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China Report

ECONOMIC AFFAIRS

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8 November 1985

CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

PRC OFFICIALS ON NEED TO CONTROL 'OVERHEATING' ECONOMY

HK181544 Hong Kong AFP in English 1240 GMT 18 Oct 85

/Article by Michele Houx/

/Text/ Beijing, 18 Oct (AFP)--The fourth quarter will be crucial to the consolidation of the good performance shown by China's economy in the first 9 months of the year, People's Bank of China President Chen Muhua was quoted today as saying.

"The good results of the first 9 months of the year would be compromised" with any easing of China's credit and import controls, the ECONOMIC DAILY (JINGJI RIBAO) today quoted Mrs Chen as telling a seminar for Chinese bank officials yesterday.

Meanwhile, the ECONOMIC NEWS (JINGJI CANKAO) today said the State Council had announced that measures to control the volume of bank loans would be strengthened in the last 4 months of this year.

It said the State Council had stressed the need to "severely" control the volume of bank loans and growth of money in circulation.

Sanctions will be taken against banking institution officials who fail to observe lending levels set by the government, and serious violations will be investigated fully, the control said.

The new measures and Mrs Chen's comments followed several remarks by Chinese officials in recent days that indicated that the problems encountered by China's overheating economy have not been resolved, despite countermeasures.

Mrs Chen stressed the need to continue to check foreign trade but added that the capital necessary to realize economic or technological cooperation contracts with foreign partners would be accorded to administrations and enterprises.

Mrs Chen, who recently said China held enough foreign currency reserves to maintain its foreign trade, cited the last officially published figure, in March, of 11.2 billion dollars.

The official New China News Agency (NCNA) has said that the People's Bank of China had given a figure of 10.852 billion dollars in June, confirming a continuing drop since the fourth quarter of last year.

China's reserves registered a drastic 30 percent drop from 16.3 billion dollars at the beginning of that quarter to 11.3 billion in March 1985.

This was due to imports that rose 58 percent in the first 7 months of the year to 21.93 billion dollars against 14.04 billion in exports, a 7.89 billion dollar deficit.

Foreign trade and credit control appear to be the current leitmotifs of Chinese officials and press.

State Councillor Gu Mu raised the foreign reserves problem yesterday but, unlike Mrs Chen, indicated that the reserves were not so abundant.

"China does not have plentiful foreign exchange at present," NCNA quoted him as telling a meeting with Australian lawyers and legal scholars attending a seminar here.

He pleaded for strict control on foreign trade and "reckless" imports of such goods as cars, household electrical appliances and other consumer goods.

The money growth problem has been at issue since Premier Zhao Ziyang earlier this year said that the volume of bank loans had risen 28.9 percent against 1983, with the increase for December alone hitting 48.4 percent.

He had announced a series of economic control measures intended to drop anchor on China's speeding economy. The recent days' accentuation of these problems by Chinese officials and the press indicates that they have not been resolved, Western experts said.

CSO: 4020/42

NATIONAL POLICY AND ISSUES

OFFICIAL SAYS ECONOMY COOLS TO 'HEALTHY' GROWTH

OW221240 Beijing XINHUA in English 1211 GMT 22 Oct 85

/Text/ Beijing, 22 Oct (XINHUA)--China successfully cooled down its overheated economy in the third quarter of this year, and is now enjoying "healthy" economic growth, a state statistical bureau official said today.

Addressing a press conference here, bureau spokesman said that the rapid growth of early 1985 had given way to a coordinated development of production, capital construction and the domestic market.

Since the beginning of this year, he said, the country's agricultural production pattern had been readjusted in line with the state plan.

As a result, the sowing acreage of grain crops and cotton had been reduced, while that of cash crops had increased greatly.

According to initial estimates, this year's output of grain and cotton would be less than last year--when a record harvest was reaped--because of the readjustment of the agricultural structure and natural disasters.

Meanwhile, the output of oil-bearing crops, sugar, hemp, tobacco, meat, milk and aquatic products were all likely to increase.

So despite the reduction in sowing acreage of grain and cotton, the gross output value of agriculture this year was still expected to surpass last year's.

Ma said that in the first 9 months of this year the growth of light industry had surpassed that of heavy industry.

The output value of light industry totalled 306.1 billion yuan, an increase of 23.6 percent over the corresponding period last year, while heavy industry output was worth 308.1 billion yuan, 18.7 percent more than the same period in 1984.

Output of heavy industrial products, especially machinery, fell, while light industrial production, especially of consumer durables, registered a fairly large increase.

The energy and raw materials industries developed steadily. From January to September, primary energy production was equal to 620,490,000 tons of standard coal, an increase of 10.8 percent over the same period last year. The production of steel, cement, plate glass and soda ash also showed steady growth.

In the first 9 months, profits and taxes of enterprises covered by the state budget totalled 87.88 billion yuan--16.1 percent more than in the same period last year.

Ma said construction of key state schemes had been accelerated. Of the 169 key schemes set for this year, 14 comprehensive projects and 24 single-item projects had been completed and put into operation.

Their completion had given the country extra production capacity of 71.4 billion barrels of crude oil, 60,000 tons of processed sugar, 1.25 billion kwh of electricity and another 20.3 billion tons of port-handling capacity.

CSO: 4020/42

PROVINCIAL AFFAIRS

INFLATION ACCELERATES AS CAPITAL CONSTRUCTION SHRINKS

Hefei ANHUI RIBAO in Chinese 19 Jul 85 p 4

[Article: "An Analysis of and Countermeasures for Anhui's Latest Economic Development Tempo"]

[Text] In the first half of this year, the economic development situation of Anhui, like that of the whole nation, progressed by leaps and bounds. From January to May, the gross industrial output value of the entire province increased by approximately 27 percent, revenues grew by 27.6 percent, and total sales of commodities in society soared by 29.4 percent, as compared with the same period of last year. The factors leading to Anhui's relatively fast economic development in recent days, the normality of this high-speed growth, the problems cropping up and the countermeasures needed to solve them, all these are the questions that have generated a universal concern among the people.

Anhui's speedy economic development in recent days is the result of a whole compound of factors, notably: the weak industrial base of Anhui, with its low starting point, presents by contrast a growth of relatively great magnitude; the completion of large-scale capital construction and technological reform, with their functions being gradually brought into play, injects a new motivating force into the economic growth; the increase in market needs generates expansion in production and stimulates growth in the economy; the rise in prices of some of the means of production makes some enterprises resort to acts of buying and selling at higher prices, thereby boosting output value and sales revenues.

In the course of implementing the reform and enlivening the economy, it is very natural that Anhui's economy has recently developed at a relatively fast pace, which is indicative of an improvement in the various aspects of relations of economic construction in the province. Nevertheless, one must clearly see that the cause of high-speed economic growth consists of some abnormal factors, and that economic construction is still beset with some problems.

First and foremost, there still exist problems of overexpansion of investment and excessive growth of consumption funds. According to statistical figures of the departments concerned, as of the end of May, Anhui's projected capital

construction was completed at only 28.16 percent of annual plans, whereas outlays not listed in plans went up by 95.7 percent over the same period of last year; capital construction financed by self-provided funds increased by 97.5 percent, whereas capital construction loans soared by 270 percent, as compared with the same period of last year. The excessive magnitude of capital construction not listed in plans and the overexpansion of construction fronts have resulted in shortage of "three categories of materials," rising prices, ballooning project costs, and swelling wage outlays, which are being transformed into consumption funds pounding at the markets. And the consumption funds are still increasing fiercely. In the first half of this year, cash outlays for wages in the whole province shot up by more than 25 percent and administrative expenditures of government agencies jumped by 55 percent, as compared with the same period of last year.

Second, in spite of a proposition of the central authorities to tighten money supply, most credits have still not been placed under control, the withdrawal of currency from circulation remains slow and it even moves in the opposite direction, and the growth of paper money in the markets continues. Loans for agriculture in the first half of this year exceeded the controlled target of the whole year sixfold; loans for collective enterprises in cities also increased tremendously, up 17 percent by the end of June as compared with the end of last year.

Third, irrespective of a full-fledged development of industrial production and a basic harmony in the ratio between light industry and heavy industry, there still exists a problem of industrial structure and product composition not in keeping with the pattern of market needs. For example, the processing industry represented by machinery and electronic industries achieved a growth of 47 percent and 56.5 percent, respectively, in output value between January and May, whereas the raw and processed material industry represented by metallurgical and chemical industries attained a growth of only 10 to 12 percent, and electric power grew by only 16 percent too. The speed of development of transportation and communications also lags far behind that of the processing industry. In addition, the rivalry between production and capital construction--for energy, for raw and processed materials, for transportation--has further aggravated the shortages of energy raw and processed materials for industries and products in short supply.

Four, the pace of economic growth and the speed of increases in economic results are both saturated with "moisture content"--inflated figures. True, statistical figures have shown a basic realization of synchronous growth in revenues and output value, but this is still not a solid basis for concluding that the national economy is developing in harmony, that the right kind of marketable products are being manufactured, and that economic results are in good shape. For gross output value is computed in the light of constant prices, whereas revenues can only be calculated on the basis of current prices, and this is why there has existed in reality a matter of "inflated revenues." As is shown in the index of the constant total costs of the state-run enterprises and in the index of the average utilization rates of the fixed circulating funds listed in the budgets in the first half of this year, the problem of poor economic returns caused by growth of input volume

outpacing growth of output volume has become magnified. And particularly worthy of attention is that as a result of booming market purchasing power and market demand exceeding supply, the problem of a decline in the quality of some products still lies concealed. A random sampling inspection of 9 major categories of products conducted recently by the departments concerned shows the result that there are as many as 7 major categories of products that measure up to only 50 percent of the standards of qualified products. Once changes have taken place in the relations of supply and demand, the problem of slow selling and overstocking of products will become inevitable.

The above analysis makes it clear that economic construction in Anhui is indeed beset with some problems, and that there really is a trend of developing the economy at an excessively fast pace. To cope with these problems, we deem it necessary to adopt the following countermeasures:

Slow down appropriately the pace of economic growth, rationalize and harmonize the various aspects of tense economic relations. It goes without saying that a national economy growing at a relatively fast pace is a good thing, for it strengthens Anhui's national economic muscle and provides a reliable material guarantee for improvement of the people's standard of living. However, if the pace of growth is too fast, thereby creating tension in economic relations, dislocation in proportion of economic structure, and decline in economic results, it is then necessary to put timely and effective control into effect. Because a key factor of the current excessively high speed of economic growth is that general demand has exceeded general supply and thus stimulated development of production, and because excessively high general demand is caused mainly by inflation of investments and consumption funds, it is therefore necessary that a short-term countermeasure for keeping a fast-growing economy under control be targeted primarily at establishing rigid control over the magnitude of capital construction and consumption funds and at resolutely doing a good job in economic system reform. Only by moving along this line can a basic solution to the problem of "two inflations" be achieved.

Control effectively the magnitude of credits and loans as well as the issuance of currency into circulation, organize energetically a withdrawal of currency from circulation. The excessively fast economic growth created by "two inflations" has had a direct relationship to loss of control over the magnitude to credits and loans as well as the putting of an excessive amount of currency into circulation. Therefore, to maintain a reasonable and appropriate growth in Anhui's present-day economic development, it is necessary to effectively control the magnitude of credits and loans as well as the pumping of currency into circulation. It should be recognized that a key factor of the recent instability in market prices is the irrational flow of currency into circulation, thereby producing "moisture contents" in the growth of output value and revenues. We believe that in order to stabilize commodity prices it is necessary to tighten up control over commodity prices, but the focal point lies in controlling the currency put into circulation and in preventing inflation of credits and loans. To effectively control the magnitude of credits and loans and the currency put into circulation, it is essential to release credits and loans in rigid compliance with controlled targets. Rural and small town enterprises as well as urban and rural collective enterprises,

in acquiring future loans for use as circulating funds, must definitely possess 30 to 50 percent of self-provided funds in proportion to the amount of loans they get. The second half of this year is a busy trading season, which requires that in the work of withdrawing currency from circulation, we must lay a firm hold on collection of tax revenues, on recall of loans from cities and villages, on promotion of savings deposits, and on recouping of other credits, besides heating up an expansion of sales of commodities. Meanwhile, banks must also intensify supervision of and establish rigid control over irrational cash payments.

Adjust the structure of industries and the composition of products, continue to rationalize and harmonize economic relations. We believe, in light of the new situation of economic development, that a new adjustment of the economy is inevitable. This new adjustment is aimed mainly at adapting the structure of production to the pattern of social needs, thereby realizing a new equilibrium in the macrostructure of the national economy. This is precisely a principal content of macrocontrol over the national economy in the future. Proceeding from Anhui's realities, a major emphasis of the near-term adjustment of industrial structure and product composition should be placed on development of the right kind of marketable products, on creation of famous-brand and high-quality products, on promotion of new products, and on technological reform. It is necessary to go through this adjustment in achieving an equilibrium of Anhui's economic structure, in rationizing and harmonizing economic relations, in upgrading economic results, thereby making it possible for a high tempo to be established step by step on a relatively solid foundation and for Anhui's economic construction to maintain a stable, balanced, and sustained development.

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RURAL ENTERPRISES IMPORTANT TO RURAL ECONOMY

Hefei ANHUI RIBAO in Chinese 28 Jul 85 p 1

[Article by Shi Jian [4258 6432]: "Anhui's Rural and Small Town Enterprises Maintaining Sustained and Steady Development"]

[Text] In spite of the impact of a tightening of credits, the rural and small town enterprises in Anhui have continued to maintain an excellent situation of sustained and steady development since the beginning of this year, as a result of the deep concern shown by the leadership at all levels, the energetic support of the various departments concerned, the enthusiastic efforts of the departments supervising the rural and small town enterprises, the various aspects of solid work accomplished with initiative, and the charting and implementation of plans at an early date.

In the first half of this year, rural and small town enterprises throughout the province achieved an all-round development, with a synchronous growth in number, output value, tax and profit. From January to June, the number of these enterprises in the whole province grew to more than 739,000, up 311,000 over the end of last year; output value realized shot up to 4,005,120,000 yuan, up 146 percent over the same period of last year; profits gained in the January-May period amounted to more than 363 million yuan, up 147 percent over the same period of last year; taxes turned over to higher authorities reached 994.4 million yuan, up 150 percent over the same period of last year; taxes turned over to higher authorities reached 994.4 million yuan, up 150 percent over the same period of last year. Tasks were best accomplished in Suxian Prefecture, where the total output value of the rural and small town enterprises realized in the first half of the year amounted to 346 million yuan, representing 69 percent of the year's planned output value.

Of the rural and small town enterprises, family-run enterprises and multifamily-run enterprises grew at an accelerated speed. From January to June, the number of family-run enterprises and multifamily-run enterprises soared to more than 678,600, with a realized output value of over 1.88 billion yuan, an increase of 255.7 percent over the same period of last year, accounting for 44.5 percent of the total output value of all rural and small town enterprises throughout the province in the same period. Developing at a relatively fast pace were Wuhu County, Xuancheng County, and Ma'anshan City, which achieved a growth of over 100 percent, as compared with last year.

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HUNAN: LEGAL MEASURES IN ECONOMY--To meet the needs of the overall reform of the economic structure, on the basis of some 20 economic decrees and regulations formulated last year, the provincial people's government is now formulating and perfecting various economic decrees and regulations in an all-round way so as to have laws to abide by and regulations to follow in economic work. On 4 October, provincial Governor Xiong Qingquan wrote an instruction on a report by the laws and regulations section of the provincial government's general office on the economic laws system in the province and on a plan for formulating local economic laws and regulations. In the instruction, the governor wrote that the problem of how to apply legal means to control the economy is new to us, but we must learn how to use this means; otherwise it will not be beneficial to the healthy development of the economy. [Text] [Changsha Hunan Provincial Service in Mandarin 2300 GMT 14 Oct 85 HK]

IMPROVEMENTS IN NORTHWEST REGION--Beijing, 22 Oct (XINHUA)--Conditions have improved in a poverty region in northwest China since the region was declared a key agricultural development area in 1982. The PEOPLE'S DAILY today described the improvements in food availability, energy supplies, and fertilizer in the 26 counties in Gansu province and the neighboring Ningxia Hui autonomous region. A state council agricultural construction meeting held in Dingxi, one of those counties, affirmed the success of the past 3 years in the region where the people only grew grain and relied mostly on state relief. The state has allocated a great amount of money to the dry region over the past 3 years, the local people have planted 667,000 hectares of grass and 400,000 hectares of trees, almost twice the area planted from 1949 to 1981. Eighty-one pumping and other irrigation projects have been built, bringing 55,000 more hectares of farmland under irrigation. The local people also reclaimed 78,000 hectares of wasteland. As a result, the poorest 26 counties reaped an average of 300 kg of grain per capita last year. The number of cattle, horses and donkeys went up eight percent compared with 3 years ago and the number of sheep and pigs also increased. Other industries such as mining, processing and building materials have also been developed. During the 3 years, the state relocated 130,000 people out of the areas of extreme poverty and resettled them in more prosperous areas. /Text/ /Beijing XINHUA in English 1055 GMT 22 Oct 85/

CSO: 4020/42

ECONOMIC DEVELOPMENT ZONES

ACHIEVEMENTS IN DALIAN ECONOMIC ZONE AFTER FIRST YEAR

SK160757 Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 14 Oct 85

[Excerpts] By 15 October, the construction of the Dalian economic and technical development zone will have been carried out exactly 1 year. Over the past year, the construction rate of the development zone has steadily increased and the work of external imports and internal cooperation has greatly progressed.

The Dalian economic and technical development zone is the first of its kind approved for construction by the State Council. In the principle of acting according to capability and taking vigorous and reliable steps, and adhering to the principle of building up and scoring in every tract of land, and developing further, more than 155 million yuan in building basic facilities has been invested in the Dalian economic and technical development zone. At present the construction of the basic facilities in the development zone is in its early stage. The rain drainage pipes in the five main roads with a total length of 30 km and four sewers have been basically built in the development zone. The 5-km-long floor drainage duct has been put into operation. The 14-km-long asphalt road encompassing an area of 210,000 square meters has been built, forming a network-like traffic capability. The main part of the first-stage construction of the water purification plant has been completed. Efforts are now being made to install equipment. Construction of the liquefied gas station project was built and 10 gas tanks each with a capacity of 100 cubic meters were installed. The construction of the 64-km-long power transmission line was completed. The trial operation of the installed equipment in the substations was ended. The substations now are capable of supplying electricity. The comprehensive industrial and residential areas have installed eight boilers. And about one-third of the telecommunications networks have been built. Some 9,000 square meters of residential houses were built and a part of them have been put into commission.

