 Jan 86 OW] /6662

CSO: 4020/165

CONSTRUCTION

SONG PING ATTENDS CONSTRUCTION CONSULTANTS' MEETING

OW180025 Beijing XINHUA Domestic Service in Chinese 1452 GMT 16 Dec 85

[By reporter Ce Daxing]

[Text] Beijing, 16 Dec (XINHUA)--China is developing a system to preevaluate major construction projects, and the relevant evaluation organs to ensure that construction projects requiring massive financial and material resources are carried out smoothly and yield the expected results.

The specific contents of this reform, which has been approved by the State Council for implementation, are that, from now on, the State Planning Commission must ask the China International Construction Consultants, Inc., to evaluate feasibility studies and reports of all major construction projects, as well as the designs of large-scale projects. After the company produces its evaluation suggestions on relevant technical plans, technological process, economic efficiency, the State Planning Commission then decides whether to incorporate the projects into the construction plan. Projects which must undergo the evaluation process include large- and medium-sized new projects in all trades, as well as important technological transformation projects requiring state approval.

For many years, one of the major problems in our country's capital construction was that projects were often started when needed. Impatient for success, leadership of administrative organs often makes the final decision on launching a new project without adequate preparation, resulting in poor economic efficiency, or even irremediable losses. The establishment of a project evaluation system and organ is a major reform measure in project approval procedure to change this situation.

Established in 1982, the China International Consultants, Inc., staffed by technical, economic, and management personnel who have long experience in engineering and construction, is an economic entity, composed of several specialized engineering consultation companies. In the past 3 years, the company has provided extensive engineering consultation services and has earned a reputation at home and abroad. Song Ping, state councilor and concurrently minister in charge of the State Planning Commission, today attended a plenary meeting of the company's board of directors. He urged the company to strengthen its organization and agencies, and undertake the heavy responsibility of evaluating the nation's major construction projects.

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CSO: 4006/489

CONSTRUCTION

ZHEJIANG GOVERNOR CUTS RIBBON FOR NEW CONVERTER

OWO80840 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 7 Jan 86

[Text] The rebuilt 15-metric-ton converter of the Hangzhou Iron and Steel Plant, designated a key project by the provincial people's government, went into trial operation on 7 January, thereby laying a firm foundation for using secondary energy in steelmaking.

Governor Xue Ju, Hangzhou City Mayor Zhong Boxi, and responsible persons of the Ministry of Metallurgical Industry, attended the ceremony. Governor Xue Ju and Mayor Zhong Boxi cut the ribbon for the converter. The Ministry of Metallurgical Industry and Vice Governor Wu Minda sent greetings.

For more than 20 years, the two original 5-metric-ton converters of the Hangzhou Iron and Steel Plant turned out more than 2.45 million metric tons of steel, contributing much to the province's economic construction. However, due to backward technology, the two huge funnels gave out thick brown smoke, and effluent from the plant polluted (Wanshan), Yuhang, and other places.

In 1983 the Hangzhou Iron and Steel Plant raised more than 50 million yuan and decided to rebuild the two 5-metric-ton converters into a 15-metric-ton converter in another locality. Thanks to the coordinated efforts of more than 50 enterprises from 13 provinces and municipalities over a period of more than 2 years, 903 sets of equipment were installed. The thermal-load trial run was completed at the end of last year. This set of equipment incorporates the advantages of China-made converters of similar design and uses a new technology to reduce pollution, conserve energy, and utilize waste steel and water. The workers' working conditions have also improved.

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CSO: 4006/557

CONSTRUCTION

'MAJOR CRACKDOWN' ON FALLING QUALITY OF CONSTRUCTION WORK

HK080433 Beijing CHINA DAILY in English 8 Jan 86 p 1

[Article by staff reporter Zhu Ling]

[Text] The state is beginning a major crackdown on the country's chaotic construction boom to reverse the drastic slide in the quality of work.

The poor quality of construction has been due to slipshod work, inadequate management and fraud, according to an official of the Ministry of Urban and Rural Construction and environmental protection.

He told CHINA DAILY yesterday the ministry had ordered a reorganization of the building business and would deal harshly with violations of law and discipline.

The first crucial step in the nationwide campaign is to strictly ban construction teams operating without licenses.

All construction teams must be licensed this year and classified into four grades according to their ability to undertake various projects.

This aims to wipe out within the year cases of unlicensed building or design work and of teams undertaking work beyond their capabilities, the officials said.

In a three-month nationwide survey of current and completed construction projects last year, 2,918 were found to have hidden problems.

More than 80 percent were undertaken by unlicensed teams, some without even a design.

Of the poor-quality projects that have been dealt with, the official said, 721 were stopped completely, 1,516 reinforced and 297 ordered to be rebuilt.

The construction quality of key projects of national importance, highrise buildings, large public buildings and joint venture projects had been improving steadily, he said.

But the quality of most industrial and civil projects had dropped to "an astonishingly low ebb", especially since the construction market was opened up in 1983, the official added.

In early 1984, the state stipulated that new construction projects, with only a few special exceptions, should introduce public bidding to encourage competition among construction companies.

This was one of several major steps in [word indistinct] economic reform. For years, construction works had been assigned to companies by government offices. Costs meant little, as budgets were always exceeded and the bill directed straight to the state.

"Rural construction teams have now flooded into urban areas to undertake building projects and our management measures have not kept pace with the explosive influx," the official said.

Rural builders now total more than 8 million, compared with 4.8 million in 1983.

The ministry plans to improve the management of all construction companies and teams nationwide this year. There are now 9,400 urban and rural construction teams with a total workforce of more than 10 million.

Strict registration and examination is now required of all rural teams undertaking urban projects. Unified control is to be introduced in all cities, and administration established at provincial level to oversee business.

The Ministry of Urban and Rural Construction and Environmental Protection is to draw up a whole set of statutes and regulations to govern quality control by 1987 to "arm our builders with a sense of law, responsibility and technology."

Meanwhile, the ministry is setting up quality-control stations in all cities and counties to check local construction sites regularly and "nip problems in the bud."

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CSO: 4020/165

## CONSTRUCTION

### FUJIAN STEPS UP CONSTRUCTION OF BRIDGES

HK180249 Beijing ZHONGGUO XINWEN SHE in Chinese 1440 GMT 13 Dec 85

[Text] Fuzhou, 13 Dec (ZHONGGUO XINWEN SHE)--Fujian is stepping up the construction of 13 important road bridges. With a total length of more than 3,300 meters, these bridges are located in southern, western, northern, and eastern Fujian.

Absorbing a total investment of 1.5 million yuan, the Lun Cang [0178 5547] Bridge joining Nanan and Anxi is 198 meters long and 7 meters wide. Its construction began last year. Now, its piers have all been erected and the surface is being laid. The bridge will be completed and opened to traffic in the first half of next year. Now, a new county seat bridge is being built at the entrance to Anxi County. Its construction began in 1983. Absorbing a total investment of more than 2.4 million yuan, the bridge is 240 meters long and 9 meters wide. Its frame is now well in place, and the decking is being laid. It will be completed and opened to traffic before the Spring Festival.

Fuzhou's Lianjiang county seat bridge, which is under construction, has a total length of 420 meters, the longest among the bridges now being built in Fujian. It requires a total investment of more than 3.4 million. It is an important bridge joining Fuzhou in eastern Fujian and Wenzhou in Zhejiang. At present, workmen are laying the bridge floor. It is expected that it will be completed and be opened to traffic in the first half of next year.

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CSO: 4006/489

CONSTRUCTION

CONSTRUCTION OF CIRCULATION FACILITIES SPEEDED UP IN ANHUI

HK201353 Beijing RENMIN RIBAO in Chinese 15 Dec 85 p 2

["Special Report" by reporter Shen Zurun [3088 4371 3387]: "Huaiyuan County Accelerates the Construction of Basic Facilities for Circulation"]

[Excerpt] In order to suit the needs of rural commodity circulation, Huaiyuan County of Anhui Province has adopted various measures, such as joint ventures by the state, the collective, and peasant households, in accordance with the principle of "beneficiaries voluntarily collecting funds and investors enjoying priority in getting profits" to accelerate the construction of basic facilities for circulation, such as warehouses and packing, processing, and transportation facilities, and to promote the commodity economy.

Compared with the end of 1980, by the end of November 1985, this county had built: New warehouses capable of storing some 220 million jin of grain; more than 10,000 new factories for processing agricultural, sideline, and native products; 8 new packing factories; 189 kilometers of highway; and 15 piers for water transportation. It had produced more than 15,000 motor transportation vehicles and more than 600 cargo ships of various kinds. These new facilities have formed into a circulation network characterized by multi-channel marketing, multilevel processing, and, through various means of transport, alleviated the difficulties of peasants in purchasing the means of production, selling farm and sideline products, transporting various types of commodities, and doing business.

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CSO: 4006/489

CONSTRUCTION

HUBEI: BIG WATER CONSERVANCY PROJECT NEARS COMPLETION

OW251009 Beijing XINHUA in English 0737 GMT 25 Dec 85

[Text] Wuhan, 25 Dec (XINHUA)--Gezhouba dam project, China's biggest multi-purpose water conservancy scheme on the Yangtze River, is nearing completion as another power plant and shiplocks are slated to be put into operation earlier next year.