In addition to grasping the construction of the basic facilities, Dalian economic and technical development zone has vigorously developed external economic cooperation through various forms of activities and channels, strengthened cooperation with the northeast region, and opened up new prospects in imports from other provinces and in internal cooperation. Over the past year this economic zone has established ties with many foreign firms from Japan, West Europe, North America, and Southeast Asia. Some 490

groups composed of foreign traders totaling more than 3,200 persons from 29 countries and regions and some 1,550 groups of domestic traders totaling 28,800 persons went to the development zone for visits and trade talks. By the end of September, some 136 contracts were signed with a total investment of 1.5 billion yuan, of which some 98 items were joint ventures and cooperative projects between China and foreign countries, compensation trade, and technological imports with a total investment of \$200 million. In addition, some 16 agreements were signed. Of the 8 joint venture contracts signed, 6 projects were initiated. The construction of another four internal cooperative projects will be initiated within this year.

CSO: 4006/128

ECONOMIC DEVELOPMENT ZONES

BRIEFS

GUANGDONG ECONOMIC ZONE TOWNS--The Guangdong provincial government has designated 59 towns as the first batch of key industrial satellite towns in the Zhujiang Delta economic open zone. These are in addition to the Foshan, Jiangmen, and Zhongshan city areas and the urban areas of 13 county seats in the zone, which are permitted to arrange their production of trade and develop exports. These towns, which will receive favored treatment in taxation and loans, are located in Zhongshan City and Nanhai, Shunde, Gaoming, Xinhui, Taishan, Kaiping, Heshan, Enping, Panyu, Baoan, Dongguan, and Zengcheng counties. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 14 Oct 85 HK]

HAINAN ECONOMIC, TECHNOLOGICAL COOPERATION--Over recent years, Haikou City and all counties in Hainan Region have vigorously carried out economic and technological cooperation with various places in the country. By the end of June this year, 405 cooperation contracts had been signed and funds of 297.54 million yuan and \$74.32 million had been introduced from outside the island. Of these contracts, 242 are being carried out or will be carried out. The number of items which have been put into operation which have opened to business is 112. They have utilized funds of 144.17 million yuan and \$34.88 million from outside the island. These items encompass the chemical industry, machinery, electronic industry, building material industry, light industry, textile industry, food industry, construction, commerce, and trade. [Summary] [Haikou Hainan Island Service in Mandarin 0400 GMT 7 Oct 85 HK]

CSO: 4006/139

BRIEFS

ZHEJIANG TECHNICAL RENOVATION--Zhejiang Province has earmarked 1.24 billion yuan for technical renovation in 1985, up more than 50 percent from 1984. From 1980 to June 1985, the province carried out 2,251 technical renovations, involving 3.6 billion yuan. [Summary] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 28 Sep 85 OW]

CSO: 4006/138

ECONOMIC MANAGEMENT

STATE ENTERPRISES URGED TO TAP POTENTIAL

Hefei ANHUI RIBAO in Chinese 20 Jul 85 p 1

[Commentary: "Let Enterprises Absorb Unfavorable Elements"]

[Text] After prices were turned loose, there has emerged an upswing in the prices of some raw and processed materials, and that has brought unfavorable elements into some enterprises. A correct attitude should be one of transforming pressure into a motivating force, strengthening the vitality of enterprises, surmounting difficulties of all descriptions, and having unfavorable elements absorbed into enterprises.

It is necessary to realize that the management level and the economic results of many enterprises in Anhui are lower than the national average, and that the disparity is even much greater in comparison with the advanced level. Last year, for example, the full-time labor productivity of Anhui's public enterprise, calculated on an average per capita basis, was more than 1,400 yuan below the average national level; the profits and taxes generated by each 100 yuan were more than 5 yuan less than the national average; the turnover of circulating funds was over 10 days behind the national average.... This is our disparity, and this is our potential too. We must dig out the causes and unearth potential from within enterprises. It is by improving management and operations, stepping up technological reform, enhancing labor productivity and upgrading product quality, reducing costs, earning small profits but gaining quick turnover, practicing austerity as well as implementing and perfecting the various types of economic responsibility systems within enterprises, and other measures, that the enthusiasm and creativeness and a spirit of being the master of one's own affairs can be further aroused and brought into full play among the masses of workers and staff, thereby making it possible for enterprises to digest their unfavorable factors. Recently, a proposition was set forth in Dun Xi City that calls on enterprises to draw funds from warehousing, accounting, management, operating and policymaking quarters. Through tapping potential the city is expected to gain an additional fund of more than 15 million yuan. This is a very good practice worthy of being learned and used for reference.

12315

CSO: 4006/903

ECONOMIC MANAGEMENT

XINHUA INTERVIEW ON TAXATION, PRICE INSPECTION

OW180217 Beijing XINHUA Domestic Service in Chinese 1532 GMT 16 Oct 85

[Article by reporter Tian Chuan]

[Text] Beijing, 16 Oct (XINHUA)--A responsible person of the State Council's Office on Taxation, Finance, and Commodity Price General Inspection told this reporter today that most units and departments in all localities have already started, and achieved good results in self-inspection for the upcoming general inspection. However, a few units and departments have adopted a wait-and-see attitude. The office on general inspection will take action against them.

The responsible person said: Currently, most enterprises have actively conducted self-inspection and voluntarily paid back taxes. In Anhui Province, 78,800 tax-paying units had conducted self-inspection and voluntarily reported some 41 million yuan evaded taxes and energy and transport construction funds by mid-September, of which 27.27 million yuan had already been paid. The No 2 Textile Mill in Huaibei City voluntarily reported 2.81 million yuan intermediate link product tax and other overdue taxes. In Shandong Province, some 17,000 enterprises had conducted self-inspection and reported over 120 million yuan evaded taxes and energy and transport construction funds by the end of September. Most enterprises in Hunan, Jilin, Beijing, Fujian, and Guangdong have already conducted self-inspection.

The responsible person said: The current self-inspection is only the beginning of the entire general inspection on taxation, finance, and commodity prices. With the idea of leaving things to chance, a few units and departments have failed to conduct self-inspection. The Tobacco Branch Company in Henan's Xuchang prefecture was found by the auditing department to have retained profits and failed to pay taxes totalling 1.16 million yuan last year. It was also discovered that between January and August this year the company retained and misused 4.73 million yuan profits, which should have been turned over to the state.

Turning to the slow action and casual attitude of some large enterprises, the responsible person said: The central authorities are determined to carry out general inspection through to the end. Units and departments

under the central departments, which have so far failed to take prompt action and have not been inspected by the departments in charge before the end of October, must be inspected by work groups sent by local governments, with the emphasis on foreign trade, banks, food departments, industrial and transport enterprises, and various kinds of newly founded companies and centers. Work groups, composed of experienced personnel from various provinces, should be stationed in all central departments to inspect their financial situation.

The responsible person stressed: All units and departments must take the initiative in conscientiously conducting self-inspection. When a problem is discovered, not only must the funds be paid back in full, but also a fine must be imposed. Those who are responsible for the problem must suffer disciplinary action or criminal punishment.

CSO: 4006/138

ECONOMIC MANAGEMENT

HEILONGJIANG MEETING URGES SELF-SUPPORT THROUGH PRODUCTION

SK201327 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 18 Oct 85

[Text] The provincial meeting on self-support through production, which concluded on 18 October, called on all localities in the province to further relax rural economic policies, open up more avenues for production, and make disaster areas help themselves through successful production in the coming winter and spring.

Our province was seriously damaged by floods and waterlogging this year. More than 5,000 villages were flooded, more than 35 million mu of farmland suffered waterlogging, and some 20 counties and towns were inundated. After the disaster, the province immediately launched anti-disaster and emergency rescue work through production. By the end of September, the province had evacuated and settled 447,000 disaster-afflicted people.

In order to sum up and exchange the experiences in tiding over difficulties through production, the provincial government held a provincial meeting in Tanguang County from 15 to 18 October. The participants were introduced to the experiences of Hulan, Tangyuan, and Yilan Counties, and visited (Dongxiang) Village and (Heixinghe) Township of Tangyuan County which had helped themselves through production.

The meeting urged all localities in the province to open up more avenues for production in line with the call of the central leading comrades and the provincial CPC committee, continue to make rural economic policies more flexible, arouse the initiative of the masses in providing for themselves through production, and make sure that the afflicted people have houses to live in, food to eat, clothes to wear, work to do, and books to read. The meeting also urged efforts to prepare next year's production successfully and restore the damage within the year.

(Zhan Yumin), deputy secretary general of the provincial government, spoke at the meeting.

CSO: 4006/138

ECONOMIC MANAGEMENT

FUJIAN CPC MOVES TO CHECK BUILDING OF HOTELS

HK220820 Beijing ZHONGGUO XINWEN SHE in Chinese 0948 19 Oct 85

[Report: "Fujian Resolutely Checks the Tendency To Go Into Headlong Action in Building Hotels"--ZHONGGUO XINWEN SHE headline]

[Text] Beijing, 19 Oct (ZHONGGUO XINWEN SHE)--The ongoing enlarged meeting of the Standing Committee of the Fujian Provincial CPC Committee has adopted a decision to control investments in nonproductive items and to resolutely check the tendency to recklessly start constructing new hotels and lavish buildings. It has been decided that all hotel and commercial building construction projects which have not been started or have just been started not long ago must immediately be stopped, and all hotel and commercial building projects under construction should be reexamined, with just that small number of them which meet the requirements being allowed to continue in good order.

At the meeting, Provincial Vice Governor Cai Ninglin, who is also a member of the Provincial Party Committee Standing Committee, pointed out that many units in the province like those in Fuzhou had view with each other in starting the construction of hotels and commercial buildings on a large scale. This has excessively expanded the scale of capital investment. In particular, many of the construction projects have not been included in the province's economic plan, and they have caused many problems to Fujian's economic construction. First, the projects have gone beyond the financial and material capacity of the province and have caused serious imbalances in the province's economy. Second, the recklessly started projects have affected the smooth fulfillment of key projects designated by the state and provincial authorities.

According to reports, in the capital construction handled by local authorities in Fujian this year, large-scale and medium-sized projects account for merely 25 percent of the total investment, and nonproductive items account for as much as 47 percent of the total investment. The number of new projects started between January and August this year is some 50 percent greater than that in the same period of last year. Projects under construction

number as many as 2,736. Many proposed projects are in fact not urgently needed. For example, Fuzhou City has planned to build 15 new hotels with a total 4,776 rooms or more and 9,100 beds. This would be four times the capacity of all existing hotels in Fuzhou. However, the present average rate of use of the existing hotel rooms in Fuzhou is merely 70 to 80 percent of capacity. Therefore, the construction of the 15 new hotels can be completely postponed or stopped.

CSO: 4006/138

ECONOMIC MANAGEMENT

BRIEFS

COMMISSION CIRCULAR STRESSES PRODUCT QUALITY--Beijing, 17 Oct (XINHUA)--The Shanghai Municipal Furniture Company recently adopted economic sanctions against directors of six subordinate furniture plants for allowing serious degeneration of product quality. In this connection, the State Economic Commission issued a circular, calling on all localities to take decisive measures to correct problems uncovered during the general quality inspection. The State Economic Commission's circular said: It has been 5 months since the nationwide inspection of product quality began. However, a number of plants and factories have so far failed to take any action. All localities must earnestly handle and rectify serious problems brought to light in the general quality inspection in the next 2 months. It is necessary to take strong sanctions against leaders of enterprises who disregard product quality, or even dismiss them from their posts. [Article by reporter Ge Daxing] [Excerpts] [Beijing XINHUA Domestic Service in Chinese 1455 GMT 17 Oct 85 OW]

CONTROLLING RETAIL SALES BOOM--Beijing, 22 Oct (XINHUA)--China's retail sales in the first 9 months of this year soared 27.2 percent over the same period in 1984 to 303.9 billion yuan, the State Statistical Bureau announced today. But the growth rate was slowed in the July-September quarter through measures to control spending and relieve excess market pressure, bureau official Ma An told a press conference here. While retail sales increased by 29.5 percent in the first half of this year, the growth rate dropped to 18.1 percent in September. Consumer durables have been in big demand this year. Sales of televisions, tape recorders, washing machines and refrigerators rocketed by between 60 and 600 percent over the same period last year. Throughout the country, the general retail price level rose by an average of 7.7 percent up to the end of September, but in big cities with more than a million inhabitants, it exceeded 11 percent. Ma pointed out that pay increased faster than the rise in prices. He also announced that savings deposits totalled 150.99 billion yuan at the end of September--29.5 billion yuan more than at the end of 1984, or an increase of 19.5 percent. [Text] [Beijing XINHUA in English 0843 GMT 22 Oct 85]

CSO: 4020/42

FINANCE AND BANKING

FIRST HALF 1985 JILIN TAX COLLECTION OVERFULFILLED

Changchun JILIN RIBAO in Chinese 23 Jul 85 p 1

[Article: "Party Committees and Governments at All Levels Press Taxation Departments To Fully Utilize Economic Levers; Tax Revenue Duties for First Half of 1985 Overfulfilled Throughout Jilin Province; 57.8 Percent of 1985's Planned Tax Revenue Fulfilled for an Increase of Over 198 Million Yuan over Same Period in 1984"]

[Text] Under the leadership of party committees and governments at all levels during 1985, Jilin Province's taxation departments have carried out conscientiously all party and state economic policies, fully developed the role of tax revenue levers, actively supported production development, vigorously organized tax revenue, and instituted fulfilling over one-half of their tax revenue duties in less than half the time [the "double half"].

The total tax revenue collected by Jilin Province's taxation department organizations during the first half of 1985 was 1,511,440,000 yuan. Of this, industrial and commercial tax revenue was 1,048,820,000 yuan. In addition to the factor of the substitution of taxes for profits, tax revenue for the first half of 1985 fulfilled 57.8 percent of the annual plan for an increase of 198.92 million yuan or 25 percent over the same period in 1984. The following are the major characteristics of Jilin Province's tax revenue for the first half of 1985. First, the rate of income was fast, being 6.5 percent faster than that of the historically best year of 1984. Second, the scope of the increase was large, being 13.1 percent higher than that of 1984. Third, the income situation was generally quite good in all areas, with 10 out of 10 prefectures and 45 out of 49 counties and cities throughout Jilin having realized "the double half." Taxation departments at all levels are now stressing the organization of tax revenue and working actively to over-fulfill annual tax revenue plans and realize a basic improvement in Jilin Province's financial and economic situation.

12267

CSO: 4006/32

FINANCE AND BANKING

TAX REVENUE INCREASE IN PROVINCES, MUNICIPALITIES REPORTED

Beijing JINGJI RIBAO in Chinese 6 Sep 85 p 1

[Article: "Overall Tax Revenues Increase; January to July Tax Revenues in Eight Provinces and Municipalities Increase"]

[Text] SHANDONG: During 1985, party and government leaders at all levels in Shandong further strengthened the leadership of tax collection work, improved tax collection organizations and added tax collectors. Income from tax collection department organizations throughout Shandong for the first 7 months of 1985 reached 5.68 billion yuan. Revenue throughout Shandong fulfilled 67.2 percent of the annual budget, which calculated according to comparable specifications, was a 23.5-percent increase over the same period in 1984. Based on unified State Council plans, the provincial government has recently begun a general inspection of tax revenue and financial affairs throughout Shandong.

ANHUI: From January to July 1985, tax collection departments at all levels in Anhui Province collected 2,283,390,000 yuan in tax revenue, which was a 33.31-percent increase or a net increase of more than 570 million yuan over the same period in 1984. Of this, industrial and commercial tax revenue throughout Anhui increased the most and fulfilled plans the quickest, the January to July income being 1,582,480,000 yuan, which was a 41.5-percent increase or a net increase of more than 460 million yuan over the same period in 1984 and fulfilled 64.78-percent of the annual plan. The major reason why industrial and commercial tax revenue was fulfilled well is that the economic results of industrial and commercial enterprise production throughout Anhui were improved. Moreover, it was also due to factors such as substitution of taxes for profits and price increases. Calculated according to comparable specifications, industrial and commercial tax revenue after rejections still increased almost 20 percent over that of the same period in 1984.

YUNNAN: By the end of July 1985, taxes and profits throughout Yunnan Province which were turned over to the higher authorities had topped 960 million yuan, for a 28.7-percent increase over the same period in 1984. But some problems still exist, the major ones being that owed tax and profit payments are quite serious, having reached 48.35 million yuan by the end of July, and that deficits have not been redressed well.

LIAONING: By the end of July 1985, Liaoning revenue had reached 4.91 billion yuan or 70.4 percent of the annual budget, an increase of 18 percent over that of the same period in 1984. Of this, industrial and commercial tax revenue had reached 4.84 billion yuan or 62.2 percent of annual income plans and a 28-percent increase over the same period in 1984. But overall industrial product costs were 5.5 percent higher than those of the same period in 1984 and households with losses increased 6.8 percent.

BEIJING: Local revenue in Beijing Municipality from January to July 1985 reached 3.17 billion yuan, which was a 22.1-percent increase over that of the same period in 1984 and fulfilled 70.2 percent of the annual budget. Profits and taxes turned over to the higher authorities by industrial enterprises are the major part of Beijing Municipality's revenue. The budgeted profits and taxes realized by state-owned industrial enterprises for the first half of 1985 reached 2.04 billion yuan, which was a 24.4-percent increase over that of the same period in 1984 and higher than the increase in gross output value. Industrial enterprises with outstanding increases in economic results were the Industrial Automobile Corporation which turned over 122.41 million yuan to the state for an 80.4-percent increase over that of the same period in 1984 and the Capital Iron and Steel Company which turned over 338.99 million yuan to the state for a 13.2-percent increase over that of the same period in 1984. Due to the restrictions of various factors, the economic results of some units were not as good as those of the same period in 1984. Since some products did not sell well, the profits and taxes turned over to the state by the Industrial Computer Corp during the first half of 1985 decreased 9.4 percent as compared with the same period in 1984 and profits kept by the enterprise also decreased.

HUNAN: By the end of July 1985, Hunan industrial and commercial tax revenue had reached 2,179,720,000 yuan or 69 percent of the annual plan set by Hunan and a 32-percent increase over that of the same period in 1984.

The following are major reasons why tax revenue was fulfilled well. Industrial production continued to increase and the gross industrial output value for the first half of 1985 increased 21 percent over that of the same period in 1984. Town and country markets prospered, commercial buying and selling was brisk and there was a large increase in business taxes. Certain newly imposed tax categories increased tax revenue somewhat. Initial success was achieved in the work of ferreting out tax evasion. Tax collection departments investigated over 69,000 state-run and collective enterprises and individual industrial and commercial households during the first half of 1985 and discovered that 78 percent of them had engaged in tax evasion activity, which topped 59 million yuan in evaded tax payments.

SHANGHAI: Shanghai's revenue for January to July 1985 reached 10,859,000,000 yuan, which was an 18.1-percent increase over the same period in 1984 and a 14.3-percent increase compared to 1984 specifications. The major reason why revenue was fulfilled well is that all tax revenue continued to increase. All industrial and commercial tax revenue for January to July 1985 reached 6,027,000,000 yuan, which was 55 percent of all revenue and a 38.3-percent increase over that of the same period in 1984. Of this, industrial and commercial income taxes reached 1.11 billion yuan or a 49.8-percent increase over the same period in 1984 and newly imposed state-run enterprise bonus taxes topped 55 million yuan. During the first 7 months of 1985, there was also a large increase in commercial enterprise commodity sales, gross profits rose, central grade-1 stations were transferred to lower levels and there was a large increase in profits turned over to the higher authorities. Profits turned over to the higher authorities by commercial enterprises from January to July 1985 increased 83.9 percent over that of the same period in 1984.

SHAANXI: By the end of July 1985, taxes and profits turned over to the state by Shaanxi had topped 1.08 billion yuan, which fulfilled 73.16 percent of the annual budget and was an increase of over 136 million yuan or a 14.39-percent increase over the same period in 1984. Of this, state-run enterprise income taxes topped 253 million yuan and industrial and commercial income taxes topped 63 million yuan, constituting an 80.26-percent and 77.92-percent of the annual budget and being 15.32-percent and 3.57-percent increases over that of the same period in 1984, respectively.

Since the beginning of 1985, Shaanxi tax collection departments have stressed the organization of income, strengthened collection management work, cleared up delayed payments vigorously, launched a general tax payment investigation and promoted increased tax and profit collection vigorously. Based on incomplete statistics, over 25 million yuan in owed taxes and evaded tax payments have been investigated, cleared up and collected throughout Shaanxi during the first half of 1985. The provincial party committee and the provincial government have also issued recently an urgent joint circular asking all areas to do a better job of the work of increasing income and economizing on expenses in order to ensure that the financial budget is realized successfully.

12267

CSO: 4006/32

FINANCE AND BANKING

VISA INTERNATIONAL BOARD MEETING OPENS 15 OCTOBER

OW150857 Beijing XINHUA in English 0726 GMT 15 Oct 85

/Text/ Beijing, 15 Oct (XINHUA)--Visa International Inc, one of the world's leading credit card and travellers check groups, opened its board meeting here in Beijing today. Headquartered in San Francisco, Visa International is composed of over 10,000 banks in 165 countries and regions. It has 3.7 billion agents and about 104 million cardholders.

The Bank of China, the state foreign exchange bank, signed agreements with the Bank of East Asia Ltd and the Hong Kong and Shanghai Banking Corp, both based in Hong Kong, to handle Visa credit cards and direct purchase beginning in 1981 and 1982. Now 70 domestic branches and subbranches of the Bank of China and 300 hotels and department stores in China catering to overseas clients honor Visa credit cards and handle direct purchase. Over 600 domestic agents handle cash payments for Visa travellers checks and 40 branches and subbranches sell the travellers checks.

The Nanyang Commercial Bank Ltd, Hong Kong, a member of the Bank of China group in Hong Kong, was admitted into Visa International in 1983. It began issuing Visa travellers checks denominated in Hong Kong dollars in June the following year, together with Heng Sheng Bank of Hong Kong. Bu Ming, chairman of the Board of Directors of the Bank of China in his speech at a reception hosted by the bank to mark the board meeting, said that the choice of Beijing as the site of the board meeting by Visa International would surely promote exchanges between the bank and Visa and encourage mutual business cooperation.

MasterCard International Inc, another leading credit card group, sponsored an international bank card conference in Beijing last month.

Though China's credit card and travellers check services just started a few years ago, business volume has been growing rapidly. The 1984 figure was double 1983's and the volume will be even greater this year, according to Bank of China officials.

CSO: 4020/46

FINANCE AND BANKING

BRIEFS

GUANGDONG REVENUE COLLECTION UP--The reporter has learned from the 15th Session of the Standing Committee of the Sixth Provincial People's Congress which was held on 22 August 1985 that Guangdong Province's 1985 revenue situation has been gratifying. Revenue throughout Guangdong Province for January to July topped 4.055 billion yuan or 80.31 percent of the annual budget of over 5.05 billion yuan which was passed by the Third Session of the Sixth Provincial People's Congress. According to fixed specifications, this was an increase of over 758 million yuan or 28.33 percent over that of the same period in 1984. Of this, all tax revenue fulfilled 74.82 percent of the annual budget for a 49.92 percent increase over that of the same period in 1984. Of 14 cities, prefectures and autonomous prefectures throughout Guangdong Province, the locality with the best revenue fulfillment from January to July was the city of Guangzhou, which increased income over 353 million yuan over the same period in 1984. The cities of Shenzhen and Zhuhai were next. [Text] [Guangzhou GUANGZHOU RIBAO in Chinese 23 Aug 85 p 1] 12267

MORE RURAL HOUSEHOLDS BUYING INSURANCE--Beijing, 21 Oct (XINHUA)--Over 10 million rural households have purchased insurance since the People's Insurance Company of China reopened for business in 1979, a company official said here today. About 4 million urban households are also insured, the official said. The country's domestic insurance industry was suspended during the 1966-1976 turmoil of the "cultural revolution." The official noted that the farmers insured their property for more than 20 billion yuan, indicating increased rural prosperity. Over 200 million yuan are estimated to be paid by insurance to the victims in China's three northeast provinces to help them rebuild their homes after they were destroyed by typhoons and floods. An estimated total of over 290 million yuan will be paid out in claims for losses caused by storms, floods, hailstones, and mud-rock flows since May of this year in three cities and nine provinces, including the three northeast provinces, the official said. /Text/ /Beijing XINHUA in English 0856 GMT 21 Oct 85/

CSO: 4020/46

INDUSTRY

SCHOOL-RUN INDUSTRIES BOOST PROFITS, OUTPUT VALUE

Changchun JILIN RIBAO in Chinese 27 Jul 85 p 1

[Article by Xiao Ying [5135 3841]: "Output Value and Profits of Jilin's School-Run Industries Exceed Goals by More Than 50 Percent"]

[Text] Beginning this year, in line with the needs of industrial system reform and educational system reform, the school-run industries in Jilin have continuously strengthened enterprise management and enthusiastically unfolded economic coordination. In the first half of this year, an excellent momentum topping output value and profits by "going over 50 percent" was attained. Industrial output value and realized profits accounted for more than 65 percent of the year's planned targets. Reform has brought vitality to the part-work and part-study system.

Ever since last year, the school-run companies in all municipalities and prefectures and counties throughout the province have integrated themselves with the distinctive features of the school-run enterprises and carried into effect a whole series of reforms. By extensively carrying out simplification of administration and delegation of power to the lower levels and by implementing the economic responsibility system, the initiative of the enterprises has been expanded and their enthusiasm aroused. In the first half of this year, as many as 112 new school-run factories were established in the Changchun area. A vast majority of the prefectures and counties in Jilin have focused their attention on bringing local superiorities into full play and on relying upon the existing industrial base as a means of building up horizontal economic relations. The Jiutai County No 30 high school and the ninth designing office of the Changchun Institute of Optics and Precision Instruments have linked up in producing mobile floors for electronic machinery engine rooms, thus earning 12,000 yuan in profits. In the first half of this year, the various school-run factories in Jilin also implemented extensive control over targets and got a good grasp on quality of products. And consolidation was already completed in more than 80 percent of the school-run factories in the entire province. After consolidation, a school-run company of the Jilin Municipal Paper Mill accomplished 6.36 million yuan in output value during the first half of this year, and it accomplished the tasks of a whole year in 6 months. A boiler plant of the Changchun cultural and educational system, after having been checked and accepted as a qualified plant, has turned out to be a grade-A plant in Chaoyang Prefecture.

12315

CSO: 4006/903

INDUSTRY

BEIJING DEVELOPMENT IN CHEMICAL INDUSTRY

SK110415 Beijing City Service in Mandarin 1000 GMT 29 Sep 85

[Excerpts] During the implementation period of the Sixth 5-Year Plan, the chemical industrial enterprises throughout the municipality have made steady progress in production by actively introducing advanced foreign technology, and conducting technical renovations and readjustments step by step. In the first 8 months, their imported technology and equipment realized 82.3 million yuan of output value, accounting for 46.9 percent of the net output value increase scored by these enterprises.

Since 1980, the chemical enterprises throughout the municipality have successively suspended the operation of 19 sets of equipment that have caused serious pollution in order to improve the outdated chemical industrial plants, to curtail pollution as much as possible, and to lower the consumption of energy resources. Meanwhile, they have imported from foreign countries 53 sets of equipment and technology that will play an important role in eliminating the three major sources of chemical industrial pollution in the municipality, in turning out 35 new products, and in invigorating the 4 enterprises to transfer their production. At present, the 25 imported equipment and technology have turned out beneficial results.

In utilizing the imported equipment and technology, the enterprises under the municipal chemical industrial general company have paid great attention to economic results. They have assigned experts in setting up the imported equipment or applying the imported technology and carried out the programs of scientific research, product popularization, and capital construction simultaneously. They have succeeded in shortening the construction period, attaining high rate of achievements, and in achieving rapid economic results.

CSO: 4006/108

INDUSTRY

NEI MONGGOL ACHIEVEMENTS IN COAL PRODUCTION REPORTED

SK100225 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 3 Oct 85

[Text] Over the past few years, our region has achieved more rapid development in coal production. At present, the region has nearly 1,300 large and small enterprises engaging in coal production. Of these enterprises, 8 collieries are owned by the state, with their products governed by the state unified plan, and have 24 subordinate mines; 81 state collieries are run by the local units; and more than 1,200 collieries are run by the townships or towns. The 87 collieries of the region have the annual per-pit output of more than 30,000 tons.

According to statistics, the state collieries whose products are distributed by the state unified plan have more than 70 sets of coal cutting machines. Collieries run by local units also have equipment with installed capacity of 20,000 kilowatts. At present, the regional coal industrial front has established a large contingent of 160,000 staff members and workers in its departments of geological prospecting projects, scientific research and design, production and construction, culture and education, and public health. As of the end of 1984, the region overfulfilled the investment targets set forth by the Sixth 5-Year Plan in coal production and capital construction.

During the period, the region has newly built 15 collieries and a coal-dressing plant capable of dressing 900,000 tons of coal annually. Since early this year, collieries whose products are distributed by the state unified plan have earnestly implemented the contract systems for the coal production front. A large number of collieries have also enforced the economic responsibility systems related to fund raising and bonus distribution and the system of having the colliery chief in charge. The enforcement of these systems cropping up in the drive of conducting reforms has accelerated the pace of encouraging enterprises to conduct self-improvement, expansion, and technical renewal, and has laid a dependable foundation for fulfilling the Seventh 5-Year Plan.

CSO: 4006/108

INDUSTRY

GUANGDONG OIL CORPORATION TO INVEST IN EXPANSION

HK090044 Beijing ZHONGGUO XINWEN SHE in Chinese 1300 GMT 4 Oct 85

[Text] Guangzhou, 4 Oct (ZHONGGUO XINWEN SHE)--Beginning this year, the Maoming Petroleum Industrial Corporation will invest 596 million yuan in capital construction and technical innovations for the purpose of developing crude oil quality processing, improving the quality of products, and building the city into a modern export base for oil products. The investment will be completed over 6 years.

A report in NANFANG RIBAO said that beginning this year, the Maoming Petroleum Industrial Corporation will transform its present equipment and install a series of new oil refining equipment. Projects listed in the first construction batch are as follows: Heavy fraction equipment with an annual output of 400,000 tons of gasoline and alkylation equipment with an annual output of 60,000 tons of [word indistinct] for the purpose of increasing the production of top quality gasoline; a second set of catalytic cracking and gas separating equipment with an annual processing capacity of 800,000 tons of heavy oil, for the purpose of increasing the production of light oil products and liquefied petroleum gas as well as providing raw materials for the petrochemical industry; and hydrofining equipment with an annual processing capacity of 400,000 tons of kerosene, for the purpose of improving the quality of aviation kerosene; and hydrofining equipment with an annual processing capacity of 100,000 tons of paraffin wax. The construction of these projects will help improve the production skills and economic results of the corporation. By 1990, the corporation will be able to process 6 million tons of crude oil, export 1.6 million tons of oil products, increase its gross annual industrial output value from the present 1.2 billion yuan to 1.88 billion yuan, and increase its profit and tax delivery base from the present 500 million yuan to 850 million yuan.

CSO: 4006/108

INDUSTRY

GUANGDONG TEXTILE PRODUCTS ENTER INTERNATIONAL MARKET

HK140328 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 11 Oct 85

[Text] The textile industry in Guangdong has established the strategic thinking of producing products that can enter the international market. Over the past 6 to 7 years following the 3d Plenary Session of the 11th CPC Central Committee, Guangdong has exported on a large scale its knitwear, cotton textiles, linen fabrics, and silk fabrics, thereby putting an end to the past situation of only selling such semifinished products as cotton yarn and bolts of cloth. Judging from the state as a whole, the development of Guangdong is quite rapid and worth being praised.

This was said by a responsible person of the Ministry of Textile Industry at the national textile industry forum for China's open coastal cities and special economic zones, which was held in Foshan city.

In the past, most of the province's textiles exports were cotton yarn and bolts of cloth, or mainland Chinese textiles which had undergone simple processing. These products did not enjoy high prestige in the international market. In 1982, the Guangzhou Cotton Mill No 1 produced the cloth for jeans as well as jeans. The mill sold the products in Hong Kong, Macao and places in America. Eventually, the foreign businessmen who had long-term business relations with the mill in cotton yarn sales switched to the jeans business.

The Guangzhou (Yongcai) towel factory only produced simple colored towels at the start. Each dozen of the towels was only worth \$11. Since the beginning of this year, the factory has employed new technology to produce printed towels and the worth of the products increased to \$18 per dozen. Moreover, there has been great market demand for the factory's products.

CSO: 4006/108

INDUSTRY

BRIEFS

HEILONGJIANG TEXTILE INDUSTRY--At present, Heilongjiang Province has more than 2,000 kinds of textile products and has brought into full play the province's strong points of wool, flax, and petrochemical fibers. The province's capability of textile products has surpassed the figure of 650,000 spindles. The province is expected to realize 2 billion yuan in total textile industrial output value this year, surpassing the 1980 figure by more than 100 percent. As of now, 6 provincial textile products have won national gold or silver medals for fine quality and 185 products have been appraised as fine quality by the provincial authorities or the departments concerned. [Summary] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 26 Sep 85 SK]

LARGEST SODA PLANT--Shouguang County in Shandong Province has won the state bid to build the largest soda plant in the country. A signing ceremony of the agreement was held on the morning of 11 September, in which Ma Shizhong, vice governor of the province, and Wang Min, vice minister of chemical industry, signed the agreement on behalf of the province and the ministry. The plant will be located in the area near to the Shouguang salt farm, and its designed annual capacity will be 600,000 tons of pure soda. State investment in the plant will be more than 570 million yuan. The county will begin its construction on 1 April 1986 and it will be completely built in the first half of 1989. [Excerpt] [Jinan DAZHONG RIBAO in Chinese 14 Sep 85 p 1 SK]

XINJIANG CHANGJI COTTON MILL--The Xinjiang Changji Cotton Mill was officially put into operation today. Present at the inaugural ceremony were regional leading comrades, including Wang Enmao, Tomur Dawamat, Qi Guo, Li Jiayu, Wang Zhenwen, and Tuohuti Shabier. Also present at the ceremony were Kakuzo Kawamoto, director general of the National Land Agency of Japan; (Zhou Xiaoqian), chairman of the Hong Kong International Cotton Textile Company Limited; Mr (Urai), former president of Nichimen; and the responsible comrades of Changji Hui Nationality Autonomous Prefecture. Wang Enmao and Kakuzo Kawamoto cut the ribbon at the inaugural ceremony of the cotton mill. The Changji Cotton Mill is a project under the compensation trade program between Changji Autonomous Prefecture and Japan. Qi Guo, secretary of the regional CPC committee, and Kakuzo Kawamoto, director general of the National Land Agency of Japan, addressed the inaugural ceremony. [Excerpts] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 28 Sep 85 HK]

NEI MONGGOL ECONOMY--During the Sixth 5-Year Plan period, Nei Monggol Autonomous Region has made rapid progress in their respective urban and rural economy. According to statistics, as of the first half of 1985, the region had more than 177,000 individually owned industrial and commercial units with an employment of over 260,000 people. Their business volume reached over 259 million yuan. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 2300 GMT 28 Sep 85 SK]

NEI MONGGOL COMMERCIAL ENTERPRISES--According to statistics, as of last year, Nei Monggol Autonomous Region had over 70,000 collectively and individually owned commercial enterprises with an employment of over 100,000 people. The number of retail commercial, catering, and service units in 1984 increased by 2.8 times over 1980. Last year, the total volume of retail sales of commodities reached 6.8 billion yuan, an increase of 54 percent over 1980. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 4 Oct 85 SK]