A spokesman for the State Assessment Committee for the project said that a recent acceptance test showed that the second stage of the project was fit to be used in the first half of next year.

This would mean that the hydroelectric power project will have a total generating capacity of 2,715,000 kilowatts and the annual power output will be 14,300 million kwh, more than three times the electricity generated in the whole of China in 1949, the year of liberation.

The whole project began in 1970. The first stage of the project, which involved a main dam 2,561 meters long and 70 meters high and a power plant with a generating capacity of 965,000 kw, was completed in December 1980. It stood the tests by the heaviest flow of water ever recorded in the upper reaches of the Yangtze River in July of 1981 and 12 other floods in the following years, each with a flow stronger than 45,000 cubic meters per second.

The second stage of the project, which cost about 2.3 billion yuan, began in March 1983. It involves the building of the western section of the dam, about 1,000 meters long, another power plant with a designed capacity of 1.75 million kilowatts, shiplocks for 10,000 ton class ships and a flood discharge and a sand scouring gate.

The Gezhou dam project lies at the outlet of the Xiling gorge in Yinchang, Hubei Province, where the river widens to 2,200 meters and runs around two small islands, forming three channels known as the great stream, the second stream, and the third stream. One island has been dug away to make way for the dam and the second and third streams were blocked before the great stream was stemmed. Now the water flows downstream through the second channel.

By the end of last November, the first power plant, Erjiang (the second stream) power station, of the first stage of the project has generated 23.329 billion kwh; of electricity and about 7.22 million passengers and 19,746 million tons of goods have safely passed through the two shiplocks.

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CSO: 4020/146

CONSTRUCTION

ARMED FORCES ENGAGE IN CIVIL CONSTRUCTION

OW251228 Beijing XINHUA in English 1147 GMT 25 Dec 85

[Text] Beijing, 25 Dec (XINHUA)--Chinese Armed Forces have participated in more than 10,000 civil construction schemes over the past few years. For these they have contributed 110 million workdays, according to the General Political Department of the People's Liberation Army.

This indicates that China's military work has embarked on the track of economic construction at peacetime, said a department official.

On many occasions, Chairman Deng Xiaoping of the Central Military Commission, emphasized that the Armed Forces should serve economic construction which concerns the country's overall situation.

Key projects in which the Armed Forces participated include the Shengli oil-field in Shandong Province, the Huolinhe open coal mine in Inner Mongolia and expansion of the Zhanjiang harbor in Guangdong Province.

Many military units helped local people in developing production, building roads, planting trees, and combating natural disasters.

Military facilities such as airports, harbors, railway lines, and hospitals have been open to civilian use.

Meanwhile, the Armed Forces have been intensifying their efforts in training soldiers capable of doing civilian jobs.

About 500,000 such people have demobilized since last year, and they are playing an important role in socialist construction all over the country, the official from the General Political Department said.

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CSO: 4020/146

CONSTRUCTION

STATE COUNCIL MESSAGE TO HUBEI MOTOR VEHICLE PLANT

OW090925 Beijing XINHUA Domestic Service in Chinese 1517 GMT 8 Jan 86

[Text] Beijing, 8 January (XINHUA)--Message of greetings from the State Council on the completion of the No 2 motor vehicle plant construction project which has been checked and found to meet requirements.

To the No 2 motor vehicle plant and all comrade engineers, technicians, workers, and cadres taking part in its construction via the Hubei Provincial People's Government:

The No 2 motor vehicle plant is successfully completed and operating. Having been checked by the state authorities and found to meet the requirements, the plant is the second largest automotive industrial center in our country. This is another major accomplishment in China's socialist modernization program and has a significant bearing on the prosperity of our national economy. For years, all staff and workers taking part in building the No 2 motor vehicle plant have pooled their wisdom and efforts, worked painstakingly and carefully in a pioneering spirit, surmounted one difficulty after another, and finally succeeded in completing this arduous construction task. The State Council hereby extends warm congratulations and cordial regards to all comrade engineers, technicians, workers, and cadres engaged in the construction of this project.

New technologies, technical processes, materials, and equipment created by China's machine-building industry were applied to the construction of the No 2 motor vehicle plant. This was a concrete manifestation of the implementation of the policy to maintain independence, keep initiative in our own hands, and rely on our own efforts and China's drive to take its own path in developing the automotive industry. The main task of the No 2 motor vehicle plant in the days to come is to improve itself further and manage itself well so that it will be vigorous and full of vitality and produce the best economic results. It is hoped that you will remain modest and prudent, guard against arrogance and rashness, persist in making reforms, and continue to exert yourselves to learn and master advanced foreign and domestic technologies so as to produce more and still better motor vehicles and to make new contributions to the development of China's automotive industry!

[Signed] State Council

[Dated] January 1986

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CSO: 4006/557

## CONSTRUCTION

### BRIEFS

DEEPWATER BERTHS CONSTRUCTION--Beijing, 17 Dec (XINHUA)--China built 54 deep-water berths, capable of accommodating ships of 10,000-dwt or higher during the period of the Sixth 5-Year Plan. The new berths increased China's cargo-handling capacity by 94 metric tons a year. [Summary] [Beijing XINHUA Domestic Service in Chinese 1249 GMT 17 Dec 85 OW] /12232

HEILONGJIANG HOUSING CONSTRUCTION--With the support of the construction bank, Heilongjiang achieved remarkable results in marketable housing construction this year. According to statistics, newly constructed marketable houses throughout the province totaled 1 million square meters this year, four times that of last year. The total investment was 245.1 million yuan, of which 84.2 million yuan was construction loans, which showed a 150 percent increase over last year. Marketable housing to be completed this year may reach 441,000 square meters, 44 percent of the housing started this year, and 8,179 families will move to new houses. [Excerpts] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 22 Dec 85 SK] /12232

JIANGXI COPPER SMELTERY INAUGURATION--After more than 5 years of hard work, the first-stage construction of the Jiangxi Copper Industry Company's Guixi smelter, China's first copper smelter using the world's advanced flash smelter method, has been basically completed. Ni Xiance, deputy secretary of the Jiangxi Provincial CPC Committee and governor of Jiangxi; Jiang Zhuping, member of the Standing Committee of the provincial party committee and vice governor; Wang Shixian, vice chairman of the provincial Advisory Commission; Mao Lin and Zhu Lei, respectively vice chairman and vice general manager of the China National Nonferrous Metals Industry Corporation, and leading members of departments concerned, attended the trial production ceremony. At 1000 yesterday morning, Chen An, vice manager of the Jiangxi Copper Industry Company, declared the opening of the trial production ceremony. Zhang Daonan, director of the Guixi smelter, was the first to speak at the ceremony. Representatives of experts from Japan and Finland also spoke at the ceremony. At 0945 this morning, the first heat of molten copper came out from the furnace. [Excerpts] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 31 Dec 85 OW] /12232

NEI MONGGOL GROUND STATION--In Manzhouli City of Nei Monggol, a satellite reception station has been completed and put into operation. In this way, the city is able to watch the news of the Central Television Station broadcast the same day. [Summary] [Hohhot NEIMENGGU RIBAO in Chinese 3 Dec 85 p 1 SK] /9365

HEILONGJIANG CEMENT PLANT--A large modernized cement plant with an annual capacity of 600,000 tons of silicate cement will be built in Haolianghe Town in Nancha District of Yichun City. The total investment of this plant will be 180 million yuan. This cement plant is one of the province's key projects during the Seventh 5-Year Plan period. [Summary] [Harbin HEILONGJIANG RIBAO in Chinese 30 Nov 85 p 1 SK] /9365

TIANJIN FULFILLS BUILDING TASK--Tianjin construction workers have fulfilled the task of building 3.2 million square metres of living accommodations this year, bringing the city's total of new living quarters to 20 million square metres, TIANJIN EVENING NEWS reported. Tianjin City had only 19.8 million square metres of houses before liberation. The 20 million square metres built in the last 5 years means that a new Tianjin City has been built, the paper said. [Text] [Beijing CHINA DAILY in English 3 Jan 86 p 2 HK] /12232

LIAONING'S NEW APARTMENTS--Shenyang, 5 January (XINHUA)--More than 700,000 households in cities and towns in northeast China's Liaoning Province have moved into new apartments over the past 5 years, according to the provincial Statistical Department. Between 1981 and 1985, Liaoning Province, a heavy industrial center in China, invested 5.1 billion yuan in urban housing construction. This amount was 600 million yuan more than the total the province invested in housing over the previous 31 years before 1980. The housing constructed totalled 35 million square meters, equal to the sum total built in the previous 3 decades. According to provincial officials, almost one third of the urban housing in the province are new and the average living space per person in cities and towns rose from 3.4 square meters in 1980 to the present 4.2 square meters. [Text] [Beijing XINHUA in English 0731 GMT 5 Jan 85 OW] /12232

PRESCHEDULE COMPLETION OF GUANGXI RAILWAY--Nanning, 23 Dec (XINHUA)--Track-laying has been completed on a 120-kilometer section of a railway which will link Nanning, capital of Guangxi Zhuang Autonomous Region, with Fangcheng harbor on Beibu Bay. The section, from Nanning to Qinzhou, has been completed half a year ahead of schedule, said a railway official here. When completed next year, the 176-kilometer line will form an important sea outlet for Guangxi and provinces in southwest China. It will be used to carry phosphorus and coal from Yunnan and Guizhou and bauxite from Guangxi. Construction will include seven berths for 10,000- to 20,000-ton ships at Fangcheng, which is part of the open coastal city of Beihai. [Text] [Beijing XINHUA in English 1859 GMT 23 Dec 85] /9365

OCEANOLOGY MUSEUM--Dalian, 14 Dec (XINHUA)--A museum devoted to all fields of oceanology, China's first, will be built in this northeast China port city next year. With a floor space of 41,100 square meters, it will include an aquarium and an exhibition hall for marine animals, as well as buildings for a specimens center and an oceanology institute. The complex will be completed in 1988, according to local officials. [Text] [Beijing XINHUA in English 1607 GMT 14 Dec 85 OW] /9365

YUNNAN STRENGTHENS FUNDAMENTAL FACILITIES--During the Sixth 5-Year Plan period, Yunnan Province strengthened the building of fundamental facilities, such as housing in urban areas, urban affairs and public facilities, and environmental and public health facilities. The investment in urban construction was 200 percent more than in the preceding 5-year plan period. The housing areas completed, exceeded the total sum in the period from the First 5-Year Plan to the Fourth 5-Year Plan. By the end of the third quarter of the last year of the Sixth 5-Year Plan period, investment had reached 300.98 million yuan. This was 300 percent more than in the Fifth 5-Year Plan period. According to incomplete statistics, over the past 5 years the province has built 13.2 million square meters of new housing. This is 2.18 million square meters more than the total area on which houses were built in the past 20 years. It is estimated that Kunming City will complete 4.8 million square meters of houses, which is 200 percent more than the total area of houses before liberation. The average living area for each person has increased from 4.14 square meters in 1980 to 6.2 square meters. Over the past 5 years, our province has improved supplies of drinking water in urban areas. The daily amount of water supplied in the whole province has reached 433,000 tons. This is 172,000 tons more than in 1980. Roads have been built leading to 11 cities and some 100 counties and towns throughout the province. It was estimated that the total length of roads in the whole province last year would reach 470 kilometers. This was 220 percent more than in 1980, when the total length was 209 kilometers. The number of public motor vehicles in urban areas has increased from 398 in 1980 to 680. [Summary] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 6 Jan 86 HK] /8918

CSO: 4006/546

DOMESTIC TRADE

BRIEFS

HEILONGJIANG OUTSIDE ASSOCIATIONS--Heilongjiang Province has scored marked achievements in fostering economic associations with outside localities during the implementation period of the Sixth 5-Year Plan. Twenty provinces, autonomous regions, or municipalities, and more than 130 counties and cities throughout the country have established economic relations with our province and signed with our province more than 1,500 agreements on technology, the economy, and mutual materials support. The province has introduced 80 million yuan in outside funds. [Text] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 25 Dec 85 SK] /8918

LIAONING ECONOMIC ASSOCIATIONS--Liaoning Province has succeeded in establishing relations of economic association or technical coordination with 27 provinces, autonomous regions, and municipalities throughout the country. According to incomplete statistics, the province has signed more 4,500 agreements in this regard over the past 2 years. Of the agreements that have been completely implemented, the province has shown an increase of more than 1.18 billion yuan in output value and of more than 160 million yuan in taxes and profits. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 25 Dec 85 SK] /8918

XINJIANG COOPERATES WITH INTERIOR--In 1985, Xinjiang Region concluded 950 agreements on economic and technological cooperation with provinces and regions in the interior. As a result of this cooperation, the region's output value increased by some 170 million yuan and taxes and profits increased by some 33 million yuan. At present, our region has established cooperative relations with 26 provinces and municipalities in the whole country and 11 departments of the central authorities. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 3 Jan 86 HK] /12913

CSO: 4006/567.

31 January 1986

## FOREIGN TRADE AND INVESTMENT

## HEILONGJIANG GOVERNOR CALLS FOR PREFERENTIAL EXPORT POLICIES

SK160829 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 14 Dec 85

[Excerpt] Governor Hou Jie pointed out at a provincial economic and trade planning meeting held this morning that our province's foreign export volume will be great and the tasks will be heavy and complicated next year. Therefore we must implement some preferential policies in exports. He pointed out that we must closely integrate the creation of foreign exchange with the use of foreign exchange in order to ensure that the province will successfully fulfill its foreign trade and export plan.

Governor Hou Jie pointed out: In order to guarantee the fulfillment of next year's export plan, we must first grasp the implementation of the foreign trade and export plan, integrate the guidance plan with the mandatory plan, comprehensively implement the guidance plan which includes the annual purchase amount of export commodities on the one hand, and implement the mandatory plan in the production of some export products on the other hand. Enterprises which mainly produce export products should be appraised and awarded according to their achievements in fulfilling the export plans and the amount of foreign exchange they have created. In the future, in the course of distributing foreign exchange, we should use exports to ensure imports and imports to promote exports, link up the creation of foreign exchange with the use of it, distribute more foreign exchange to the grassroots enterprises, and strive to improve the quality of exported products.

In the future, our province should change from the production of mainly primary products such as raw materials into the production of finished products and change the export of mainly rough processed products into that of mainly precision finished products, and proceed from grasping the production of the 10 categories of products such as farm products, cash crops, machinery and electric products, and textile and light industrial products, and strive to develop some competitive products. Enterprises which have produce good products that can help increase foreign exchange should be given honorable awards or articles by the provincial planning and economic commissions and the foreign trade departments. Enterprises which have produced products that harms the province's reputation in export should be punished.

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CSO: 4006/503

FOREIGN TRADE AND INVESTMENT

SHANGHAI PLANS TO INCREASE EXPORTS IN 1986

OWO41615 Beijing XINHUA in English 1607 GMT 4 Jan 86

[Text] Shanghai, 4 January (XINHUA)--Shanghai has planned increased exports, following a sustained stagnation for the previous 5 years.

In 1986, it plans to increase the annual volume of its exports by 9.4 percent over 1985, said Zhuang Yulin, deputy director of the city's Foreign Economic and Trade Relations Commission.

The city's annual export values from 1981 to 1985 fell short of the record 4.27 billion U.S. dollars, which was set in 1980.

The city fulfilled the export target set by the state for last year, valued at 3.3 billion U.S. dollars. But that was still 200 million less than in 1984 owing to world market depression, Zhuang said.

Shanghai, whose industrial output value accounts for one ninth of China's total, needs foreign exchange for its economic development.

Of Shanghai's 8,000 state-run enterprises, 3,000 produce for export. There are also over 600 export commodity production centers in its suburbs.

Shanghai will designate factories and production centers to specialize in producing 138 kinds of commodities that cater to international market demand. These furnish more than 70 percent of the city's foreign exchange income.

In addition, Shanghai will expand its markets in Southeast Asia and open up new ones in South America and Africa.

Factories producing export commodities will be allowed to retain a larger share of their profits and foreign exchange income, Zhuang said.

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CSO: 4020/170

FOREIGN TRADE AND INVESTMENT

BRIEFS

SHANGHAI JOINT VENTURE LOANS--Shanghai, 29 December (XINHUA)--The bank of China has decided to provide loans totalling 90 million yuan and 60 million U.S. dollars for the Shanghai-Bell Telephone Equipment Manufacturing Co Ltd, a Sino-Belgian joint venture. Wang Deyan, president of the Bank of China and Li Zhaoji, vice mayor of Shanghai, were present at a ceremony on signing the loan agreement in Shanghai yesterday. One of the biggest joint ventures here, the Shanghai-Bell Telephone Equipment Company went into production in October this year. [Text] [Beijing XINHUA in English 1432 GMT 29 Dec 85 OW] /12232

SHANGHAI LEASING BUSINESS--Shanghai, 2 January (XINHUA)--Leasing, a new business, is thriving in Shanghai, China's biggest industrial city. The city now has four leasing companies, three of which are jointly run by China and Japan. These companies lend equipment to enterprises, especially to middle- and small-sized ones which are short of state funding for retooling. The four companies, all set up last year, have handled nearly 100 dealings involving 50 million U.S. dollars. The first Chinese leasing businesses were set up in 1981. China now has over 40 leasing companies whose business transactions totalled 400 million U.S. dollars in 1984. [Text] [Beijing XINHUA in English 1551 GMT 2 Jan 86 OW] /12232

JIANGXI OVERSEAS CORPORATION--Nanchang, 6 January (XINHUA)--Central China's province of Jiangxi has launched its first overseas enterprise corporation, headquartered in Hong Kong, the corporation's general director said today. Shi Zhongyu said the Enterprise Corp of Jiangxi Province, which will open for business in March, already has 7 branches in China and 11 branches abroad. He said his corporation will export local Jiangxi products including its famous Jingdezhen porcelain and medicinal materials of camphor trees. It has already set up two farms of snake and crab breeding for export. The corporation plans to increase its branches to 30 within the next 2 years, said Shi, who is scheduled to leave for Hong Kong tomorrow with his staff. The corporation will also establish overseas enterprises and joint ventures. The corporation plans to import advanced technology and equipment to Jiangxi and to boost the province's tourism, Shi said. Ni Xiance, governor of Jiangxi, chairs the corporation's board of directors. [Text] [Beijing XINHUA in English 1658 GMT 6 Jan 86 OW] /12232

FUJIAN GRANITE EXPORTS--Fujian Province has turned stone to profit, earning itself a nationwide reputation. According to the newspaper ECONOMIC INFORMATION, the province exports 60 percent of the granite shipped out of China.