NEI MONGGOL SHELTERBELT CONSTRUCTION--The people of all nationalities in Nei Monggol Autonomous Region have made great contributions to the construction of the project for the gigantic north, northeast, and northwest China shelterbelt. Over the past 8 years, 23.15 million mu had been afforested in the Nei Monggol section of the shelterbelt project. The region can basically fulfill the state-assigned task for the first stage of the project. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 4 Oct 85 SK]

NEI MONGGOL TOWNSHIP ENTERPRISES--Since the 3d Plenum of the 11th CPC Central Committee, Nei Monggol Autonomous Region has made rapid progress in township- and town-run enterprises. As of the end of last June, the region had 128,037 township- and town-run enterprises with an employment of more than 500,000 people. From 1979 to 1984, the yearly average increase of the total income of these enterprises was 100 million yuan. In 1984, the total income of these enterprises across the region reached 1,002.8 million yuan, accounting for 51.46 percent of the total income of rural and pastoral areas. In the January-June period of this year, the total income of these enterprises reached 633 million yuan, the profits realized by them reached 78 million yuan, and the taxes handed over by them to the higher level reached 23 million yuan. It is expected that the township- and town-run enterprises across the region may hand over 50 million yuan of taxes to the state this year. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 5 Sep 85 SK]

NEI MONGGOL HOUSE CONSTRUCTION--During the Sixth 5-Year Plan period, the residential construction has developed rapidly in the Nei Monggol Autonomous Region, and the people's housing condition has improved remarkably. From 1981 to 1984, the state and collectively owned units invested a total of 1.473 billion yuan in housing construction. In 1984, people's investment in building private houses totaled 328 million yuan, a 3.5-fold increase over 1980. From 1981 to 1984, houses completed in urban and rural areas totaled 30 million square meters, and about 160,000 worker households with 650,000 people moved to new houses. Meanwhile, total floor space of houses built by urban and rural residents for private use came to 21.7 million square meters. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 2 Oct 85 SK]

JILIN NEW INDUSTRIAL COMMODITIES--Enterprises on the fronts of industry, communications, finance and trade throughout Jilin Province have accelerated the pace of developing new products by making technical progress. According to statistics compiled by the provincial planning and economic commissions, as of the end of August this year, they turned out 996 new products and showed a new increase of 580 million yuan in output value and more than 85 million yuan in profits. [Excerpt] [Changchun Jilin Provincial Service in Mandarin 1030 GMT 29 Sep 85 SK]

LIAONING STATE-FARM INDUSTRY--During the implementation period of the Sixth 5-Year Plan, the state farms throughout Liaoning Province have achieved great development in industrial production. Industrial enterprises under the state farms have turned out several hundred products of more than 10 trades, including grain and oil-bearing seeds processing, foodstuffs, building materials, brewery, feeds, textile, paper-making, petroleum, electric power, and chemical industry. Their 18 products have been commended as fine quality by ministries or the provincial authorities. Over the past 5 years these industrial enterprises have shown a yearly average increase of 11.48 percent in profits. In the first half of this year, they showed a 57 percent increase over the profits of the corresponding 1984 period. [Excerpts] [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 2 Oct 85 SK]

XINJIANG TEXTILE INDUSTRY--The total output value of the region's textile industry for 1984 amounted to 580 million yuan, accounting for 9.7 percent of the region's total industrial output value. The textile products exported by the region last year amounted to some 65.1 million yuan, accounting for 14.72 percent of the region's total exports. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 4 Oct 85 HK]

BEIJING TERTIARY INDUSTRY--Since early this year, Beijing Municipality has achieved rapid development in its tertiary industry. In the first half of 1985 the municipality established more than 15,000 commercial and service networks and centers, a more than 300 percent increase over the 1984 figure. At present the municipality has built 15 commercial streets. According to statistics compiled in the first half this year, the municipality newly built more than 1,000 inns with more than 80,000 beds. Since early this year the municipality has also established more than 1,000 new restaurants and 14 new food service centers, as well as more laundries, resulting in a great increase in municipal service capabilities. [Excerpts] [Beijing BEIJING RIBAO in Chinese 21 Sep 85 p 1 SK]

JIANGSU GOVERNOR AT FOOD PACKAGING MEETING--Addressing the first national conference to exchange information on food packaging techniques which opened in Zhenjiang City today, Governor Gu Xiulian urged comrades in the province's food packaging industry to take advantage of this opportunity to learn and assimilate well advanced techniques and information from other provinces and municipalities, integrate them with the practical experiences in our province, explore new directions in food packaging, and strive to propel the development of the food packaging industry in our province into new heights. Raising the level of food packaging techniques has now become critical to developing the food industry. The main objective of this conference is to

strengthen the horizontal contacts between the food industry, the packaging trades, and the scientific and technical departments through organizing the exchange of information, inviting experts to make academic reports, studying sample items, and conducting on-the-spot transactions and other activities, thereby promoting the improvement of food packaging techniques. [Excerpt] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 7 Oct 85 OW]

SICHUAN FOOD INDUSTRY--The Yunnan First Light Industry Department has concentrated funds to develop the food industry. The output value, income from sales, and taxes and profits submitted to the state have all increased over the past three consecutive years. The output value, income from sales, and taxes and profits submitted to the state in 1983 were 10 percent more than in 1982, in 1984--15 percent more than in 1983, and from January to August this year 18.5 percent, 26.2 percent, and 21.5 percent respectively more than last year. With the development of the food industry, the gross output value of the food industry has accounted for some 59 percent of the gross output value of the first light industry. The amount of taxes and profits submitted to the state by the food industry has accounted for 60 percent of the total amount of taxes and profits submitted to the state by light industry. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 8 Oct 85 HK]

NEI MONGGOL METALLURGICAL INDUSTRY--Nei Monggol Autonomous Region has made steady progress in the metallurgical and engineering industries during the Sixth 5-Year Plan period. In 1984, the total output value of the metallurgical industrial enterprises and the profits and taxes realized by these enterprises increased by 36.75 percent and 1.4 times respectively over 1980. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 2300 GMT 28 Sep 85 SK]

CSO: 4006/108

CONSTRUCTION

GANSU COMPLETES TV FREQUENCY MODULATED RELAY STATION

HK110932 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 8 Oct 85

[Text] On 7 October, the construction of the Guanshan television frequency modulation relay station in Pingliang was completed. More than 50 responsible comrades, engineers, and technicians of the relevant departments of the provincial people's government and Pingliang Prefecture attended the ceremony.

The Guanshan television frequency modulation relay station in Pingliang is one of the key projects in the provincial Sixth 5-Year Plan. Over the past year, with the concern and support of the provincial people's government, Pingliang Prefecture, the relevant local departments, and all the comrades of the preparatory group have overcome a lot of difficulties on the high mountains and in the remote areas and finally accomplished the construction work, setting an excellent example in the province.

The construction of Guanshan television frequency modulation relay station in Pingliang has put an end to the situation in which, for quite a long time, Pingliang Prefecture, Qingyang Prefecture, and Tianshui City could not receive the television programs of the provincial television station. The construction of the Guanshan television frequency modulation relay station in Pingliang has also increased the provincial television coverage by around 12 percent and provided clear and reliable television and broadcast signals of the provincial television station and the provincial broadcast station to the medium-wave relay station and most of the television stations in Pingliang Prefecture, Qingyang Prefecture, and Tianshui Prefecture, thus improving the broadcast quality in those areas.

CSO: 4006/108

CONSTRUCTION

NEI MONGGOL BUILDS MICROWAVE STATION IN ERENHOT

SK090116 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 3 Oct 85

[Text] Another microwave station was established in Erenhot City, Nei Monggol Autonomous Region. A ribbon-cutting ceremony for the microwave station was held on the morning of 1 October. Amid the popping of fire-crackers and the deafening sound of gongs and drums, Erenhot was colorfully decorated for festival. The people of all nationalities from all circles joyfully gathered together to attend the ceremony under the magnificent steel microwave tower, over 80 meters high.

Wu En, standing committee member of the regional CPC committee and director of the propaganda department, attended the ceremony and cut the ribbon marking the completion of the microwave station. Also attending the ceremony were responsible comrades of the regional radio and television department, the Xilin Gol League CPC Committee, the Erenhot City CPC Committee, and the city government; and engineers and technicians of the No 506 factory under the Ministry of Posts and Telecommunications and the Beijing broadcasting equipment factory who had been engaged in construction of the microwave station.

Construction of the Erenhot city microwave station began last April. Total investment in this project was more than 1.3 million yuan. The operation of the microwave station is of great significance for strengthening the propaganda directed to outside places and for enriching the cultural life of the people in the frontier port. On 1 October, the people of all nationalities in Erenhot city received television programs with good sound and pictures. They were very glad and successively expressed thanks to the party and the government for bringing new warmth to them.

CSO: 4006/108

CONSTRUCTION

BRIEFS

HEBEI COUNTY TELEVISION STATION--The Longhua County television station, located in the Yan Shan, officially began broadcasting on 24 September. This station was built with funds raised by Longhua County itself, and with the approval of the Ministry of Radio and Television. [Text] [Shijiazhuang HEBEI RIBAO in Chinese 27 Sep 85 p 1 SK]

XIZANG POSTS, TELECOMMUNICATIONS NETWORK--A network of posts and telecommunications with Lhasa as the center, connecting urban and rural areas throughout the region and all places in our motherland, has now been set up. Lhasa, Xigaze, Shannan, Nagqu, Qamdo, Nyingchi, and Gyangze have installed relatively advanced telephone exchanges, ensuring automation of telephones in the urban areas. At present, except for Medog County, all counties throughout the region have a postal service. [Words indistinct] In the whole region, 94 percent of districts, 89 percent of townships, and 75 percent of villages have a postal service. Over the past few years, many counties, townships, and villages in the rural areas in the region have been given telephone service. There was no telephone service in the rural areas in 1965. Some 53 percent of the total number of posts and telecommunications workers in the region are of Tibetan nationality and 11.7 percent of the total number of these workers are technicians who have the cultural level of a secondary vocational school or above. In June last year, posts and telecommunications technicians in our region overcame numerous difficulties, compiled a code book in Tibetan characters, and successfully started a telegraphic business using Tibetan characters. [Excerpts] [Lhasa Xizang Regional Service in Mandarin 1130 GMT 6 Oct 85 HK]

XIAOLONGTAN POWER PLANT TESTS--In the Xiaolongtan power plant--a key project in our province during the Sixth 5-Year Plan period--the first set of machinery was successfully tested in late September, after 2 years and 9 months hard work. From January to September this year, the provincial construction corporation, the provincial thermal power construction company, the transmission and transformer construction company of the provincial electric power bureau, and the construction department of the Xiaolongtan power plant, participants in the construction of the Xiaolongtan power plant, completed construction and installation work valued at 79.8 million yuan. Currently, the loading bridge for transporting coal, the water pump room, [words indistinct], all tubes of the No 1 boiler, and the high-tension 220-kilovolt transmission lines from Xiaolongtan to Kunming have been completed. At present, the [words indistinct] committee and the [words indistinct] test run leadership group of the power plant are stepping up their work to ensure the smooth progress of the test run. [Text] [Kunming Yunnan Provincial Service in Mandarin 2300 GMT 9 Oct 85 HK]

8 November 1985

DOMESTIC TRADE

BRIEFS

YUNNAN URBAN, RURAL FAIRS MUSHROOM--Urban and rural fair trade in Yunnan Province has developed relatively quickly during the Sixth 5-Year Plan period. The number of urban and rural fairs in the whole province by the end of last year was 2,556 and was 416 more than at the end of 1980. The number of urban and rural fairs by the end of June this year was 2,600. The volume of business in the urban and rural fairs throughout the province last year was some 1.56 billion yuan, an increase of 118 percent over 1980. The volume of business in the first half of this year reached 1.05 billion yuan and was 49.1 percent more than in the same period last year. The volume of business in the urban and rural fairs throughout the province last year accounted for 22.48 percent of the amount of retail social commodities and recorded an increase of 4.68 percent over 1980. The amount of investments in building fairs in the province during the Sixth 5-Year Plan period was 11.34 million yuan. The average market price was 34.42 percent higher than the average list price last year but the average market price was 36.9 percent higher than the average list price in 1980, a reduction in the difference between the average market price and the average list price of 2.48 percent. [Summary] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 14 Oct 85 HK]

CSO: 4006/128

FOREIGN TRADE AND INVESTMENT

CHINA'S TECHNICAL IMPORTS MORE THAN DOUBLE

Tianjin JISHU SHICHANG BAO [TECHNOLOGY MARKET WEEKLY] in Chinese 13 Aug 85 p 1

[Article by Yao Wenping [1202 2429 5493]: "Substantial Increase in China's Technical Imports In The First Half of 1985"]

[Text] During the first half of 1985, 318 technical import contracts were examined and approved by the Ministry of Foreign Economic Relations and Trade, a 230 percent increase over the same period last year. Valued at more than \$2 billion, they represent a 540 percent increase in terms of dollar value over January through June 1984. An even more rapid increase is projected for the latter half of the year.

The contracts, concluded by various provinces, municipalities and departments with foreign businessmen, cover a wide area and involve all types of technology. Among the more important contracts are those with Japan for cooperation in color videotape recorder technology; with Britain for the purchase of a digital communication system and with the Federal Republic of Germany for the purchase of a 2050 mm hot rolling mill, as well as an agreement with the United States for the purchase of a marine satellite ship. In most cases cooperation takes the form of licensed trade contracts, joint production contracts and consulting and technical service contracts, which between them account for over 50 percent of all contracts, a substantial increase over the corresponding period in 1984. As for the substance of cooperation, most contracts involve product technology or manufacturing technology.

Below are the characteristics of contracts approved by the Ministry of Foreign Economic Relations and Trade during the first half of this year:

(1) The contract negotiations have been short and deals were clinched fairly quickly. This is because coastal cities, cities given more autonomy and provinces in the interior have all conducted various studies and increased foreign contacts and technical exchanges in accordance with the state's technology import and technical modernization plans.

(2) There has been a sizable increase in the number of contracts reached with European nations and in their overall dollar value. During this period we concluded the most contracts with the Federal Republic of Germany, 69 with a

total price tag of \$600 million. It placed third last year. Our contracts with Britain also jumped 100 percent over the same period last year.

(3) Because we have strengthened the management of technology import and paid attention to information circulation, some unnecessary duplication has been eliminated. For instance, two textile knitting factories, in Wuxi and Suzhou respectively, wanted to import the same kind of knitting needle technology and equipment. After coordination, the Suzhou factory decided to cancel its purchase.

(4) There has been a greater consciousness of using domestic components throughout the import process, from need identification to the signing of a contract. For instance, two light industrial machine plants in Nanjing and Hefei, which are directly under the Ministry of Light Industry, imported cold beverage bottling technology and have now manufactured four production lines, 70 percent of whose parts are made in China.

12581

CSO: 4008/2034

FOREIGN TRADE AND INVESTMENT

BELJING SEES ACHIEVEMENTS IN USING FOREIGN CAPITAL

SK220747 Beijing BELJING RIBAO in Chinese 27 Sep 85 p 1

[Text] Over the past 5 years, Beijing Municipality has achieved gratifying results in utilizing foreign capital and importing foreign technologies. During that time, contracts on some 1,000 projects worth \$1.7 billion have been signed with foreign traders, thus promoting the development of industry, agriculture, and tourism in the municipality.

Since 1979, when the municipality first began its foreign trade by simply undertaking the processing of products with materials provided from abroad, the assembly of imported materials, and compensatory trade, it has now developed its foreign trade to a situation of running enterprises with foreign capital, with domestic and foreign investment, in cooperation with foreign firms, technically cooperating with foreign firms, and so on. The scale of joint-venture and cooperation projects have gradually grown from small to large. In the first half of this year, contracts on 12 projects each worth \$10 million or more were signed with foreign firms, 3 times the total from 1979 to 1983. Among these projects, the major ones are the Changfugong Hotel, the Beijing Shangri-la Hotel, the Shoudu Everbright Auto Industrial Corporation, the Beijing Nabisco Cracker Corporation, Ltd, the Beijing Foodstuff and Beverage Company, and the Beijing Zhengda Feed Industrial Corporation, Ltd. Production projects have also increased year by year. In 1984 and 1985, contracts on 32 joint-venture and cooperative production projects were signed, 8 times the total in the previous 4 years. These projects mainly consist of foodstuff production, garment processing, and the production of communications instruments. Thus far, a total of 25 foreign countries and regions have invested in our municipality. From 1979 to the end of June this year, agreements on 88 projects, valued at \$1 billion, were signed with foreign investors on running joint-venture and cooperative enterprises. Of these 88 projects, 25 have already opened to service or gone into production. Of these 25 projects, most have netted profits. Since its opening in 1982, the Jianguo Hotel has netted profits every year, has developed a relatively good grasp of management systems and managerial experience, and has become a pacesetter for the same trade in the country.

Marked progress has also been made in technology imports. From 1979 to the first half of this year, agreements on some 900 technology import projects involving some \$950 million were signed. The focus of technology import has been placed on electronics, light, the textile, the foodstuff, and the building materials industries. In addition, to enable the municipality to self-produce televisions, cassette recorders, electric refrigerators, and washing machines, the municipality has imported some related and subsidiary projects. Thus far, more than 500 technology import projects have been completed and put into production, and most of them have achieved remarkable economic results. Through importing advanced technologies and equipment, two thirds of the electronic industrial enterprises in the municipality have had themselves transformed. From 1980 to the first half of this year, thanks to the application of advanced technologies the total beer output increased from 55,000 tons to 150,000 tons and the per-capita beer consumption increased from 12 jin to 26 jin; and the import of ice cream production line made the variety of cold foodstuffs increased from 6 to 14.