Exports of raw granite last year hit 10,000 cubic metres and slabstone, 3,000 square metres. Exports of handicrafts brought the sales total to \$3 million. The stone is shipped to Hong Kong, Japan, Southeast Asia, the United States, Australia and Europe. The granite processing industry has introduced equipment from abroad in order to boost production. The Huafa Stone Product Corporation, a joint venture that went into operation last June, is capable of processing 30,000 square metres of slabstone a year. The province's No 5 Mine and Huian Slabstone Factory jointly installed imported lines to increase processing capacity to 70,000 square metres a year. Foreign trade departments have opened stone factories in mountainous and coastal areas of the province. Four such businesses are expected to begin operation this year in the counties of Xiapu, Changding, Yongan and Longyan. [Text] [Beijing CHINA DAILY in English 8 Jan 86 p 2 HK] /122232

GUANGDONG FOREIGN LABOR SERVICE--The Guangdong provincial Foreign Labor Service Company has taken various flexible measures to export labor. This year the company has signed 24 labor service contracts totalling some \$17 million. [Summary] [Guangzhou GUANGDONG Provincial Service in Mandarin 1000 GMT 30 Dec 85 HK] /8918

SHANDONG FOREIGN TRADE--Shandong Province has achieved gratifying success in foreign trade during the Sixth 5-Year Plan period, prefulfilling the planned target for exports by 1 year. Thanks to using foreign capital and importing technology, the province has increased by more than 100 varieties its products for export. From January to the end of October 1985 it fulfilled 86.9 percent of the export plan and increased its foreign exchange by \$331.1 million over the same period last year. During the Sixth 5-Year Plan period this province has used foreign funds to transform nearly 700 projects in an effort to promote exports. [Summary] [Jinan DAZHONG RIBAO in Chinese 6 Dec 85 p 1 SK] /8918

FUJIAN EXPORT VOLUME--As of 10 November, Fujian Province's export volume reached U.S. \$359.5 million, overfulfilling the annual state export plan by 3.2 percent, 51 days ahead of schedule. [Summary] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 15 Nov 85 OW] /8918

YUNNAN IMPORTS TECHNOLOGY--Over the past few years, state departments in charge and Yunnan Province have arranged to import 119 technological items, the contracts for 75 of which have been signed and concluded. The volume of business amounts to 60 million. Of the total volume of business, 83 percent has been concluded this year. For example, in recent years in the tobacco trade in our province, five production lines including tobacco cutting, cigarette making, and packing, have been imported. After these production lines are put into operation, our province's capacity for cigarette production will increase to 1 to 1.2 million cases. [Summary] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 4 Dec 85 HK] /8918

TRADE EXHIBITION IN HONG KONG--Guangzhou, 4 Dec (ZHONGGUO XINWEN SHEO--Guangdong Province will stage a large-scale "economic and trade exhibition" at the exhibition center in Hong Kong from 4 to 11 January 1986. The Guangdong exhibition will be the largest provincial-level exhibition ever held by China in Hong Kong. A total of 175 enterprises in Guangdong Province will participate in the exhi-

bition and will exhibit more than 4,000 kinds of light industrial, textile, chemical, mechanical, electronic, mineral, animal, and native products, handicraft and hardware goods, grain and foodstuffs, medical equipment, and medicine. The exhibition is to be sponsored by the Trade Development Council of Hong Kong, and will occupy a total floor space of more than 3,000 square meters. More than 40 percent of the exhibits are new products, and products attaining the international level account for 34 percent. This year, Foshan, Shantou, Guangzhou, Zhanjiang, Zhaoqing, and Jiangmen prefectures and cities in Guangdong Province have successively held trade fairs in Hong Kong. Guangdong Provincial Governor Ye Xuanping and Vice Governors Yu Fei, Huang Qingqu, and Yang Li visited the preliminary show for the exhibition this morning. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 1511 GMT 4 Dec 85 HK] /8918

TIANJIN JOINT VENTURES--Tianjin Municipality has made progress in using foreign funds and developing cooperative items in 1985. The municipality has signed contracts on 143 cooperative items with 12 foreign countries and regions. The total investment is \$450 million, of which \$218 million is foreign capital. Of these 143 cooperative items, 54 Sino-foreign joint ventures have begun business and gone into operation. [Summary] [Tianjin City Service in Mandarin 0030 GMT 26 Dec 85 SK] /12913

SHANGHAI TRADE FIRM--The Shanghai Joint Domestic and Foreign Trade Company yesterday held a press conference to announce its official inauguration on New Year's Day. The company is jointly formed by the Shanghai City Investment and Trust Company, the Shanghai City Foreign Trade Incorporation, and other units. The company deals mainly with extra-plan commodities, grain, edible oil, farm and sideline produce, special and native products, mineral products, chemical raw materials, and construction materials. [Summary] [Shanghai JIEFANG RIBAO in Chinese 5 Jan 86 p 1 OW] /12913

JIANGSU ABSORBS FOREIGN FUNDS--Nanjing, 26 December (ZHONGGUO XINWEN SHE)--According to statistics, since they opened to the outside world the eight cities of Suzhou, Wuxi, Nantong, Changzhou, Nanjing, Zhanjiang, Lianyungang and Yangzhou in Jiangsu Province have absorbed investment funds totalling more than US\$127 million, from overseas Chinese and Hong Kong and Macao businessmen, and used this to build 115 projects. There are a number of Jiangsu people who live abroad, and in the Hong Kong-Macao region. These people are maintaining close economic ties with their native places. For example, three state-owned garment factories in Wuxi, Changzhou and Suzhou have successfully cooperated with a company in Hong Kong in compensation trade. They imported production lines and sold their products in world markets. Within two years, they paid off their debts. In the past three years they have earned foreign exchange amounting to US\$45 million. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 0737 GMT 26 Dec 85 HK] /12913

CSO: 4006/567

SPECIAL ECONOMIC ZONES

SPECIAL ECONOMIC ZONES IN GUANGDONG DEVELOP WELL

HK150640 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 11 Dec 85

[Text] Since their trial establishment in 1980, the three special economic zones in the province--the Shenzhen, Zhuhai, and Shantou Special Economic Zones--have made remarkable achievements after several years of large-scale construction.

According to the provincial statistics bureau, during the Sixth 5-Year Plan, the three special economic zones achieved over 5.4 billion yuan in capital construction investment, with an average annual growth rate of 79.4 percent in this respect. Some \$1.07 billion of foreign funds were used in capital construction, with an average annual growth rate of 29.1 percent in this respect.

The Shenzhen Special Economic Zone achieved the most remarkable results in construction during the Sixth 5-Year Plan. Along with the rapid development of large-scale capital construction, Shenzhen's investment environment has improved greatly. This has lured businessmen from foreign countries to invest. As a result, foreign funds brought in by the zone have increased largely and production and construction are steadily advancing.

The Zhuhai Special Economic Zone has entered a new stage of large-scale and overall exploitation.

The Shantaou Special Economic Zone was the last to develop of the province's three special economic zones, but it has speeded up its construction over the past 2 years. The first and second phase projects of the Longhu Processing District have been completed. A number of standard factory buildings and necessary accompanying projects have been completed and put into use. The zone has basically formed an environment which can lure foreign businessmen to invest.

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CSO: 4006/503

## SPECIAL ECONOMIC ZONES

### FOREIGN INVESTMENTS IN SHANTOU NOW PROFITABLE

OWO50316 Beijing XINHUA in English 0241 GMT 5 Jan 86

[Text] Shenzhen, 5 January (XINHUA)--The hundreds of foreign and domestic investors in the Shantou Special Economic Zone in Guangdong Province are now getting their returns as the zone exports 60 percent of its industrial goods, said a zone official. Shantou also exports 95 percent of its agricultural and aquatic products.

This has been achieved through 4 years of efforts made by the local people and overseas companies to develop an export-oriented economy, Liu Feng, director of the zone's Administrative Committee, told XINHUA.

Overseas Chinese born in Shantou have set up the Hanjiang Investment Company in Hong Kong and the U.S.-Shantou Science, Technology and Trade Investment Company in the United States. These provide aid and advice for the zone.

This year, the zone plans to promote the establishment of more such undertakings by investors in the United States, Canada, Thailand, and Singapore.

Since construction began in 1982, officials have concentrated on establishing small, labor-intensive enterprises, which are more responsive to the needs of the international market, while developing energy, communications, transport and other infrastructure.

Most of the zone's 45 factories, which make clothes, carpets, furniture, plastics, toys, pottery and jewelry, are producing goods in demand abroad, said Liu, who is here on an inspection tour.

Twenty fruit orchards and farms for breeding animals and aquatic products have been set up in the form of joint ventures or foreign compensation trade.

Shantou officials have also been encouraging overseas investors to help develop the zone.

In 1985, zone officials signed 25 contracts with foreign and overseas Chinese businesses, plus 95 agreements with enterprises from other parts of China, on launching joint schemes. Since 1982, they have signed 237 agreements with foreign and domestic firms worth more than 1.94 billion Hong Kong dollars.

The State Council designated 1.6 square kilometers of land to set up the Shantou Special Economic Zone in 1981. It was expanded to 52.6 square kilometers in 1984.

## SPECIAL ECONOMIC ZONES

### ZHUHAI ZONE TIES WITH FOREIGN FIRMS GROWING

OWO61939 Beijing XINHUA in English 1438 GMT 6 Jan 86

[Text] Shenzhen, 6 January (XINHUA)--The Zhuhai Special Economic Zone, adjacent to Hong Kong and Macao, has been cooperating more closely with overseas firms to develop industries producing mainly for export.

Since construction began 6 years ago, the zone has initiated over 1,400 industrial projects in forms of Sino-foreign joint ventures, cooperative management, sole foreign investment, compensation trade, and assembling and processing with supplied materials, Liang Guangda, mayor of Zhuhai told XINHUA.

These enterprises involve a total foreign investment of over 1 billion U.S. dollars.

The projects, which account for 87.7 percent of all the projects involving overseas partners, has helped and will continue to help the zone to form an industrial system led by the electronics, building materials, food processing, textile and light industries, said the mayor who is here for a meeting.

Besides seeking partners in Hong Kong and Macao, the zone has begun to establish ties with many countries in Europe and America. More and more industrial projects involve high technology, in contrast to the past operations which involved merely processing and assembly, the mayor noted.

A compressor factory to go on stream this year, for example, is one of the country's largest and is able to turn out over 20 specifications of products.

So far, the zone has signed contracts for 1,660 cooperative projects with foreign businesses involving over 1.51 billion U.S. dollars. A dozen of the projects are worth over 10 million U.S. dollars each.

A number of products are selling well in international markets, such as recording tapes, panda-brand special electric wires, 0.02mm enamel-insulated wire, garments, plastics and electronic products, the mayor said.

Large projects to be put into operation this year include a compressor factory, a refrigerator factory, a brewery with an annual capacity of 45,000 tons, and a deep-water port which can accommodate 10,000-dwt ships.

The zone plans more foreign-Chinese joint ventures this year. They include fiberglass, timber-processing, container and a pharmaceuticals factories.

The industrial output value of the zone in 1985 was 34.7 percent more than the previous year, and about 11 times the 1979 figure. The national industrial growth rate for 1985 is estimated at 17 percent.

The growth rate of the zone is expected to be higher this year, the mayor said.

At present, the industrial output value makes up 86 percent of the total industrial and agricultural output value, as compared to 39.3 percent in 1979.

The special zone has also made efforts to develop agriculture and aquatic industry to meet international demand.

A 20 sq km area has been designated for experiments in modernized farming and animal breeding. Fine breeds, equipment and technology will be imported and the area will specialise in lean-meat pigs, chickens, and pigeons, fish ponds and fruit orchards.

A pig farm with 20,000 head in the zone will begin exporting part of the products this year.

Zhuhai has also built a number of high-quality hotels, restaurants and department stores to cater to tourists, the mayor said.

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CSO: 4020/170

## SPECIAL ECONOMIC ZONES

### PRC MOVES TO REFORM SHENZHEN ELECTRONICS INDUSTRY

HK040940 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 4 Jan 86 p 1

[By Olivia Sin]

[Text] Shenzhen's electronics industry will undergo a major revamp under the leadership of a newly-formed corporation supported by both the central and provincial authorities.

Known as the Shenzhen Electronics Group, the corporation will be responsible for mapping out the long-term development strategy for the special economic zone's electronics industry.

It will bring the 100-odd electronics factories in Shenzhen under its umbrella and provide them with technical support and fund assistance.

With a registered capital of 500 million yuan (HK\$1.2 billion), the group has the Ministry of Electronics Industry, Guangdong and Shenzhen authorities as its major shareholders.

Observers said the formation of the Cinoabt can be viewed as a vote of support from Beijing towards the development of the controversial Shenzhen Zone.

Shenzhen, which has used millions of dollars of state funds, was severely criticised last year for its poor economic performance.

Critics said the zone had failed to attract high-technology industries and to bring foreign currency into the country.

The Shenzhen Electronics Group was formed in September to assist the zone build up a firmer industrial base and to develop export-oriented industries to bring in more earnings.

The president of the group, Mr Ma Fuyan, told a press conference yesterday the corporation will strengthen coordination among the scores of electronics factories in the zone to avoid overlap in resources and to help them upgrade the quality of their products.

He said small factories will be merged to cut costs while valuable operations will be strengthened.

The Bank of China will be the group's financial adviser and will provide funds for the development of the industry.

The minister of electronics industry, Li Tieying, has agreed to assist the group in product development and technical research.

"Officials involved in the 50 key research and development institutes under the ministry will come to Shenzhen soon to discuss cooperation plans with the group," he said.

The group has replaced the previous Shenzhen Electronics Industry Corp and foreign investors wishing to set up electronics ventures in Shenzhen will have to [word indistinct] with the new group.

Shenzhen's numerous electronics factories have been encouraged to join the group as associate members.

Mr Ma said the group will assist the associate members in quality control, fundraising, penetration of overseas and domestic markets, technical development and manpower training.

So far about 117 factories, including state-owned factories and joint ventures, have agreed to join the group as associates.

But wholly foreign-owned corporations are excluded at this stage.

The group is believed to be the first enterprise of its kind to be formed in China with the aim of coordinating and guiding the development of an industry.

Mr Ma said poor product quality, lack of trained labour and overlapping of resources are the major problems of Shenzhen's electronics industry.

In-depth research will be conducted to see how the group can assist the electronics factories in Shenzhen to meet the demands of both overseas and domestic markets.

"We will also find out ways to complement the development of Hong Kong's industry and avoid cut-throat competition between the two areas," he said.

"For instance, we can make some components lacking in Hong Kong to assist its electronics industry. It is also possible for the more complicated parts of our electronics manufacturing procedures to be done in Hong Kong."

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CSO: 4020/170

SPECIAL ECONOMIC ZONES

BRIEFS

BORDER-CROSSING PROCEDURES SIMPLIFIED--Shenzhen, 5 Dec (ZHONGGUO XINWEN SHE)--Beginning this month, the Shenzhen border inspection station will further simplify its procedures for checking Hong Kong and Macao compatriots who enter or leave China. According to the simplified procedures, the border inspection personnel will not examine Hong Kong and Macao passengers' documents. They will merely examine the entrance cards filled out by passengers and their "home pass for Hong Kong and Macao compatriots" issued by the mainland's public security organs. When arriving at the border checkpoints in Shenzhen, as long as they produce their well-prepared entrance cards and their home passes, the examination procedures will be completed as quickly as in 10 seconds. The longest time for document examination will not exceed 30 seconds. If children who accompany adult passengers when they cross the border have no home pass, the adults may produce other valid travel documents with the children's photos. For children who are entrusted by Hong Kong and Macao compatriots to the care of their relatives in the mainland, they may take the certificates issued by the mainland's public security organs to cross the border. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 1316 GMT 5 Dec 85 HK] /8918

STOCK OF ENTERPRISES TAKEN--Shenzhen will carry out all-round stocktaking and consolidation of industrial and commercial enterprises in the special zone this winter and next spring, so as to resolutely correct unhealthy trends in the economic field and ensure the healthy development of the enterprises. The main contents of this work are as follows: to reexamine and verify the names of the existing enterprises of all categories, their registered capital, and the scope and mode of their operations; to take stock of party and government organ cadres holding concurrent posts in enterprises; and to investigate and crack down on transferring and hiring business licenses, unlicensed operations, and other illegal activities. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 15 Dec 85 HK] /8918

XIAMEN INTERNATIONAL BANK INSPECTED--Xiamen, 13 Dec, (ZHONGGUO XINWEN SHE)--While inspecting the Xiamen International Bank, China's first Chinese-foreign joint venture bank, Xiang Nan, secretary of the Fujian Provincial CPC Committee, today said that Fujian is resolved to make the bank a success. Xiang Nan, who is attending a meeting in Xiamen, and Liao Hui, director of the Overseas Chinese Affairs Office under the State Council, today visited the well-decorated business hall of the bank and saw a device for distinguishing between genuine and counterfeit money. They also had a discussion with senior executives on bank business operation methods. Liu Shuxiong, general manager of the bank, said that they

are going to provide 12 banking services, including money depositing, loan granting, money remitting, inward and outward bills, and others. All these banking services will be provided one by one. The Xiamen International Bank, which has been in business only 15 days, is jointly operated by the China Industrial and Commercial Bank, the Fujian Investment Enterprises, the Xiamen Construction and Development Company, and Hong Kong's Panin holdings. [Report by Zhuang Nuo [8369 6179]: "Xiang Nan, Liao Hui Inspect the Xiamen International Bank"] [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 1443 GMT 13 Dec 85 HK] /8918

CSO: 4006/503

LABOR AND WAGES

WAN LI, OTHER LEADERS RECEIVE MODEL WORKERS

OW220516 Beijing XINHUA Domestic Service in Chinese 1328 GMT 21 Dec 85

[By reporter Zhang Jinsheng]

[Text] Beijing, 21 Dec (XINHUA)--More than 300 model workers and representatives of advanced collectives from the nation's postal and telecommunications work front received commendations today from the Ministry of Posts and Telecommunications and the National Postal and Telecommunications Trade Union at the Great Hall of the People.