CSO: 4006/139

FOREIGN TRADE AND INVESTMENT

DIRECT FOREIGN INVESTMENT REACHES \$11 BILLION

HK160147 Beijing ZHONGGUO XINWEN SHE in Chinese 0836 GMT 14 Oct 85

[Report: "China Has Absorbed \$11 Billion of Foreign Investment"]

[Text] Beijing, 14 Oct (ZHONGGUO XINWEN SHE)--At the Sino-Australian economic and trade laws conference which opened today, it was revealed that by June this year, China had signed contracts which involved a total amount of \$11 billion of direct foreign investment, of which \$4.7 billion had been put into use.

An official of China's Ministry of Foreign Economic Relations and Trade revealed that since China began to adopt the policy of opening up to the outside world in 1979, 1,618 Chinese-foreign joint ventures and 3,030 Chinese-foreign cooperatively run enterprises have been founded. Ninety-four enterprises wholly owned by foreigners have been set up in China. Foreign investment has also been involved in 31 offshore oil exploration and development projects.

This official said: At present, there are three main forms of foreign investment: joint-stock companies owned and run jointly by Chinese and foreign partners; cooperation projects on the basis of contracts; and enterprises wholly owned and run by foreign investors.

In general, Chinese-foreign joint ventures are set up on the basis of a contract which is valid for 10 to 30 years. If the joint venture is engaged in a project which requires a large investment and a long construction period, and which may yield profits at a low rate, China generally approves a contract period longer than 30 years. Joint ventures engaged in agriculture and forestry, or development projects in remote areas, will continue to enjoy tax reduction or exemption after the 10-year tax reduction period, if they are approved by China's Ministry of Foreign Economic Relations and Trade.

CSO: 4006/128

FOREIGN TRADE AND INVESTMENT

QINHUANGDAO GEARS UP FOR FOREIGN INVESTMENT

OWO41414 Beijing XINHUA in English 1312 GMT 4 Oct 85

/Text/ Shijiazhuang, 4 Oct (XINHUA)--Construction of a 2 square km zone designed for foreign investment is nearing completion in the port city of Qinhuangdao, Hebei province.

Qinhuangdao is one of the 14 Chinese coastal cities that last year were granted greater power to make decisions on foreign investment and trade.

Vice Mayor Cui Xifu said sites of 240,000 square meters for building factories will be available in the city's economic and technological development zone at the end of this month.

The zone is 1 km from the port and 15 km from an airport. Infrastructure facilities, including roads, power, water and drainage, have been completed or are nearing completion, Cui said.

The zone will focus on establishing Sino-foreign joint ventures, cooperative businesses and enterprises with sole foreign investment in such areas as glassware, machine-building, electronics, meters and instruments, foodstuffs, handicrafts and light industry.

Foreign firms also enjoy preferential treatment in developing local minerals, investing in agriculture, marine products and animal husbandry, and building tourist facilities. Qinhuangdao is best known at home and abroad for its summer resort of Beidaihe.

Between June 1984 and last August, 400 business people from 14 countries and regions have come to the city for trade talks. Contracts have been signed for 19 joint ventures, cooperative businesses and enterprises with exclusive foreign investment. These involve 180 million U.S. dollars in foreign investment.

CSO: 4020/47

FOREIGN TRADE AND INVESTMENT

FUJIAN USES MORE FOREIGN FUNDS, TECHNOLOGY

OW041014 Beijing XINHUA in English 0815 GMT 4 Oct 85

/Text/ Fuzhou, 4 Oct (XINHUA)--Fujian province signed 327 contracts for joint ventures, cooperative and foreign-funded enterprises in the first 8 months of this year, according to local authorities.

The projects involve 248 million U.S. dollars of overseas investment, almost two and a half times that in the corresponding period of last year.

More than 80 percent of the projects cover metallurgy, electronics, chemicals, building materials, the light and textile industries.

The province has signed 753 agreements to import foreign funds and technology, involving 640 million U.S. dollars, in the past 6 years. It has also made headway in foreign trade and the export of labor services, according to the provincial foreign economic relations and trade bureau.

Among the investors are firms from Japan, Southeast Asian countries, the United States, Australia, Kuwait, Jordan, and Hong Kong and Macao.

Imported technology and equipment have already aided some industries. For example, the province jumped to the 6th place in electronics production last year from 16th a few years ago, thanks to 50 imported production lines.

Trade bureau officials disclosed that the province's exports rose 8.4 percent in the first 8 months of this year. Exports include both traditional goods such as plastic slippers, tea and canned mushrooms and new items such as artificial flowers, toys, instruments and meters and chemical products.

CSO: 4020/47

FOREIGN TRADE AND INVESTMENT

PREFERENTIAL TREATMENT GIVEN JOINT INVESTORS OF HARBOR CONSTRUCTION

OW150757 Beijing XINHUA in English 0644 GMT 15 Oct 85

/Text/ Beijing, 15 Oct (XINHUA)--China is to provide preferential treatment to overseas partners who invest in harbor construction, according to a government interim regulation made public here today.

Promulgated by the State Council, the regulation stipulates the terms of joint ventures can exceed the 30-year limit which is now being applied to joint ventures in the country.

On the expiration of the contract, the term can be extended if the partners agree and the Chinese authorities give approval, the regulation says.

Under the interim regulation, the joint venture is able to recover investment by accelerating depreciation of fixed assets. The interim regulation also has stipulations on taxation and other matters.

Qian Yongchang, minister of communications, said in an interview with XINHUA that "China will launch a large-scale scheme to construct harbors and highways over the next 10 or 20 years. Overseas firms, enterprises and individuals are welcome to invest in harbor construction in China."

Overseas investors can build not only highways, ports, bridges and river projects, but also construct warehouses, and undertake machinery and loading and unloading facility projects which need less funds but promise a high rate of profit in a short time.

Among other stipulations of the interim regulation are:

The Chinese Government will exempt the joint venture from customs duty and consolidated industrial and commercial tax when it uses funds from the total investment to import raw materials, loading and unloading equipment, transportation means and other production facilities necessary for harbor construction.

The joint ventures will also be provided with preferential treatment in income tax. They are required to pay the tax at a rate of 15 percent of the income.

As to the newly-established joint ventures with a cooperation period over 15 years, they are exempted from income tax for the first 5 years they begin to make profits. Their income tax will be reduced by 50 percent from the 6th to 10th years. This period may be extended if an enterprise still has difficulties in paying taxes.

Tax-free profit remittance is also allowed.

In the Seventh 5-Year Plan (1986-1990), China plans to build more than 200 berths, including 104 deepwater ones, while speeding up the construction of 96 deepwater berths and 25 medium-sized ones.

A good beginning has been made in using foreign funds for harbor construction. The world bank and the Japanese Overseas Economic Cooperation Fund have provided China with loans for the purchase of loading and unloading equipment in seven container berths at Shanghai, Huangpu and Tianjin harbors.

On 11 August, the Nanhai Oil Shenzhen Development and Service Corp concluded a contract with the Mutual Petroleum Co of the United States for joint construction of four deepwater berths for 50,000 dwt container ships in Shenzhen. The U.S. company will provide an investment of 200 million U.S. dollars.

The Shenzhen authorities plan to build 12 deepwater berths by using more foreign funds. More than 300 firms from 16 countries and regions have come to discuss cooperation.

CSO: 4020/47

FOREIGN TRADE AND INVESTMENT

JIANGSU TO OPEN THREE CITIES TO FOREIGN INVESTMENT

OW220901 Beijing XINHUA in English 0640 GMT 22 Sep 85

/Text/ Nanjing, 22 Sep (XINHUA)--Jiangsu province has decided to first open three major cities to foreign investment as part of its overall plan to develop the Yangtze River delta area, Provincial Governor Gu Xiulian announced recently.

Known as the "golden triangle" in the "land of rice, silk and fish," the Yangtze delta, including the three cities--Suzhou, Wuxi and Changzhou lying on the same axis of the Shanghai-Nanjing railway--have favorable conditions for economic development and investment, said Gu.

Last year, the three cities' gross output value of industry and agriculture, revenue and purchase of goods for export accounted for 40 percent, 45 percent and nearly half, respectively, of the total for the province she said.

Suzhou and Wuxi were among the 10 cities in the country which achieved an industrial output value of more than 10 billion yuan last year, said Gu, who was once vice minister of the State Planning Commission.

The three cities, she added, plan to readjust the economic structure in the light of the development of export industries. They will import technology to upgrade the existing enterprises and develop advanced, precision and highly sophisticated products.

Besides the present light, textile, electronics, metallurgy, machinery, chemical and building materials industries, the cities will develop new field such as large integrated circuits, microcomputers, bioengineering, lasers and new materials.

A plan has also been worked out for a transport network with a harbor on the lower reaches of the Yangtze River linking the three cities as a base of transfer, collection, distribution and transport for the provinces on the upper and middle reaches of the Yangtze.

Gu said Jiangsu province will provide preferential treatment and convenience in management and administration for foreign businessmen who are to engage in joint ventures, cooperative enterprises and enterprises with exclusive foreign investment.

The Yangtze River delta was designated this year by the state as an open area for foreign investment. Jiangsu has another two coastal cities--Nantong and Lianyungang--which were opened to foreign investment last year.

FOREIGN TRADE AND INVESTMENT

NORWEGIANS OFFER OFFSHORE EQUIPMENT, SERVICES

Oslo AFTENPOSTEN in Norwegian 10 Oct 85 p 9

[Article by Terje Svabo: "Norwegian Oil and Shipping Make Appearance in China"]

[Text] Peking, 9 October--Norway will make an appearance in China this fall at two large conventions. Norway will have the largest pavilion and be represented by six firms at an oil convention in Canton at the end of November. At the beginning of December, 20 Norwegian firms will participate in a shipping/ship equipment convention in Shanghai.

Norway's Export Council is planning the Norwegian presence at the conventions and Bjorn O. Bjornsen, an export representative in Peking, tells AFTENPOSTEN that the participation at the conventions can be viewed as a follow-up to the efforts which took place during the visit of the crown prince and princess in China this spring.

In response to AFTENPOSTEN'S question whether participation in such conferences meant anything, Bjornsen points to the fact that offshore and shipping/ship equipment are priority areas of Norwegian cooperation with China. He says that we have been working for many years on sales of ship equipment and that we are concentrating now on expanding this activity to include so-called licensed production.

Norway is interested in expanding within the offshore industry, as respects sales of both services and equipment. Bjornsen says that the conventions are an excellent opportunity for making our presence known to the Chinese. Both exhibitions are internationally known, and in addition to the commercial aspects, there will be professional discussions.

At the offshore exhibition, Norway will have the largest delegation. The participating firms are well-established in the Chinese market. Firms within the ship equipment area also will participate in the convention.

[Question] "Is Norway a large exporting country in China?"

[Answer] "Realistically, Norway's exports are small compared with other countries, but we have been successful particularly in the areas with which these conventions are concerned. We found a niche where there is a willingness to pay a little more in exchange for quality. Some believe that China in the future will come to be a very important shipbuilding country. Norway should be able to become stronger in this area," Bjornsen believes.

In the offshore area, he emphasizes that Norway already has a name in China. But the competition in this area is very great and certain of the countries with which we will be competing have greater resources and thereby can offer better financing possibilities than Norway. This pertains primarily to the United States, Japan and Great Britain--all of which are countries which are hungering to get into the market. In the area of ship equipment, Norway competes with West Germany and France, in addition to the three just-named countries.

[Question] "How will Norway manage in the Chinese market ten years into the future?"

[Answer] "The results from the offshore area have been disappointing so far, relative to expectations. Even the Chinese admit this. If discoveries of interesting and drillable proportions are made, Norway should have good possibilities for being able to participate with both services and equipment. But the competition will be very great and the risks will be great, to put it mildly. Competition also is great within the area of ship equipment, but the risk is less," asserts Bjorn O. Bjornsen.

12578

CSO: 3639/17

FOREIGN TRADE AND INVESTMENT

IMPORTS OF NORWEGIAN SHIPS, OFFSHORE EQUIPMENT NEARLY DOUBLED

Oslo AFTENPOSTEN in Norwegian 10 Oct 85 p 9

[Article by Terje Svabo: "Increased Norwegian Exports to China"]

[Text] Exports of Norwegian goods to China show a positive trend. Norway exported goods worth 466 million kroner during the first eight months of this year--an increase from 250 million kroner for the same period last year. Export representative Bjorn O. Bjornsen emphasizes, however, that China always has been an uncertain market. China's exports to Norway have not shown the same growth and have increased only from 140 million kroner during the first eight months of last year to 157 million kroner for the same period this year. In addition to the stated figures for Norwegian exports, there is an additional 116 million for the sale of used ships. The main elements of Norwegian exports are art objects and iron and steel products.

Bjorn O. Bjornsen cautions against being overly optimistic, however. He issues a reminder that the country's economy is overheated and also, that Norway has suffered marked set-backs as respects purchases, postponements of projects and even cancellations. Bjornsen believes that there is reason to believe that these adjustments on the part of the Chinese will continue in any case through 1986. There are not many Norwegian firms which are established in China and the following information from Bjornsen can explain why: In order to have an office in Peking, a Norwegian firm must count on annual expenses of at least 2 million kroner, exclusive of salaries. By itself, this says that one must sell a good deal in order for the office to pay for itself.

The Norwegian firms which are established in Peking are Statoil, DnC, Kreditkassen and PLA-MA (equipment for production of plastic foam for use in chairs and mattresses, among other things). Additionally, Bergen Bank will open an office here in the near future. The same is true for NOSAC (which, among other things, is involved in ocean auto-transport). Norsk Data has done well recently and has signed additional contracts in China.

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CSO: 3639/17

FOREIGN TRADE AND INVESTMENT

SANYO COMPENSATES HEILONGJIANG FOR SUBSTANDARD TV SETS

SK100145 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 5 Oct 85

[Text] In mid-November last year the Heilongjiang Commodities Inspection Bureau was informed that the Sanyo hardware and electric equipment agency of the provincial hardware company had imported 30,000 Sanyo brand color television sets from Japan. With coordination from the buyers, the commodities inspectors set forward specific steps for examining the products after an investigation. In line with the contract examination standards, they examined and tested the performance and operation of these color television sets. They discovered that all the sets had yellow spots on the right hand side of the screens and the pictures were unstable. Some of the television sets also had other problems.

For this reason, last February the provincial commodities inspection department sent a certificate to the foreign firm asking for compensation. After receiving this certificate, the Japanese firm came to Harbin to check the goods in late April and in middle and late May. At first the Japanese firm did not acknowledge that their color television sets had the problems of yellow spots and unstable pictures. After being proven absolutely by the commodities inspectors, the Japanese firm could do nothing but acknowledge that their color television sets had quality problems and that their products were not up to the contract requirements. Finally the Japanese firm offered as compensation color television instrument maintenance, color television equipment and parts, and cash totaling some 628,000 yuan renminbi.

CSO: 4006/128

FOREIGN TRADE AND INVESTMENT

BRIEFS

FOREIGN TRADE TALKS END--The Hebei provincial trade talks meeting on international economic and technical cooperation and export commodities ended successfully on 16 September after a 15-day session. This trade talks meeting extended the influence of Hebei Province, and succeeded in befriending foreign firms, toughening the personnel ranks, and creating conditions for further expanding economic and technical exchange and cooperation with foreign countries and invigorating our province's economy. At the trade talks meeting, some 70 contracts on import items were signed, and the volume of business was valued at \$61 million. A transaction of 93 varieties of export commodities was concluded and the volume of business was valued at \$36 million. In addition, a number of letters of intention were signed. Attending this meeting were some 590 traders from more than 20 countries and regions. It was the first time that so many persons attended this meeting. [Excerpt] [Shijiazhuang HEBEI RIBAO in Chinese 18 Sep 85 p 1 SK]

FUJIAN FOREIGN TRADE--Since 1978, Fujian Province has scored gratifying results in foreign trade and economic and technological cooperation. Total import-import commodity value increased by an average of 22.4 percent annually. Export volume expanded by 14 percent in the first half of this year. In 1984, a total of 262 contracts on utilizing foreign funds were signed with foreign firms worth U.S.\$254 million, or 1.4 times the accumulated total from 1979 to 1983. The province signed 31 contracts on foreign engineering projects and labor service cooperation worth U.S.\$2.7 million in the first half of 1985. [Summary] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 2 Oct 85 OW]

GUIZHOU FERROALLOY TECHNOLOGY FROM FRG--A signing ceremony was held on 15 October in Guiyang for the importing of technology and equipment from the FRG to expand the Zunyi ferroalloy plant. (Wu Baoming), general manager of the No 2 operation department of the China technology import general company, and (Luo Te Man), marketing manager of the (De Ma Ke) company in Mannheim, FRG, signed the agreement on behalf of each party. Provincial Vice Governor (Liu Yulin) and responsible comrades of the relevant departments attended the ceremony. The total investment in the expansion project for 80,000 tons of ferroalloy at the Zunyi ferroalloy plant will be 146 million yuan. Of the three ferroalloy electric furnaces imported from the (De Ma Ke) company of the FRG this time, two will be furnaces each

with a capacity of 50,000 kilovolt-amperes and one will be a furnace with a capacity of 31,500 kilovolt-amperes. These three electric furnaces are the key equipment for the entire expansion project, accounting for 30 percent of the total investment. The entire expansion project is scheduled to be completed in 3 years. After the completion of the expansion project, the output of the Zunyi ferroalloy plant will be doubled. [Text] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 16 Oct 85 HK]

FUJIAN FOREIGN TRADE SURPLUS--Fuzhou, 18 Oct (ZHONGGUO XINWEN SHE)--Fujian Province increased its exports in the third quarter of this year and thus registered a surplus in its import and export trade. In the first half of this year, Fujian expanded the sale of its commodities by holding trade fairs abroad; in the third quarter, it speeded up the pace of exports by organizing readily marketable goods through numerous channels. The export volume increased by 13.7 percent over the corresponding period last year, higher than the average national level. Compared with the first half of this year, the export volume in the third quarter increased by an average of U.S.\$14 million every month. The department concerned disclosed that an important reason for Fujian's foreign trade surplus in the third quarter was that the imports of cars and radio-cassette recorders were basically stopped and those of television sets were reduced to a very small figure, although the imports of steel products and other building materials were not reduced. This shows that the department concerned has brought the imports of high-grade consumer goods under effective control [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 0844 GMT 18 Oct 85 HK]