Wan Li, Gi Mu, Wang Bingqian, and other leading comrades received the 28 special model workers, 209 model workers, and representatives from 70 advanced collectives and 15 advanced enterprises receiving commendations.

"Messengers in Green Uniform" is a laudative title that people have given to postal and telecommunications staff and workers. Making nothing of hard work, they apply themselves to postal and telecommunications work, which is closely related to the needs of the party and people. On the average, every day they have to deliver some 110 million newspapers, more than 27 million letters, and nearly 200,000 telegrams. Every day a telephone operator has to handle and put through 1.88 million long-distance calls. Doing this ordinary yet great work, He Jinglan, a mail-sorting clerk from the Beijing Municipal Post Office set a national record of sorting 280 million letters without any significant mistakes and was thus cited as a "mail-sorting champion." Hao Xinhua, a worker from the telecommunications line-maintenance station of Ih Ju League, Nei Monggol, was cited as an "able maintenance worker" in recognition of his achievement in keeping the telecommunications lines trouble-free for 125 successive months.

Wang [words indistinct] and Shi Yuqing, telephone operators from the Jilin City Postal and Telecommunications Office and the Xian Long-Distance Telecommunications Bureau respectively, were both cited as "superb telephone operators" due to their service [words indistinct]. Telegraph operator Zhou Zhimin from the Harbin Telecommunications Bureau received and dispatched some 1.7 million telegrams without mistakes, setting the highest national record in this work. Chief Engineer Zhao Zisen of the Wuhan Postal and Telecommunications Science Research Institute scored considerable success in research work in optical-fiber communications.

Deputy Chief Engineer He Wenwan of the Shanghai Long-Distance Telecommunications Bureau successfully led the work of a research and development project, resulting in China's first program-controlled automatic telex exchange system. All of them have contributed significantly to the modernization of postal and telecommunications work.

Addressing the commendation meeting, State Councillor Wang Bingqian pointed out: The party Central Committee has given priority to the promotion of transport, postal, and telecommunications projects in developing the national economy. This shows the position and role of posts and telecommunications in the national economy and points out the arduous but glorious task before the postal and telecommunications departments. Comrades from postal and telecommunications departments should note that while the overall growth rate of the national economy should be properly slowed down, postal and telecommunications work should, nevertheless, be developed at a faster, better, and steadier pace. In developing postal and telecommunications work, it is imperative to put emphasis on particular requirements and proceed from various levels in a step-by-step and well-coordinated way according to the needs of national economic and social development. We should not try to make synchronous progress in all parts of the country. In formulating the technical policy, we must adhere to the principle of development through various means and at different levels and must not blindly seek advancement. We must make the main task to apply those practical technologies that we have mastered. In addition, we must give priority to the work of tapping latent potentials and renovating existing facilities and do a good, earnest job of the adjustment and transformation of our communications network so that our communications facilities, including the existing facilities and those under construction, will become a really comprehensive and effective communications network. We must use the smallest investment to achieve as great economic results as possible.

Wang Bingqian called on staff and workers of postal and telecommunications departments to put the interests of [words indistinct] and people in the first place, refrain from seeking private gains, resist unhealthy trends, and make ceaseless efforts to improve the quality of their service and to preserve the good reputation of their departments. He added that they should see to it that postal and telecommunications departments are in the front rank in building spiritual civilization.

"A new situation must be created on the postal and telecommunication work front." The representatives to the commendation meeting issued an appeal to all postal and telecommunications staff and workers in the country, numbering nearly 1 million, urging them to carry forward their glorious traditions, foster the idea that "the people's postal and telecommunications workers should work for the people," abide by work morality, warmly love postal and telecommunications work, be loyal to their duties, and steadfastly stay at their work posts so as to ensure the safe and smooth operation of the communications facilities. The appeal also called on them to be versed in the work and technology of their professional fields, ensure the good quality of communications, take the customers' needs as their

own needs, work in a civilized way, and deal with people politely. All on this front, the appeal said, should act with one mind, and they should coordinate with all others in the country like places in a chess game. In addition, the appeal urged them to be brave in advancing through exploration and to persist in making reforms and innovations and in improving the operations and management with a view to raising the operating results and the social benefits of postal and telecommunications enterprises. Finally, they were urged to perform new meritorious deeds in building the spiritual and material civilizations and to make contributions to changing as soon as possible the backward state of our postal and telecommunications work.

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CSO: 4006/531

LABOR AND WAGES

SPECIAL TRAINING PROGRAMS BENEFIT WORKERS

OW011150 Beijing XINHUA in English 1132 GMT 1 Jan 86

[Text] Dalian, January 1 (XINHUA)--More than 30 million industrial workers have completed training courses to improve their general knowledge and technical skills over the past five years.

Special part-time and on-site training courses have been organized mainly to help workers who missed out on a good education because of the turmoil during the cultural revolution.

These workers have now attained a middle-school educational level, and their improved skills will help boost the country's modernization drive, an official in charge of worker training said.

In addition, 4,790,000 senior office workers--more than half the total in middle management--have taken courses in economics and business management over the past five years.

A million scientists have studied foreign languages, computer science, and modern management techniques.

And more than three million graduates from workers' colleges and vocational schools and 70,000 trainee managers have entered various industries, where their skills are boosting efficiency.

Meanwhile, other countries are helping to inject foreign technology and management techniques through joint-venture training centers.

For example, the China National Training Center for Industrial Science and Technology Management, in Dalian, Liaoning Province, was formed in accordance with the Sino-United States agreement on scientific and technological cooperation signed in 1980.

The center is co-managed by the Chinese State Science and Technology Commission, Education Commission and Economic Commission, together with the U.S. Commerce Department.

China has 31,647 schools and training centers for workers, employing 206,000 teachers.

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CSO: 4020/163

LABOR AND WAGES

CONTINUATION OF ZHEJIANG SERVICE COMPANIES URGED

OWO51304 Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 4 Jan 86

[Commentary by unidentified station reporter: "Which Way Shall We Go at the Crossroads?"]

[Text] Recently this reporter called at the department concerned to inquire about the development of labor service companies in the province. Here is what the man who received me said:

Labor service companies are now at the crossroads: Should we develop them or suspend their operations. Behind these two diametrically opposite fates are two quite different opinions. One opinion is that since their creation in 1979, the labor service companies in our province have developed from service units doing such simple work at [words indistinct] to new social labor organizations involving various trades and producing highly sophisticated products. The development of labor service companies in our province has solved the unemployment problems for 100,000 people and adds some 24 million yuan each year to the state's tax revenue.

The other opinion holds that at present labor service companies in many localities have a lot of irregularities, such as illegal operations, tax evasion, indiscriminate raising of prices, or even the perpetration of economic crimes. According to this opinion, labor service companies have almost become the source of unhealthy trends and should be slashed in the drive to rectify the various organizations.

Which way shall we go at the crossroads? In the opinion of this reporter, practice over past years has proved that labor service companies have played a rather significant role in changing the employment situation in our province. However, these companies, which are still like a small child, will inevitably fall or sway when trying to walk. It would be too unreasonable to drive them out of the big socialist family simply because they fall when trying to walk.

Now some cities and prefectures have suspended the operations of labor service companies or have reduced the scope of their activities. This has resulted in a great pressure on the work of employment departments. I hope that all departments will warmly cherish and support labor service companies and see to it that these companies are continuously improved so that they can make due contributions to our socialist economic construction.

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CSO: 4006/560

## LABOR AND WAGES

### IMPORTANCE OF SECRETARIAL WORK

HK231458 Beijing RENMIN RIBAO in Chinese 19 Dec 85 p 4

[Article by Yang Shangkun [2799 1424 2492], originally carried in MISHU GONGZUO [SECRETARIAL WORK] No. 2, 1985: "Two Questions Concerning the Development of Secretarial Work"]

[Excerpts] That the magazine MISHU GONGZUO can be distributed throughout the country and be widely acclaimed shows that secretarial work has received increasingly great attention from all quarters. It shows that the masses of secretarial workers hope to exchange experiences, acquire knowledge, and raise their professional level through it. It also shows that the readers hope that this magazine will be run better and better. This is something that makes a person feel very happy. Now let me give here two views on problems in secretarial work:

First, the favorable situation now marking our modernization effort requires all comrades involved in secretarial work to properly foster a spirit of reform and innovation.

Second, having a good army of workers is a fundamental guarantee for the proper handling of secretarial work. The key to the solution of this problem lies in accelerating the process of replacing the old with the new in the ranks of secretaries. At present, the average age of secretarial workers in a number of organs is still on the high side, and their cultural standard is also too low. In the past, a biased view prevailed among many comrades that involvement with sensitive work chiefly called for faithful and honest comrades in secretarial work and that a quite high cultural standard was not required. Such a biased view may be traced to historical factors. Today when our country is carrying out modernization, this old concept should be given up. Under modern conditions, apart from revolutionarization remaining a primary requirement, a secretarial work team must be educated, knowledgeable, and capable and know what needs to be done in the secretarial field. It must also be full of vim and vigor. Otherwise, it can hardly fulfill the assignments given.

These two views can be considered as one concerning ideological construction and one concerning organizational construction. It is hoped that they will arouse the attention of all comrades concerned.

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CSO: 4006/531

LABOR AND WAGES

BRIEFS

ZHEJIANG SELF-EMPLOYED WORKERS--Self-employed workers of Zhejiang Province held their first congress in Hangzhou, which lasted 3 days and ended on 11 December. At this congress, an association of self-employed workers of Zhejiang was founded, and the first committee of the association was formed. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 11 December 85 OW] /12640

FUJIAN URBAN EMPLOYMENT--During the Sixth 5-Year Plan period, some 690,000 people in Fujian's cities and towns got jobs, bringing the urban unemployment rate down to less than 2.4 percent. This can be attributed to the reform in the recruitment system carried out by the province's labor department and to the development of collective enterprises and private stores and workshops in urban areas. [Summary] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 12 Dec 85 OW] /12640

XINJIANG EMPLOYMENT--During the Sixth 5-Year Plan period, the region achieved good results in placing unemployed people in jobs. In the 5 years, a total of 470,000 people obtained employment in the region. The unemployment rate of urban and town youths in the region has decreased from 5.3 percent in 1980 to 2 percent at present. Of the 470,000 people obtaining employment in the 5 years, 286,000 were employed by developing collective enterprises and individual operations, accounting for 61 percent of the total. [Summary] [Urumqi Xingjiang Regional Service in Mandarin 1300 GMT 19 Dec 85 HK] /12640

HANDICAPPED EMPLOYED--Changsha, 6 January (XINHUA)--Welfare factories in Hunan Province employed over 6,000 handicapped people last year, according to the provincial Civil Affairs Bureau. Handicapped people are assigned work according to their abilities: The deaf-mute operate lathes and precision instruments, while the blind do simple operations such as assembly work. Apart from the 36 state-owned welfare factories, the province's cities, towns, rural administrations and enterprises have set up more than 140 others. Last year, the total output value of the province's welfare enterprises reached 130 million yuan, resulting in a profit of more than seven million yuan. With the development of the welfare enterprises, the lives of handicapped people have improved. Their monthly salary averages 60 yuan and can reach 280 yuan. A 200-worker cotton textile mill for the handicapped in Yiyang City has built two residential buildings to house all its workers, as well as a kindergarten. [Text] [Beijing XINHUA in English 0657 GMT 6 Jan 86 OW] /12913

## TRANSPORTATION

### GUANGDONG TO STRESS ROAD BUILDING IN 5-YEAR PLAN

OW090744 Beijing XINHUA in English 0719 GMT 9 Jan 86

[Text] Guangzhou, January 9 (XINHUA)--South China's Guangdong Province will give priority to road construction in the province's Seventh Five-Year Plan (1986-90) in order to meet the growing needs of its economic development.

Niu Heen, deputy director of the province's communications and transport department, said Guangdong will invest 3.3 billion yuan in road construction in the next 5 years.

The money will be used mainly to complete the upgrading of the existing first- and second-class highways and the Guangzhou-Foshan expressway; also in the plan are the completion of the 120-km expressway from Guangzhou to Shenzhen, a special economic zone, and a road from Shenzhen to Shantou, another special economic zone in the province.

In addition, the province will spend 100 million yuan building 5,000 km of highways in the mountainous areas inhabited mostly by minority ethnic groups.

He said the funds for the road construction will come from bank loans, state subsidies, foreign investment and road tolls.

Niu said that over the past 5 years the province has improved the carrying capacity of a highway network radiating from Guangzhou, and has constructed a number of trunk roads to the Shenzhen, Zhuahi and Shantou special economic zones, and to other medium-sized cities.

By 1990, when the key projects are completed, the province's road mileage will reach 70,000 km, as against 64,000 km last year, bringing the total length of first- and second-grade roads to 10,000 km from the present 8,100 km.

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CSO: 4020/166

TRANSPORTATION

CAAC TO STRESS SAFETY, SERVICE IN 1986

OW091636 Beijing XINHUA in English 1608 GMT 9 Jan 86

[Text] Beijing, January 9 (XINHUA)--Safety will remain the prime concern of China's National Airline, the Civil Aviation Administration of China (CAAC), in 1986, according to its director general.

Hu Yizhou, 57, said today the airline will also improve service and ground facilities over the year. Crucial to the safety effort, Hu said, was a special training program for maintenance technicians, begun in 1984.

He said 390 maintenance people have already completed the program and have been tested and certified.

Last year, safety experts from the Federal Republic of Germany participated in the program and as a result safety has been further improved, Hu said. Additional safety measures will be taken this year, he said, and cooperation with experts from abroad will continue.

This year, CAAC's total transport activity is expected to grow 23 percent. New flights between China and the Federal Republic of Germany, Britain and Japan will be added. At the same time, service has been and will continue to be improved substantially, Hu said.

For example, he said, CAAC's computerized reservation system will be expanded from Beijing and Shanghai to 12 other cities this year, and advance reservations are now available 15 days before a flight rather than 3 or 4 days as in the past. In addition, Hu said, new reservation windows in airports as well as places to buy tickets are constantly being added.

Yet, he said, "Problems remain concerning the quality of service and the attitude of the staff which must be overcome." Of these, he said, the most outstanding has been CAAC service when flights are not on time. "Delays may be caused by weather, and too often we did not offer timely explanations to passengers."

Hu said he has urged CAAC staff to provide better accommodations and prompt and clear explanations when there are unavoidable delays.

Passengers unhappy with CAAC food will find meals more diverse this year, and international passengers will find cabin staffs more skilled in foreign languages, according to Hu.

On the ground, he said, luggage transport systems will be improved.

CAAC's total transport turnover during the Sixth Five-Year Plan (1981-1985) reached four billion ton-kilometers. In 1985 alone, the turnover was 1.26 billion ton-kilometers, 36.6 percent more than 1984.

During the plan period, over 80 new domestic and international air routes were added, bringing the total to 266. The CAAC opened 18 new routes in 1985.

Large planes are now available on all major domestic routes of the CAAC. It has 27 international routes connecting 25 cities in 20 countries.

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TRANSPORTATION

DEVELOPMENT PROJECT INCREASES YANGTZE TRANSPORT

OW031204 Beijing XINHUA in English 1153 GMT 3 Jan 86

[Text] Nanchang, January 3 (XINHUA)--Freight transport capacity on the Yangtze River reached 260 million tons last year, thanks to a navigation development project on the river which has been going on for the past 4 years, it was reported today.

Last year's figure was an 8.3 percent increase over 1980, according to the Ministry of Transport.

Major ports along the Yangtze, China's longest river, had handled 210 million passengers annually since 1983.

Since then, 10 major ports along the river had been able to handle up to 1.5 million tons of cargo for foreign trade annually. In the past the freight had to be transferred to the railways for transport to coastal ports such as Shanghai and Guangzhou.

To boost foreign trade, Jiangsu, Anhui, Jiangxi, Hunan and Hubei provinces along the river have set up foreign trading ship companies for cargo transport.

The state has allocated more than one billion yuan to modernize navigation on the Yangtze River since 1982, including its water channels, ports, ships and navigational aids, the Ministry of Transport reported.

Having been dredged, water channels navigable for ships over 300 dwt have increased to 4,200 km and channels for ships over 1,000 dwt increased to 2,600 km.

A total of 12 deepwater berths for ocean-going vessels over 10,000 dwt, have been built at four major Yangtze ports and some deepwater berths have been built at some ports for foreign trade along the river.

The number of boats and ships on the Yangtze River has increased to about 80,000 according to the Ministry of Transport.

A new communications system, including a number of short-wave transceivers, has been installed on the river banks and on ships. Port radar stations and short-wave radio navigational systems will be installed along the river, starting this year.

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## TRANSPORTATION

### EFFORTS TO SOLVE PUBLIC TRANSPORT PROBLEMS PAYING OFF

HK060547 Beijing CHINA DAILY in English 6 Jan 86 p 1

[By staff reporter Guo Zhongshi]

[Text] Co-ordinated efforts to solve the many problems facing China's public transport services appear to be paying off, according to officials in the Ministry of Urban and Rural Construction and Environmental Protection.

They say the strain on urban public transport--mainly bus and taxi services--should be greatly eased by 1990 thanks to reforms in progress now.

Factors which have caused problems described in some cities as "near chaos" include poor roads and traffic management, shortages of vehicles, uneconomic fares and large scale commuting by people who live too far from their workplaces.

All these factors are now being tackled, said the officials.

Reforms in the country's public transport system are breaking the state monopoly in the field with the emergence of about 1,300 collectively or privately-owned transport services and joint ventures in the field, they said.

China has public transport facilities in more than 240 cities. Since 1979, the number of public transport vehicles, excluding taxis, has increased from 25,000 to 44,000 and the number of staff has risen from 270,000 to 500,000.

Taxi services have been started in more than 100 cities with a current total of 40,000 taxis.

Construction of roads and other transport facilities has been neglected for many years, leaving most of the country's large and medium-sized cities unprepared for the increase in numbers of vehicles.

Other problems such as low bus fares have also added to the problem.

To bring public transport services onto the right track, some cities in Northeast China have taken the lead in adjusting bus fares and adopting the responsibility system. These cities have already received economic benefits from the reforms, the officials said.

Some organizations are helping employees move to homes nearer their workplaces. As part of the effort to ease traffic jams, bicycle parking areas are being built near main bus stops and underground railway stations to encourage people to ride bicycles part way and then transfer to public transport.

The focus of future public transport development, the officials said, will be on manufacturing bigger and faster vehicles.