TIANJIN MUNICIPALITY'S JOINT VENTURES--Tianjin, 14 Oct (XINHUA)--Tianjin reports an income of 98.74 million yuan from its 31 joint business ventures, including 5.8 million U.S. dollars worth of foreign exchange, over the past 5 years. Tianjin, a major Chinese port and one of the 14 coastal cities open to foreign investment, has set up 36 joint ventures since 1980. Using the most advanced imported technology, Tianjin's 16 industrial joint ventures have exported over 40 percent of their products. These industrial enterprises include light industry, textiles, drugs, wine-making, machine-building and building materials. Two breeding and two ocean shipping enterprises together with the 16 industrial projects account for 77 percent of the total investment of the 36 joint ventures. Some of Tianjin's other joint ventures are in the service industry, such as hotels, restaurants, color-picture developing and printing workshops. [Text] [Beijing XINHUA in English 0817 GMT 14 Oct 85]

FOREIGN COOPERATION HELPS COUNTIES--Shanghai, 7 Oct (XINHUA)--Shanghai's 10 outlying counties had set up 22 joint ventures with foreign businessmen by the end of September, according to the municipal agricultural committee here today. The ventures involved an investment of 42 million U.S. dollars. This indicates a new trend in Shanghai's economic activities with foreign cooperation, said a committee official. Two-thirds of the ventures are in light industry, textiles and medicine. Future activities will embrace agriculture, livestock breeding and rural services, said the official. Eleven of the 22 joint ventures are run by a combination of township enterprises, municipal foreign trade corporations and foreign firms. This brought into full play the advantages of each, said the official. Investors in the township ventures are from the United States, Japan, France, Southeast Asia and Hong Kong. In the past, industries in the 10 counties got no further than processing with supplied materials or compensation trade. [Text] [Beijing XINHUA in English 1609 GMT 7 Oct 85]

BEIJING'S LABOR EXPORT SINCE 1982--Since 1982, Beijing municipality has dispatched over 4,000 laborers and technicians to foreign countries. Over the past 3 years, contracts for labor service exports involving more than \$72 million have been carried out, and more than \$20 million in foreign exchange has been realized for the country. [Summary] [Beijing BEIJING RIBAO in Chinese 18 Sep 85 p 1 SK]

CSO: 4006/128

THEORETICAL PROBLEMS OF SPECIAL ECONOMIC ZONES DISCUSSED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese
No 4, Jul-Aug 85 pp 1-8

[Article by Su Yuanhan [5685 0337 5060]: "Some Theoretical Issues Concerning Special Economic Zones and Economic Development Zones"]

[Text] To accelerate socialist modernization, China has followed up the establishment of four special economic zones [SEZs] with the critical decision to establish economic and technical development zones [EDZs] in 14 opened coastal cities, thus ushering in a new stage in China's open door policy. Special zone policies are now being implemented in the extensive territory of the 14 cities as well as the SEZs. Their economic impact, formerly local in scope, has grown to such an extent that it now influences the national economy. Under these circumstances, it is imperative that we look at SEZs and EDZs as a whole, clarify the conditions for their existence, explore their ideal economic structure, socioeconomic structure, and economic system, and assess their importance.

I. The Creation of SEZs and EDZs Is Inevitable in the Course of Achieving Socialism with Chinese Characteristics

Special economic zones around the world, including those in China, are economic forms characterized by a concentration of international economic cooperation. In other words, they constitute a special form of global production cooperation. Their creation and growth are a response to the development of international economic linkages, an inevitable result of the basic trend of increasing economic globalization.

More than a century ago, Karl Marx came to the scientific conclusion that economic globalization would increase inexorably. Living in an age when the bourgeois Industrial Revolution was in its ascendancy, Marx quickly realized the phenomenal impact this unprecedented revolution would have on the development of human society, setting in motion a series of changes in production methods and exchange modes. "To the despair of reactionaries, it has deprived industry of its national foundation." The development of large-scale industries prompted all nation-states to expand commodity exchange within national borders into international trade, domestic markets into

international markets, and the social division of labor into international division of labor. "By the exploitation of the world market, the bourgeoisie has given a cosmopolitan character to production and consumption in every land" ("The Communist Manifesto," pp 27-28). This is an irreversible general trend in the world economy. Despite countless conflicts between nations over the past century, including the unprecedented disasters of the two world wars, this general trend, fueled by spectacular growth in social productive forces, cannot be reversed. And today, the internationalization of production and exchange, the extension of the international division of labor and the globalization of capital circulation have all reached unprecedented levels. The international relations of production are also taking place in an ever widening arena. As a special manifestation of the international relations of production, the international SEZ has spread to all corners of the world from its original birthplace on the Mediterranean coast.

Concomitant with the general trend of economic globalization, the global SEZ was born and developed over a long period of time, a progression which can roughly be divided into three stages. Stage 1 lasted from the 16th century to the eve of World War II, when a total of 26 nations established 75 free ports and free trade areas. Stage 2 covered the postwar period up to the late 1970s when the SEZ mainly took the form of an export processing zone even though the number of free ports and free trade areas was still on the rise (e.g., the United States). Over 50 export processing zones were set up in 28 nations. Stage 3 covers the 1980s and beyond. During this stage, the SEZ became a complex entity, and there is a tendency to return to large-scale free ports and free trade zones. Britain, Indonesia, South Korea and our own Taiwan Province, are all opening new free ports or free trade zones. The position of SEZs in the world economy and world trade is rising rapidly. Estimates are that they will account for 20 percent of gross international trade in 1985. Chinese SEZs and EDZs, the latter a form of quasi-SEZs, are also a product of increasing economic globalization. The explosive growth in international trade today, the unprecedented expansion of specialized cooperation across national boundaries, and the internationalization of capital circulation all provide adequate external conditions for the establishment of SEZs and EDZs in China.

Needless to say, the creation and growth of SEZs and EDZs depend primarily on China's internal socioeconomic conditions and are an expression of the objective requirements of the rapid development of our backward social productive forces. The CPC Central Committee made the critical decision to set up SEZs and EDZs only after it saw the collapsing national economy, serious dislocations in proportionate relations, and the hardships of the people in the process of scientifically analyzing the situation after the disaster of the "Cultural Revolution," clearly understood the objective needs put forward by a backward society and economy, and correctly concluded that China is equipped with the external and internal conditions to adopt an open door policy.

1. A backward social economy determines that we must do what Lenin did when he was leader of the Soviet Union and use capitalism to develop socialism. We must discard isolationism in favor of the open door policy and radically change our economic development strategy. And SEZs and EDZs are the most

effective economic tools for implementing the open door policy by using capitalism.

2. With its vast size and uneven levels of productive forces, China must first develop its coastal areas if it is to accelerate the growth of its social economy. SEZs and EDZs furnish the quickest and most powerful means for accomplishing this, a fact amply demonstrated by the experience of many developing nations.

3. We must take special measures conducive to the massive import of advanced technology, such as the establishment of SEZs and EDZs, in order to face up to the global high-tech revolution and reflect the objective needs of a social economy as it tries to achieve "leap-frog growth" after lagging behind for decades. It must be born in mind that if we fail to bestir ourselves to catch up in the next couple of years and launch a far-reaching technical revolution, our socialist system will be seriously threatened as a result of our economic backwardness.

4. The objective demands of rapidly developing social productive forces determine that we must extensively restructure our economic system. Such restructuring needs a laboratory like the SEZ.

5. The present nature and level of our social productive forces make it inevitable that the socialist economy should play a leading part in our social economic structure and that other economic elements will coexist. In this social economic structure, the various manifestations of state capitalism, including the SEZ and EDZ, become all but unavoidable.

6. The development of social mass production, the elaboration of the social division of labor, and the rapidly expanding scope of exchange all objectively determine that China's external economic relations should graduate from circulation to production and from traditional trading patterns to concentrating on external economic cooperation in the form of a SEZ. Such, indeed, were the circumstances under which China's oldest SEZ, Shekou, was born.

II. SEZs and EDZs Must Establish an Economic Structure Based upon Advanced Technology and Modern Industries

Economic structure is a basic issue in the establishment of SEZs and EDZs. The characteristics of the economic structure of our SEZs, which is now rapidly taking shape, are increasing comprehensiveness and an external orientation. In most cases, the planners of an SEZ see its economic structure as a two-stage phenomenon. In the first stage, they envisage a small industrial center. In the second stage, they project a comprehensive economic structure. Of course, the economic structure of each SEZ or EDZ has its own special features, but it cannot be denied that they share a number of common characteristics. Hence it is both possible and essential that we study and elucidate their similarities and the laws under which they came into existence.

1. SEZs and EDZs must correctly assess their strategic position and clarify their own individual strategic goals. Taken as a group, our SEZs and EDZs are scattered in 11 provinces and municipalities along the country's extensive coastline. With a total planned area of more than 800 sq km, they already occupy a vital position in the nation's economy. We must bear in mind their vital position as we determine the specific roles appropriate to each SEZ or EDZ in the spatial allocation of social productive forces. Also, we must ascertain the demands posed by the development strategies of their surrounding regional economies. Only thus can we correctly define the strategic goals for each SEZ and EDZ. Under no circumstances can we underestimate their important status and functions. Take the EDZs of Dalian, Tianjin, Qingdao and Ningbo, for instance. They all occupy a crucial strategic position and should be able to accomplish fairly ambitious strategic goals. As for the Shenzhen, Xiamen and Zhuhai SEZs, their importance is enhanced by their physical location in an area where the two systems of the nation converge. We must draw up for them a bold development blueprint which gives them ample room to grow. The Shenzhen SEZ intends to boost its gross output value from 50 million yuan in 1978 to 5.6 billion yuan by 1990, while Xiamen is aiming to hit 6 billion yuan in 1990, up from 1 billion yuan in 1983. At the end of this century, they will become modern industrial and commercial cities and international trade ports, actively playing a multitude of roles in national and regional economic development.

2. We must advance from the old formula of labor-intensive export processing to establishing a technology- and knowledge-intensive industrial sector. In an article in September 1983, I pointed out that China's SEZs must not take as its model the labor-intensive export processing zone. It now seems that my comment applies to EDZs as well. We should reject the labor-intensive export processing formula because: (1) it will not help us achieve the strategic goals we have set for SEZs and EDZs; (2) we must not overestimate the types and numbers of industries which developed capitalist nations are relocating abroad as they overhaul their industrial structure. In fact, most of them (e.g., Japan's textile industry) have not been moved overseas but have been technologically upgraded at home instead; (3) the mere establishment of labor-intensive industries and enterprises does not meet the general trend of rising capital and technical components in a product. Because of the declining costs of using new technology and processes, some labor-intensive industries are undergoing qualitative changes and the types and scope of such industries are shrinking by the day; (4) since the amount of technology involved in labor-intensive industries is relatively small, their products cannot effectively satisfy the needs of an international consumption market which is being constantly upgraded and is becoming more and more sophisticated and diversified; (5) labor-intensive industries in SEZs are bound to run into stiff competition in both domestic and international markets from similar industries in the hinterland; (6) the so-called low-cost labor upon which SEZ labor-intensive industries depend is in for some drastic changes in the future. Data from both Masan, South Korea, and Kaohsiung, Taiwan, show that the ratio between the amount of wages per unit labor time and the labor productivity in those places is no longer as attractive as it once was compared with that in developed capitalist nations. This development has prompted investors to shift the flow of their capital; and (7) changing labor costs make for short-lived labor-intensive export processing zones. A number

of experts overseas estimate that an export processing zone has a lifespan of about 10 years, which is a little on the low side, but it is probably right to say that an export processing zone is over the hill after 10 years. To be sure, some developing nations in Southeast Asia were still setting up labor-intensive export processing zones in the past few years for industries which may yet be of some use, but by and large such zones worldwide have passed their peak for the various reasons mentioned above and are now entering a period of readjustment.

China's SEZs and EDZs, therefore, must establish a comprehensive industrial structure based upon advanced technology. Certainly the structure of one zone can be more or less advanced than that of another zone. In such areas as Guangzhou and Shanghai where there is a pool of expertise, technology and industry, their EDZs should become new industrial bases--China's "Silicon Valleys." Most EDZs, however, should develop a multilevel industrial structure centered on advanced technology. Just such a structure has gradually come into being in Shenzhen as a result of a progression from simple processing and assembling through the adoption of advanced technology (more advanced than that in similar industries in the interior) and the absorption of technology- and knowledge-intensive industries to the establishment of industrial and scientific parks. Some of Shenzhen's experience should be of use to others.

3. We must increase the flexibility and adaptability of the economic structures of SEZs and EDZs so that they will be better able to live with the development trends in the world economy after the 1980s and the investment characteristics of foreign businessmen. China's SEZs and EDZs are confronted with a world economic situation more complex than that facing the flurry of SEZs which mushroomed in the 1960s and 1970s. At the same time, investment has also developed new traits. Throughout the 1980s and 1990s, advanced capitalist nations will intensify their industrial readjustment and relocate some resource industries overseas. This is the external condition which makes it possible for SEZs and EDZs to set up capital-intensive industries. Also, as the latest generation of technology comes into use, these countries will transfer abroad a range of advanced technology which is still considered first-rate internationally. Then, too, international capital has shown a tendency toward increasing investments in technology. All these factors may enable SEZs and EDZs to establish technology- and knowledge-intensive industries through the import of foreign technology. In addition, developed nations will be transferring abroad so-called "twilight industries," the admission of which must be strictly selective. Changes in the global industrial structure and the use of the information industry will also channel a massive amount of capital in the direction of the tertiary industry, so SEZs and EDZs must set up similar industries. Moreover, we must analyze in depth potential investors in SEZs and their investments, and formulate flexible import strategies to speed the formation of the economic structure.

4. We must closely integrate production with circulation and establish a circulation sector wherever needed in order to give the economic structure of an SEZ or EDZ a measure of interrelatedness and cohesiveness. We should avoid the vulnerability and one-sidedness of the industrial structure of the labor-intensive export processing zone. Instead we should follow Marx's

reproduction theories and forge linkages and cooperation between the production departments of the various SEZs and open coastal cities so as to achieve a degree of interchange and compensation involving different kinds of products and create an integrated production system for certain products. We must also attach importance to trade, shipping, transportation and finance and build up a market which is capable of accommodating the turnover of a definite volume of commodities and can also serve as a market for goods produced in the zone. This demands that we correct our bias against circulation in favor of production and work hard to establish a comprehensive economic structure. Special economic zones like Shenzhen have successfully used the economic strategy of comprehensive development, an experience which all development zones should take seriously.

5. Special economic zones and EDZs must start with their own local social, economic and geographic conditions, exploit their economic advantages and coordinate their developments with those of opened cities and the hinterland economy so that their economic structure will be diversified and localized and develop the characteristics of a sea port economy. At present SEZs and EDZs are in the process of drawing up strategies to exploit their strengths and develop hot-selling products in accordance with their specific circumstances. They are studying ways to modernize old enterprises in open cities and the hinterland and readjusting the industrial structure. Modernized enterprises, in turn, can contribute to the development of SEZs. They are making use of local tourist resources to establish integrated tourist facilities and turn tourism into a priority industry. They are stepping up the construction of harbors and river mouth ports (Nantong) as important distribution centers for merchandise, an essential condition for the development of free trade. Undoubtedly, all these steps accord with the laws governing the formation of economic structures in SEZs and EDZs. In addition we must determine the establishment and scale of industrial departments and study ways of raising and using capital.

In short, the economic structure of an SEZ or EDZ should be purpose-oriented, advanced, outward-looking, comprehensive and integrated. It should be anchored in local conditions, produce high economic results, displaying the special features of a seaport economy, and fully capable of absorbing the advantages of export processing zones and some of the experience of free ports and free trade zones. In general, however, EDZs will be more similar to industrial zones while Shenzhen will continue to develop its industrial and commercial economy. Xiamen's economic structure will increasingly take on the characteristics of a free port.

III. SEZs and EDZs Should Develop a Social Economic Structure in Which the Socialist Economy Holds Sway But Which Will also Accommodate Various Other Economic Elements

The social economic structure is another key issue in economic zone policy-making at the macro level. It determines the economic nature of an SEZ or EDZ and forms the basis for all law-making and rule-making in the zone, so it is extremely important. Of course, an SEZ differs from an EDZ in social economic structure, particularly if the latter's focus is on enterprises established

jointly with the interior and on domestic capital. But it now seems that most EDZs will concentrate on attracting foreign capital and the three kinds of enterprises involving foreign participation, namely joint ventures, cooperative enterprises, and wholly-owned foreign enterprises. As long as they follow this policy, they will develop a social economic structure similar to that in SEZs. For this reason, we examine only the SEZ social economic structure here.

The SEZ social economic structure has been changing over the past few years. First, it is growing with each passing day, with substantial increases in capital construction and fixed assets. In 1983, the Xiamen SEZ completed 194.31 million yuan worth of capital construction projects and the fixed assets of state-owned enterprises rose to 138.23 million yuan. From 1979 through the end of 1983, the value of completed capital construction projects in the Shenzhen SEZ amounted to 1.96 billion yuan and fixed assets reached 1.19 billion yuan, with the annual breakdown as follows (in million yuan):

1979	1980	1981	1982	1983
22.43	66.54	163.87	317.56	625.76

Another reason for the growing strength of the socialist economy in the SEZ is the development of enterprises set up in cooperation with the hinterland. In Shenzhen, total investments in such enterprises already approach 600 million yuan.

However, the proportionate importance of the socialist economy in the social economic structure of the SEZ is actually declining slowly because of the upsurge of the state capitalist economy, a structural change clearly reflected in the composition of foreign investments. The Xiamen SEZ's 152 projects involving foreign participation consist of:

Joint ventures, 96; cooperative enterprises, 49; wholly-owned enterprises, 6; loans, 1.

The table below gives the state of foreign investments in the Shenzhen SEZ as of late 1983:

	No.	% of Total Investments
Joint ventures	133	12.59
Cooperative enterprises	289	65.73
Wholly owned enterprises	48	15.38
Processing and assembling	1,620	3.92
Breeding with imported materials	421	2.1
Compensatory trade	62	0.28

There has been an upsurge in foreign investments in SEZs since 1984, and as the flow is still streaming in, the share of the state capitalist economy in the social economic structure of the SEZ will continue to rise.