By 1990, they predict, passengers will not have to wait long for buses during rush hour while all the passengers waiting for buses in off-peak periods should be able to get on the first bus that arrives because there should be less crowding, the officials said.

In a conference, sponsored by INFORMATION TIMES, a bi-weekly newspaper, participants revealed tremendous problems in taxi service in Guangzhou, Guangdong Province. They concluded that any further growth in the number of taxis should be curbed to ease the city's mounting traffic jams and maintain rational taxi management.

Each day, 6,500 taxis blanket the city's streets. Another 700 cabs from nearby counties pour into the 80-square-kilometre urban area every day.

Guangzhou municipal officials are considering ways to remedy the problem, including retiring older taxis from service and imposing stricter controls over issuing new taxi permits.

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## TRANSPORTATION

### BRIEFS

GUANGDONG RAIL LINE--Guangzhou, January 4 (XINHUA)--Track-laying has been completed on a rail line and an extension of the line in Guangdong Province for use by China's largest Pyrite mine, a provincial official said here today. The 92.77 kilometer Sanshui-Yaogu line and the 33-kilometer extension are meant for the Yunfu Pyrite mine, which will be officially put into production in October. Annual output will be 2,400,000 tons--about 40 percent of the present total mined in China. The Sanshui-Yaogu line will be ready for use later this year. It is the first-phase work of the building for a railway from Guangzhou, capital of Guangdong Province, to Maoming in Guangxi, one of China's leading shale oil producing centers. [Text] [Beijing XINHUA in English 1438 GMT 4 Jan 86 OW] /8918

HIGHWAYS, BRIDGES UPGRADED--Guangzhou, December 5 (XINHUA)--Surfaced highways have completely replaced conventional dirt roads in rural Guangdong Province. Provincial officials said that the majority of the 60,000 km of roads in Guangdong used to be narrow and poorly surfaced. Heavy rain often caused disaster to roads in the past. The provincial government has pooled funds for road construction from localities, collectives and individuals, in addition to state allocations. Local authorities have also encouraged overseas investment in road construction. By the end of 1985, the province had collected 350 million yuan, and constructed 5,000 km of highways and 800 bridges. The officials said that motor vehicles had to line up for hours at ferries a few years ago, but now the long lines have disappeared, thanks to newly built bridges. Guangdong and its neighboring Guangxi Province have also opened 90 inter-regional highways, accommodating more than 10,000 passengers every day. [Text] [Beijing XINHUA in English 0654 GMT 5 Jan 86 OW] /8918

RURAL HIGHWAY SYSTEM DEVELOPED--Hohhot, January 7 (XINHUA)--China's Inner Mongolia autonomous region built over 3,300 km of rural highways in 1985, roughly equal to the total constructed in the previous 38 years. A local official noted here today that altogether 166 highways were built in rural areas in the region in the past year. The newly constructed highways have facilitated the transportation of agricultural and animal husbandry products from rural areas, he added. The official attributed the achievement partly to a policy which ensures that those who build the highways benefit from their construction. [Text] [Beijing XINHUA in English 1501 GMT 7 Jan 86 OW] /8918

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PUBLICATIONS

BRIEF

YEARBOOK PUBLISHED--Beijing, 8 January (XINHUA)--China has published a new yearbook, the China Economics Yearbook (1985). Under the auspices of the union of Chinese Societies for Economic Studies, the yearbook is the first academic reference book on the developments of China's economic studies. It covers party and government documents, reviews of economic studies, academic papers and books indices, symposiums and introductions to economic research organizations, universities and colleges of economic studies, newspapers and magazines on economics and developments of foreign economic studies. [Text] [Beijing XINHUA in English 1600 GMT 8 Jan 86 OW] /12913

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TAIWAN

Briefs

ECONOMIC PLAN APPROVED--A meeting of the Executive Yuan approved the 1986-89 intermediate-term plan and the 1986 plan for the economic construction of Taiwan today, which will be carried out by various concerned departments accordingly. Under the plan, the average annual rate of economic growth will be 6.5 percent from 1986 to 1989, and the average annual rising rate of wholesale prices is projected to be no more than 2.5 percent. [Text] [Taipei Domestic Service in Mandarin 2300 GMT 26 Dec 85] /12640

31 January 1986

## HONG KONG

## ZHONGGUO XINWEN SHE ON HONG KONG'S ECONOMY

HK251500 Beijing ZHONGGUO XINWEN SHE in Chinese 0612 GMT 24 Dec 85

[Short commentary by a staff reporter: "The Hong Kong Economy Grew Despite Adverse Circumstances This Year"]

[Text] Hong Kong, 24 December (ZHONGGUO XINWEN SHE)--Although Hong Kong was faced with a reduction in demand for its goods in the Western market and the pressure of protectionism, Hong Kong's economy continues to develop healthily. According to a recent estimate by the Secretary of Finance in the Hong Kong government, this year Hong Kong's economy will achieve a growth rate of four percent. This growth rate means a drop compared with last year, but in a situation of a decline in the world economy, this growth rate is still wonderful compared with neighboring countries and areas. This shows the great vitality of Hong Kong's economy and reflects the political stability, ease of people's minds, and the investors' confidence in Hong Kong's future since the signing of the Sino-British Joint Declaration.

The recovery of the property market and the continuous rebound of the stock market have been a characteristic of the Hong Kong economy this year. These two sensitive economic sectors were both at low ebb in the preceeding couple of years, but this year they are full of vigor. According to the statistics of the Land Office, in the first 11 months the number of land transactions totalled 245,022, an increase of 49 percent over the same period last year. The value of these transactions totalled HK\$102.2 billion, an increase of 79 percent over the same period last year. There were some heated biddings in official auctions of land. This showed the property businessmen's confidence in the market. The masses of proletariat vied with one another to "buy housing flats for an easy livelihood." The prices of residential flats have risen by over 20 percent in the past year. At the same time, the stock market has also continued to rise and the Heng Seng Index broke the barrier of 1,700, an increase of about 50 percent over the level of 1,200 at the end of last year.

The flourishing property and stock markets is closely related to the injection of large amounts of "hot money" from foreign businessmen who were optimistic about Hong Kong's investment environment. The continuous inflow of funds from Southeast Asia was a new trend in Hong Kong this year. U.S. and Japanese funds have also increased in Hong Kong market. The United States held a "U.S.A. full of confidence in Hong Kong" exhibition and some companies of U.S.

capital have decided to increase their investment in Hong Kong. British consortiums have also increased their investment there.

The tourist industry and entrepot trade which are considerable foreign exchange earners for Hong Kong have also made outstanding progress this year. According to the estimate of the relevant departments in Hong Kong, the number of tourists to Hong Kong this year will reach 3.5 million persons, an increase of 11 percent over last year. The income from tourism is estimated to be about HK\$16.5 billion. Fifteen percent more than last year. In the first 10 months of this year, the volume of entrepot trade rose by 31 percent and constituted 45.8 percent of Hong Kong's total exports. Among the 10 entrepot trade markets, the volume and increase rate of the entrepot to the market in Chinese mainland ranked the first. What is worth mentioning is that during the first 10 months, there was a surplus of HK\$4,265 million in Hong Kong's import and export trade. This year will be the first year since 1950 when Hong Kong has a trade surplus.

There has been quite a lot of good news about Hong Kong's urban construction this year. After the Hong Kong section of the underground railway opened to traffic, it was decided to build a second cross harbour tunnel and to invite tenders to major projects such as the extension of the container dock at Kwai Chung and the road to Lok Ma Chau. All these have been conducive to Hong Kong's economic prosperity.

In the past year, both the inflation and unemployment rates have been kept at a low level, lower than those last year, but the residents' income and consumption have both risen. This is heartening news.

What is to be of concern is the exports of Hong Kong's manufactured goods. During the first 10 months, the value of exports of Hong Kong's manufactured goods dropped by 7.2 percent over the same period last year. This was the first sign of a fall in domestic exports since 1975. The decline was too great to be ignored. The manufacturing industry has been the most important pillar in Hong Kong's economy. This year, its output value, exports and utilization of capacity were all lower than last year. True, this was caused by such factors as the slowing down of the economy in the United States which is its major export market and the evil impact of protectionism, but it also revealed Hong Kong's weakness in relying too much on European and U.S. markets and a few kinds of major products for its exports.

At present, Hong Kong's manufacturing industry is entering a period of upgrading its products and substituting a new generation of products for old ones (a period of transformation in the pattern of industry). Just as personages in its industrial circles have pointed out: In order to reverse the trend of decline in its exports, in addition to the indispensable necessity to locate more new markets, it is even more important to improve manufacturing technology, and product quality, strengthen product quality, and encourage the diversification of its products. Only by so doing, can Hong Kong improve the competitive edge of its exports and avoid the threat of international trade protectionism.

During the year since Hong Kong entered the transitional period, the political climate has been satisfactory and society has functioned normally. All these and in addition the progress of China's four modernizations have provided extremely favorable conditions for Hong Kong's economic development in the future. As long as Hong Kong grasps this fine opportunity, fully utilizes these advantageous conditions and the situation of foreign businessmen advancing into Asian and Chinese markets, widely absorbs new investment from abroad, encourages the reinvestment of its own industrialists, and continues to introduce from abroad new science and technology and advanced methods of management, there will certainly be new development in Hong Kong's productive forces.

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