It can thus be seen that from its infancy, the SEZ develops a social economic structure where the socialist economy holds sway, where state capitalism plays a major role, and where various other economic elements are also allowed to exist side by side. This structure comes into being under state capitalist policies which encourage Chinese-foreign economic cooperation. In the nation as a whole, the state capitalist economy is a mere appendage or derivative whose economic role is supplementary. In the SEZ, however, it is a key economic component. As soon as state capitalism comes to assume such importance in a SEZ, it is a clear sign that the vital economic relationships in the zone are state capitalist relationships: ownership relationships, exchange relationships and distribution relationships all bear the imprint of state capitalism to a great extent. A social economic structure the hallmark of which is state capitalism is thus born.

The state capitalist economy in the SEZ has a number of characteristics. It is the kind of state capitalism used by a socialist state to bring about Chinese-foreign economic cooperation, not the state capitalism of a capitalist state. Nor is it the same state capitalism adopted in the early years of the People's Republic to reform the bourgeoisie. It also differs somewhat from the leasing system advocated by Lenin. It is an economic form derived from the socialist economy as it seeks to establish international linkages and cooperate with foreign capitalist economies through a variety of means under new circumstances. In essence it is a special form of the international relationship of production. This economic form has a dual system of ownership of the means of production: socialist and foreign capitalist. Given this dual system of ownership, basic socialist economic laws are brought into play and enjoy a slight advantage, but basic capitalist economic principles, too, exercise a definite amount of influence. The state capitalist economy of a zone must cater to the needs of socialist construction and improve the people's material and spiritual life, on the one hand, and provide a definite return on capital, on the other, to compensate it for letting it use the means of production. This duality exists in production, exchange and distribution relationships. The state capitalist economy must combine its dependence on a powerful socialist economy with a need to establish close contacts with international capital. This is an economy based on an economic contract; it will revert to socialism upon expiration of the contract. Consequently, it is special, dual and transitional.

If we look at the entire SEZ social economic structure, we can see that it includes a socialist economy and a private capitalist economy as well as the state capitalist economy. The socialist economy exercises leadership and sets the course of development. However, socialist economic activities must take place in the context of the array of economic connections with foreign capital. The socialist economy must carry out the zone's state capitalist policies. As for the private capitalist economy in the zone, since it must depend on the builders in the zone--our workers--to carry out production, rent or lease factories and plants from the zone, and pay taxes and purchase some materials from the socialist economy, it is not entirely capitalist but can be described as a rudimentary form of state capitalism. In view of the composition of the economic structure and its characteristics as described above, we consider state capitalism to be the hallmark of the social economic structure of an SEZ.

The significance of such a structure has been proved by the experience of our SEZs. It ensures a leading role for the socialist economy, is conducive to the implementation of the party and government principle of setting up SEZs, and makes sure that SEZs really promote socialist modernization and function as a "window" to the outside world. It brings about an investment climate different from the hinterland, carries out the zone's policies, including preferential policies, in a realistic way, and encourages the large-scale import of capital, advanced technology and scientific managerial experience. In addition, this structure correctly defines the status for each economic element and coordinates their interests, thereby unleashing the enthusiasm and creativity of SEZ workers and Chinese and foreign partners and speeding economic development in the zone. Generally speaking, if an EDZ can put together a similar structure, it too will be able to promote China's socialist modernization.

IV. SEZs and EDZs Must Establish an Economic System Compatible with a Highly Developed Commodity Economy

After developing SEZs for several years, we have arrived at an important conclusion, that is, without an economic system, there can be no SEZ economy. Hence the importance of establishing an economic system for the SEZ or EDZ. The theoretical basis for the establishment of an economic system in the zones consists mainly of theories relating to the economic structure and social economic structure of an SEZ or EDZ and commodity economy theories. An externally oriented economic structure determines that the SEZ or EDZ must take part in the international division of labor. A social economic structure where state capitalism plays the leading role and where a multitude of economic elements exist side by side determines that the means of production and output belong to different types of owners and to owners who have independent interests. As a result, we find in the SEZ or EDZ a range of commodity relationships. Commodity production in these zones is the kind which takes part in the international division of labor and is oriented toward the world market. Here commodity exchanges involve international commodity circulation and international cooperation. Although the laws of planned, balanced development, which have their basis in socialism, will continue to regulate certain parts of the macroeconomy, the law of value will become the SEZ's or EDZ's preeminent law, dominating the entire process of commodity production and exchange and ranging far and wide as a regulator of such things as the distribution of general social labor, the structure and extent of the zone's participation in the international division of labor, market prices, and capital movement. So we are talking about a special and sophisticated commodity economy.

Special economic zones and EDZs must establish an economic system compatible with this kind of highly developed commodity economy. Such an economic system, however, materializes only gradually in the wake of the development of the commodity economy. From its birth through growth to maturing, it must go through a three-stage process, the initial, intermediate, and formation stages. In some sectors, e.g. finance, the new system also matures only after passing through a number of stages. The Shekou and Shenzhen SEZs, which are among our first SEZs, have completed stage 1 and are now in the midst of

implementing even more comprehensive and thoroughgoing policies. We can say that they are in the transitional zone between the second and third stages. The situation in the Xiamen SEZ, which has just been enlarged to cover the entire island, is slightly more complex. It must go in for more comprehensive reform on the basis of what it has accomplished, on the one hand, and overhaul the economic system in the old city by using the experience it has acquired in the Huli area, on the other. By and large, however, SEZs at present all face the problem of how to make their reforms take hold and establish an all-embracing economic system. Among the more important issues involved here are:

1. Reform and standardize the tax system throughout an SEZ: The dual tax system should be changed so that the products of state and collective enterprises can compete with those of joint ventures, cooperative enterprises and wholly-owned foreign ventures in the same market on equal terms. New taxes should be devised which adapt to the characteristics of the market economy in the SEZ. Tax rates should be reasonable. In this way we can gradually establish a sound tax system in the SEZ.

2. Reform the financial system by making it an open system centering around the zone's people's bank: After the zone's people's bank assumes the functions of a central bank, we should take further steps to end the existing fragmentation, establish a genuine central banking system whose axis is the central bank in the zone, and reform the financial system comprehensively. Preparations must be made for the day when the zone will issue its own currency. The number of financial institutions should be increased. Foreign banks should be attracted to the zone and a financial system should be established in which state banks, its backbone, will exist side by side with a host of other institutions. Credit should be diversified, commercial credit funds should be converted to notes, transferable bonds and stocks should be issued, cashing and discounting services should be developed and a capital market and currency market should be set up.

3. Reform the price system by making free prices its norm: To keep pace with the development of the market economy in the zone, we should transform the present price system, which is dominated by fixed and floating prices, into one where free prices are the rule, not the exception. The new price system should sever its links with the hinterland market and be pegged to the international market. Zone prices should also be in line with international market prices.

One thing that stands out about the reform of the economic system of the SEZ is the need to meet the requirements of the law of value, rapidly enlarge the scope of market regulation and vigorously strengthen the role of economic mechanisms as a means of regulating the zone economy. As the zone economy becomes even more oriented toward the outside world, the application of the law of value will undergo major changes.

As for the EDZs, which are either in the preparatory stage or under construction, the SEZ experience is entirely applicable and the EDZs may begin by setting up a string of systems, notably the administrative management system, personnel system, labor wage system, capital construction and the enterprise management system, and implementing various preferential policies.

Since experience is available in all these areas, it is unnecessary to go into details here.

V. The Establishment of SEZs and EDZs Will Significantly Boost China's Socialist Modernization

We must answer one final question: How do we evaluate the economic results of SEZs and EDZs? How do we measure the overwhelming importance of their creation?

The SEZs have obtained solid achievements in just a few short years. Both the Shenzhen and Xiamen SEZs have registered rapid economic growth; the annual growth rate of Shenzhen's gross industrial output value exceeds 86 percent, and although the Xiamen SEZ has been expanded to take in the entire island only recently, its growth rate from last January through September also hit 19.2 percent. Commodity circulation in SEZs has never been more active and the market is booming as a result of brisk selling and buying. In 1983, social retail sales totalled 1.26 billion yuan in Shenzhen and 540 million yuan in Xiamen. There has been an influx of foreign capital and advanced technology into the zones; as of June 1984, Shenzhen has concluded a total of 2,844 agreements of various kinds and foreign investments in the zone reach HK\$14.8 billion, of which 3.39 billion has actually been spent. The amount of foreign capital attracted by the Xiamen SEZ has also doubled. Shenzhen has imported a range of equipment, totalling almost 30,000 pieces (or sets), of which about 30 percent cost at least 10,000 yuan apiece and represent the most advanced technology of the 1980's. Xiamen, too, has imported such advanced technical and production hardware as computers, videotape cassette recorders, optical fiber and optical cable communications equipment. The SEZs have overtaken Jurong Industrial Estates of Singapore in the speed with which they are importing advanced technology and capital and in the scale of such imports. Their record in capital construction is likewise impressive. Shenzhen has put together rudimentarily a modern industrial and commercial city. The Xiamen SEZ has also completed its first batch of projects and is now building the new urban area and a host of high-rise complexes. All these achievements have been obtained with a relatively limited input of domestic capital.

The establishment of the SEZs has also yielded handsome macroeconomic results, and the zones have gradually begun to make themselves useful as the "four windows." They have facilitated economic and technical exchanges between the hinterland and the outside world, thereby speeding up the interior's imports of capital and technology. As a laboratory of economic reform, they have provided a host of concrete experiences, including those in wage reforms and capital construction, to aid the interior's effort to restructure the economic system. Because of rapid industrialization in the zones, their expanding markets and the opening up of foreign shipping routes, SEZs have become an important market for raw materials and consumer goods from the interior, effectively spurring industrial and agricultural production there. As key distributing centers and export ports for interior merchandise, SEZs have also bolstered the development of China's commodity economy. People living in the

outlying areas of SEZs have registered a quicker improvement in the standard of living.

The achievements of SEZs bode well for the future of EDZs. The development of the 14 EDZs will certainly magnify and strengthen the macroeconomic functions now played by the SEZs.

With the creation of the SEZs and EDZs, China has completed the general strategic layout of the open door policy and established a beachhead for the attraction of foreign capital and the import of advanced technology. By developing this beachhead in advance of other areas, we will be able to promote economic development in the vast hinterland in an east-to-west direction and speed up construction in the interior. In an economically backward nation like China, it is inevitable that our social economy grows unevenly and that our national economy is characterized by different levels of development. At present, the national economy is a highly encouraging, lively scene, where the eastern part of the country is promoting the western part and where forerunners are helping the latecomers. Its most prominent feature is the three movements: (1) The movement of capital from the interior toward the coastal areas and from the coastal areas to the interior. The result is horizontal economic cooperation and interregional economic linkages on a scale never seen before. (2) The movement of technology. Advanced technology along the coast flows into the interior, while from the interior also comes a certain amount of advanced technology. This technological exchange, unheard of in the past, powerfully boosts the modernization of older enterprises and the overhauling of the technical basis of the national economy. (3) The movement of goods. As interior exports stream into the various coastal ports, there is a reverse flow of advanced equipment and sophisticated products from the coast. This large-scale exchange of merchandise has spurred the development of a commodity economy throughout the nation. The three major movements of capital, technology and goods are promoting the rearrangement of the elements of production across society in the most extensive way, accelerating the restructuring of the national economy and fueling social production.

We can say that it is impossible to estimate either the significance of the creation of SEZs and EDZs or the functions they fulfill. It will not be long before they come to play an even more prominent role, further demonstrating the soundness and mightiness of the party's open door policy.

12581

CSO: 4006/48

SPECIAL ECONOMIC ZONES

SHENZHEN OPENS INDUSTRIAL PRODUCTS EXHIBITION HALL

HK100719 Beijing ZHONGGUO XINWEN SHE in Chinese 1441 GMT 8 Oct 85

[Text] Shenzhen, 8 Oct (ZHONGGUO XINWEN SHE)--The Shenzhen Special Economic Zone [SEZ] has more than 320 items of industrial products in over 10 categories for export. These are now in the markets of such countries and regions as the United States, the United Kingdom, FRG, Japan, Sweden, Australia, Southeastern Asia, Hong Kong, and Macao.

Some of these products have reached world standards.

Zhou Xiwu, vice mayor of Shenzhen and concurrently director of the Industrial Development Committee, disclosed the above information to our reporter at the opening ceremonies of the Shenzhen SEZ industrial products exhibition hall this morning.

At present, the gross output value of enterprises entirely owned by foreign entrepreneurs, joint ventures, and cooperative enterprises account for more than 60 percent of the gross industrial output value of the city. The gross industrial output value of the city in the first 8 months of the year was 1.8 billion and 2 thousand yuan [as received], exceeding the gross industrial output value for the whole of 1984.

This year, the city's commodities for export account for more than 30 percent of the total sales volume of commodities, up by more than 10 percent from 1984. Among these commodities for export are products from some of the provinces and cities in the hinterland.

The exhibition hall, which opens today, will be permanent. In the hall, which has a floorspace of 1,000 square meters, more than 5,000 items covering 800 varieties of Shenzhen products are on display, including products of the light industry, foodstuffs and beverages, electronics, medicines, textiles and garments, the oil and chemical industries, machinery, furniture, building materials, and handicraft articles, which shows the history and present condition of the industrial products development of the Shenzhen SEZ. It will become a site for exhibition and sales.

The exhibition hall has held previews for 4 months, during which time more than 5,000 people from all provinces and cities visited.

CSO: 4006/128

LABOR AND WAGES

WORKERS' CONFERENCES IN ENTERPRISE DISCUSSED

Beijing GONGREN RIBAO in Chinese 21 Aug 85 p 3

[Article by Wu Taidong [6762 3141 2639] of the Harbin Municipal Trade Union Federation: "Discussion on Position of Workers' Representative Conferences in Enterprises"]

[Text] China has gradually carried out the workers' representative conference system in enterprises since the middle of the 1950's. It was discontinued during the "Cultural Revolution," but since the "gang of four" was smashed, workers' conferences have been reinstated and established like bamboo shoots after a spring rain. Over 2,000 enterprises or over 90 percent of all enterprises in the city of Harbin have now held workers' conferences. Since the position of workers' conferences in enterprises has not been defined fully, the role they have played in enterprises has differed greatly. Thus, it will be essential to inquire further into the position of workers' conferences in enterprises. This will also be of major significance in doing a good job of enterprise leadership system reform, increasing enterprise vitality and arousing the masses of staff members and workers to feel that they are the masters of their own affairs.

The people are now disputing the position of workers' conferences in enterprises, with opinions varying and each having his own view. From the perspective of collectively owned enterprises, workers' conferences should be organizations of power; from that of state-owned enterprises, they should be ones which have specific powers and through which the masses of staff members and workers exercise their democratic management powers.

In order for the masses of staff members and workers to participate in enterprise management and exercise their right of being the masters, they must have a suitable form of organization. China's enterprises now have widespread workers' conferences which are of a mass and representative character and which should naturally shoulder this important task and become organizations through which the masses of staff members and workers exercise their democratic management powers. Specifically, they should have basic powers in the following four areas: 1) the power to

examine and approve major enterprise policy decisions; 2) the power to legislate all enterprise rules and regulations; 3) the power to make decisions on staff members and worker welfare services; 4) the power to appraise, supervise, elect and recall leading enterprise cadres. These four powers reflect the minimum powers of staff members and workers as the masters of enterprises. If these four staff member and worker powers are not guaranteed conscientiously, the position of staff members and workers as the masters of their enterprises will be weak and workers' conferences will not become organizations through which staff members and workers exercise their democratic management powers.

It should be seen that workers' conferences in a considerable number of enterprises have still not become organizations through which staff members and workers exercise their democratic management powers and that the powers bestowed on them have still not been exercised. Certain irregular phenomena have emerged unavoidably in these enterprises. First, staff members and workers being the masters of enterprises in name but not having organizations through which to exercise power in fact and being unable to participate in policy decisions on major enterprise problems have caused staff members and workers to have a hazy concept of being the masters ideologically and to lack the sense of responsibility of being the masters in action. Second, enterprise leaders have regarded workers' conferences as advisory and popular organizations, some even treating them as tools, convening them at will and whenever they please, and the formalism of "factory directors giving reports and the masses voting on them" has often appeared in workers' conferences. Third, the democratic rights and economic interests of staff members and workers have been unable to be guaranteed conscientiously and their enthusiasm and creativity to be developed fully. Judged by both positive and negative experience, in order to turn out enterprises into truly socialist ones which have distinct Chinese characteristics and are full of life and energy, we must establish the position of staff members and workers as the masters of enterprises and allow workers' conferences to exercise their proper powers.

In order to enable workers' conferences to truly become organizations through which the masses of staff members and workers exercise their democratic management powers, we must greatly improve the quality of staff member and worker representatives. Increasing the proportion of engineers and managers among the ranks of staff member and worker representatives will be a major way to improve the administrative ability of staff member and worker representatives. In order to ensure widespread representation, the composition of staff member and worker representatives must be revised gradually. Staff member and worker representatives who are elected by the masses should be highly aware, knowledgeable, able to understand policy, able to manage, impartial and keen on reform. When considering major policymaking problems, only such people will be able to propose artful and insightful views and suggestions, help factory directors and managers effectively to make correct policy decisions and exercise the functions and powers of workers' conference representatives.

12267

CSO: 4006/30

LABOR AND WAGES

STRENGTHENING ENTERPRISE WORK GROUP, TEAM BUILDING

Beijing RENMIN RIBAO in Chinese 9 Sep 85 p 2

[Article: "All-China Trade Union Federation Circular Claims that Strengthening Work Group and Team Building Will Strengthen Enterprise Vitality"]

[Text] The All-China Federation of Trade Unions issued recently a "Circular On Strengthening Enterprise Work Group and Team Building."

The "Circular" pointed out that work groups and teams are the cells of enterprises and the basic organizations through which they organize the masses directly to fulfill production (contract) plans and work tasks. Strengthening the building of work groups and teams will be of major significance in carrying out the party's principles and policies, doing a good job of managing work groups and teams scientifically, strengthening enterprise vitality, building an idealistic, ethical, literate and disciplined staff member and worker contingent and promoting developments in building modern socialist enterprises.

The "Circular" said that China has a long history of doing a good job of building work groups and teams and fully developing their roles in enterprises. Activities to learn how to catch up with advanced work groups and teams were launched throughout China at the beginning of the 1950's, with a large number of model work groups and teams, such as the Mao Zedong locomotive responsible crew, the Ma Hengchang [7456 1854 2490] small group, the Ma Wanshui [7456 8001 3055] engineering team, the Ma Liuhai [7456 0362 1326] small group, the Hao Jianxiu [6786 1696 4423] small group, the Zhao Meng-tao [6392 1125 2711] small group and the 1205 well-drilling team being established one after another. In the democratic revolution, the socialist revolution and socialist construction, these work groups and teams made outstanding contributions, created rich group and team work experience and are still good examples for us to study. During the decade of turmoil, group and team building work was disrupted seriously. Since the 3d Plenum of the 11th CPC Central Committee, order has been brought out of chaos, enabling group and team work to recover and make new developments. But from a nationwide perspective, group and team building work development is still very uneven and the group and

team work foundation in many enterprises is still quite weak and far from being able to adapt to the needs of new conditions.

The "Circular" proposed the following four requirements for trade union federations in all provinces, autonomous regions and directly administered municipalities and all industrial trade unions.

1. Trade union organizations at all levels must understand fully the importance, necessity and urgency of strengthening group and team building, must regard conscientiously group and team building as their major work to be stressed and must discuss, study and examine periodically plans for group and team building work. Based on reform conditions, we must integrate the key work of enterprises, take an active initiative to cooperate with enterprise administration and build solidly and well all group and team work with organization, leadership, planning and step by step.
2. Group and team building is the basic building of enterprise multiple production and may be summarized principally as ideological, organizational and professional building. In order to do a good job of the above building, we must arouse and rely on the masses to participate in management and integrate the group and team leader responsibility system with democratic group and team management. We must link up closely democratic group and team management with enterprise and shop workers' conferences, forming a complete three-level democratic management system in enterprises.
3. We must master conscientiously the creation of competition between advanced groups and teams, good group leaders and outstanding work managers and all kinds of contests suited to group and team characteristics. We must reflect the spirit of stressing the building of the "two civilizations" together and coordinate closely to ensure attainment of all group and team economic and technical targets, improvement of group and team management, promotion of technical progress and safe production and building of idealistic, ethical, literate and disciplined staff member and worker contingents.
4. Group and team leaders are the frontline production directors, managers and organizers of all work in enterprises. Trade union organizations at all levels, and grassroots ones in particular, must stress and strengthen the training of group and team leaders and key members, training them as quickly as possible to become qualified and outstanding group and team leaders and managers.

12267
CSO: 4006/30

PUBLICATIONS

BRIEFS

MONGOLIAN EPIC PUBLISHED--Urumqi, 19 Oct (XINHUA)--"Jangariad," a famous 15th century Mongolian epic, has been published in this capital of the Xinjiang Uygur atonomous region. The 5-volume, 41-chapter book tells the story of Jangariad, leader of the Mongolian people in the Oirad area, located in the northwest of present-day Xinjiang. The story was popular among the people in the 12th century and gradually dveloped into an epic by the 15th century. It was passed from generation to generation as a popular form of entertainment consisting mainly of talking and singing. Because it involves the history, religion, culture, art and philosophy of the Mongolian people in Oirad, the epic has aroused the great interest of scholars in China, the Soviet Union, Mongolia, the Federal Republic of Germany, the United States and Japan. "Jangariad" was compiled by the Xinjiang branch of China Society for the Study of Folk Literature and Art and the Xinjiang People's Publishing House. /Text/
/Beijing XINHUA in English 1325 GMT 19 Oct 85/

CSO: 4020/46

TAIWAN

BRIEFS

VISIT OF NEVADA DELEGATION--Taipei, 9 Oct (CNA)--Vice President Lee Teng-hui received an eight-member delegation from Reno, Nevada, the United States, at his office in Taipei Wednesday. The delegation, which is led by Reno Mayor Peter J. Sferrazza, called at the presidential office in the company of Lin Po-jung, mayor of Taichung City in central Taiwan. During the 1-hour call, Lee made an introduction of the nation's agricultural development. Lee also stressed to the visitors that traditional friendship between the Republic of China and the United States will never change. Lee said that he is pleased to see the establishment of sisterhood between Reno and Taichung. This, he said, is expected to further enhance the friendship between the people of the two cities. Officials representing Reno and Taichung signed a pact in Taichung Tuesday to establish sisterly relation. /Text/ /Taipei CNA in English 1452 GMT 9 Oct 85/

CSO: 4020/45

HONG KONG MEDIA ON CHINA

TA KUNG PAO ON PRC ECONOMIC PROGRESS IN SIXTH 5-YEAR PLAN

HK170508 Hong Kong TA KUNG PAO in English 17 Oct 85 p 2

[From "The Past Week" column: "A Crucial Turn"]

[Text] During the present year, the last one of China's 6th Five-Year Plan, the country's economy has seen a crucial turn for the better. When the year runs out there is every reason to expect, for the first time in the four recent years, a healthy fiscal balance.

The past four years (1981-1984) have been years of important growth in China's industry and agriculture. The gross industrial and agricultural product value has seen a 60 percent growth, averaging a yearly growth rate of a little more than 12 percent. This was much too high in comparison to the 4-6 percent yearly growth allowed by the 6th Five-Year Plan.

On the surface this should be exhilarating. But unfortunately the state revenue and the country's economy in general have not been able to keep up with this growth rate, and the result was the deficits in the state balance sheet. Why? In one word: thinly spread over-investment. It took the central government four years to put some order in the investment area, raise the cost-efficiency and balance the country's revenue and expenditure. This is, however, not enough. This year's growth rate is still estimated at about 10 percent. This growth rate, often accompanied by waste in funds and material resources, is something the economy can ill afford.

Now that the fiscal deficits have finally been wiped out, the task for the next five years will be to expand from this bridgehead to continue the trend towards better cost-efficiency, and to generate greater revenue for financing the country's modernization. China, whose population accounts for a quarter of the world's, has to rely on itself. Foreign investments and loans should be used entirely on the import of necessary modern technology.

To achieve a rising cost-efficiency and labour productivity, as the press and economic journals have continued to point out recently, reform must come first--reform both in the sense of technology and management.

Also important is a balanced economic development achieved under the central control in the macroeconomics through economic levers rather than through

administrative orders. This is important especially in the field of investment distribution.

In investment, priority has been given to capital construction in two areas: the mining of raw materials and energy resources, and development of transportation and communications. Even in these areas, projects should be spaced out so that they would not fall upon each other over funds and building materials and get into each other's ways.

Great attention has to be paid to the manufacture of consumer goods, especially durable consumer goods. Of course, the people's incomes must keep pace with the growth in production, or the sudden flow of excessive funds into the market could be disastrous.

Here it is interesting to note that consumer councils have begun to be set up in Chinese cities, and a consumers' journal has published its first number this month in Beijing.

CSO: 4020/40

HONG KONG MEDIA ON CHINA

JAPAN TO REPLACE DEFECTIVE TRUCKS SOLD TO CHINA

HK070644 Hong Kong AFP in English 0540 GMT 7 Oct 85

/Text/ Beijing, 7 Oct (AFP)--Japanese vehicle manufacturer Mitsubishi Motors has agreed to replace more than 5,000 substandard heavy trucks it sold to China last year, a company official said here today.

The company official said Chinese press reports that Mitsubishi and two Chinese import companies had signed an agreement on the recall were "basically correct," but said that negotiations continuing.

Chinese newspapers today reported that Mitsubishi had agreed that all 5,824 vehicles should be replaced and the owners compensated for financial losses, because the trucks had been of inferior design.

The Mitsubishi official declined to say if any aspects of the Chinese reports were incorrect but added that the company's top representative in Beijing was meeting today with his Chinese counterparts to discuss the recall.

Local press reports of serious malfunctions in the trucks, including cracked chassis, have angered many Chinese and contributed to a tide of anti-Japanese feeling among university students, who have staged at least two major demonstrations against Japan's "economic invasion" in recent weeks.

NCNA /New China News Agency/ said that Mitsubishi had signed the agreement with the China Machinery Import and Export Corp and the China Motor Vehicle Import and Export Corp on 30 September, and had agreed to the recall "with an attitude of maintaining its reputation and being responsible."

(The diesel-powered trucks weigh 8 tons and according to Mitsubishi's price list in Japan cost 4.86 billion yen /22,600 dollars/ each on the domestic market.)

China has imported tens of thousands of Japanese automobiles in recent years and the vehicles are in some cities more common now than Chinese-made cars, which have been rejected by buyers in favor of the Japanese models.

CSO: 4020/44

HONG KONG MEDIA ON CHINA

WHOLLY FOREIGN OWNED FACTORIES PROPOSED FOR SHENZHEN STRATEGY

HK090628 Hong Kong SOUTH CHINA MORNING POST in English 9 Oct 85 (BUSINESS NEWS supplement) pp 1, 3

[Article by Olivia Sin]

[Text] A major overhaul of China's investment strategy is necessary to build up a strong industrial base in Shenzhen, according to a banker.

Mr S. C. Tam, adviser to the Japanese Hokkaido Takushoku Bank (Takugin), which has been very active in Shenzhen, said emphasis should be placed on developing small-scale operations requiring fewer industrial skills.

He told BUSINESS NEWS Shenzhen is not yet ripe for absorbing high-technology industries.

In his opinion, Shenzhen cannot even be said to have an industrial base despite its large number of factories.

"Let's call it an accumulation of isolated factories which do not have the support of related operations," he said in an interview.

He said the Chinese Government should encourage the setting up of 100 per cent foreign-owned factories to speed up Shenzhen's industrial development.

Apparently, he said joint ventures are not as efficient as wholly foreign-owned enterprises because of management and co-operation problems.

In its attempt to lure foreign funds, China has always emphasised on technology intensive projects and the formation of joint ventures with foreign firms.

Mr Tam's proposal for wholly foreign-owned enterprises and lower skill industries is in sharp contrast to the country's investment strategy.

Observers yesterday agreed with Mr Tam's proposal, saying China should be more realistic in developing the Shenzhen Special Economic Zone [SEC].

"Introducing high-tech industries is a high-sounding goal for China," one analyst said, adding that China has a shortage of trained workers and engineers.

In a detailed study on Shenzhen's industries, Takugin suggested that zone officials should devote more efforts to enhance its industrial infrastructure.

Mr Tam said the study report will be submitted to the Special Economic Zone Office under the State Council.

Takugin, financial adviser of the Shenzhen SEZ Development Corp, is one of the few foreign banks using Shenzhen as its base.

Mr Tam said the report will provide credit guidance to the banks interested in offering more industrial financing to the zone.

Shenzhen, one of the four SEZs, was set up in 1979 to lure foreign funds and technology.

Hailed earlier as the model for other coastal cities in attracting foreign investment, Shenzhen has recently come under strong attack for its failure to live up to the expectations of Beijing leaders.

Critics said the SEZ has failed to attract high-technology projects and export-oriented industries to earn foreign exchange.

The SEZ was also criticised for having an unproportionally high domestic investment (from other provinces) compared with foreign investment.

Mr Tam said some of these demerits can be turned into advantages.

For instance, he said domestic investment from other provinces and state-owned corporations can help build a stronger industrial base in the zone.

But a more systematic approach should be taken to direct the domestic investment into export-oriented industries to increase the earning capacity of the zone.

Mr Tam suggested China should move some of its export-oriented industries from other provinces to Shenzhen to undergo a technical transformation.

Judging from the available resources and industrial skills, he said Shenzhen should concentrate on building five major categories of export-oriented industries:

--Food processing industry. Making use of the rich agricultural produce and animal byproducts in the Pearl River Delta, Shenzhen can develop a range of food industries, including drinks, cold storage and dehydrated food.

Neighbouring countries, including Hong Kong, can provide a ready market.

--Packaging industry to go hand in hand with food industries and other light industries.

Poor packaging is a major problem facing China's export industries and the packaging factories can also serve other factories in inland provinces.

--Construction and decoration industries to cater for the building boom in the open cities.

They will help save foreign exchange by replacing imported materials.

--Consumer and light industries ranging from electronics, metal and machinery tools to handbags and shoes.

They should emphasise on middle to lower end products which will have ready markets in the region.

--Offshore oil logistics support industries. Situated near the South China Sea exploration activities, Shenzhen can increase its involvement in the provision of support services for the offshore exploration programme.

Industries such as those providing maintenance and repair services, catering services and technical support should be built up in the zone.

In conclusion, Mr Tam said the proposals can be used as a development model for the new economic and technological zones in the 14 coastal cities.

CSO: 4020/38

PRC TRADE MINISTRY FORMS UNIT TO HANDLE COUNTERTRADE

HK170329 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 17 Oct 85 p 1

/Article by Olivia Sin in Guangzhou/

/Text/ China's Foreign Trade Ministry has set up a new unit to handle counter-trade activities, a senior trade official said.

The deputy director of the ministry's import and export department, Ms Ye Linyun, said countertrade will help China to expand its exports in the face of increasing protectionism in overseas markets.

This is believed to be the first time Chinese officials have spelt out the importance of countertrade to the country.

Observers said this trading formal will help China reserve its hard-pressed foreign currency which is needed to buy equipment and raw materials.

In the official bulletin of Guangzhou's Autumn Trade Fair, Ms Ye said Chinese corporations which need to import should try to expand exports through countertrade.

"This practice is particularly important in doing business with developed countries which have enjoyed a favorable trade balance over China for a long time," she said.

She did not pinpoint these countries, but observers said Japan is one of the most likely targets.

Secondly, she said China should take the initiative to trade on a barter basis with Third World countries to promote cooperation among developing nations.

She said where goods imported from Third World countries under barter arrangements could not be used directly by China, they could be re-exported after processing.

Bankers have pointed out the difficulties of countertrade arrangements. For one thing, they said China's rigid foreign trade system would hinder the creation of such trading partnerships.

The various specialized foreign trade corporations in China have clear divisions of labor and can trade only in specific categories of products.

For instance, textile companies can only deal with textile imports and exports.

This means successful countertrade arrangements involving different categories of products will require coordination at the highest level in Beijing.

It appears that the new unit of the Foreign Trade Ministry will coordinate and organize arrangements involving more than one foreign trade department.

Ms Ye pointed out that countertrade is gaining importance in world commerce, accounting for 30 percent of total trade last year.

CSO: 4020/44

HONG KONG MEDIA ON CHINA

PRC ATTEMPTING TO ENFORCE UNIFIED PRICING AT GUANGZHOU TRADE FAIRS

HK180317 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 18 Oct 85 p 1

/Article by Olivia Sin in Guangzhou/

/Text/ China has for the first time set up a watchdog committee to monitor business negotiations involving its various foreign trade corporations, in an attempt to avoid the kind of cutthroat competition witnessed at Guangzhou's trade fairs.

The twice-yearly trade fairs are estimated to generate about 20 percent of China's foreign currency earnings. The Autumn Trade Fair is taking place now.

A reliable Chinese source told BUSINESS NEWS that the monitoring body, called the disciplinary inspection committee, reports to the supreme organizing committee of the fair.

The disciplinary committee's task is to make sure the official trading delegations selling at the fair adhere to Beijing's "unified pricing policy."

It will also attempt to iron out conflicts between the corporations over the setting of prices.

"Undercutting prices is damaging to our (China's) earnings. We should form a united front to deal with the shrewd international businessmen," said the source.

Foreign businessmen said that despite China's emphasis on unified pricing, import and export corporations have always competed keenly with each other for a larger share of business at the fairs over the past few years.

The source said it is likely that the new watchdog group will stay in existence over the next few fairs to strengthen control.

Guangzhou's spring fair fetched business worth about US\$2.6 billion while last year's autumn fair brought contracts worth about US\$2.7 billion.

Businesses at the fair is conducted mainly through 12 specialized trading corporations selling products which include textiles, food, machinery and medicines.

The delegations in turn are formed by the national import and export corporations and their dozens of provincial branches.

The source said one or two officials from each delegation have been assigned to inspect the business activities of their delegations. These inspectors will /word indistinct/ the watchdog committee.

He said the trading corporations are usually well-behaved at the beginning of the fair but are tempted to undercut each other towards the end in the scramble for business.

Observers said the sheer number of corporations selling at the fair explains why competition is always keen.

The 12 delegations already comprise more than 200 corporations from various provinces. For instance, the textile delegation is made up of more than 20 branches selling the same item.

The corporations are under the control of the Ministry of Foreign Economic Relations and Trade (MOFERT).

But there are other corporations which also sell at the fair that do not operate under the MOFERT umbrella.

These include the Xin Shi Dai joint trading delegation, formed by a number of establishments under the control of various ministries handling industries like shipping and machinery.

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HONG KONG MEDIA ON CHINA

PRC DEPOSITS ROYALTIES FOR TAIWANESE AUTHORS

HK210445 Hong Kong SOUTH CHINA MORNING POST in English 21 Oct 85 p 1

/Text/ Taiwanese authors are piling up money in savings accounts in the Beijing branch of the Bank of China, but may never have the chance to spend it.

The money is royalties paid by publishing companies in China for the right to reproduce works by Taiwanese writers.

The sums involved could amount to many thousands of dollars, as the works of such authors as Kao Yang and San Mao are very popular in China.

Kao is famous for his historical novels, while Miss San's live stories hold great appeal among young people in China.

The publishing companies have yet to find ways to channel copyright money back to the writers because of the chilly relations between China and Taiwan.

Taipei has formally been pursuing a policy of "no negotiation, no contact and no compromise." But there have been indirect contacts through pop singers and writers in recent years.

The chief editor of the China Friendship Publishing Co, Miss Huo Baozhen, said during a visit to Hong Kong yesterday that people in China are keen to get to know more about life across the Taiwan Strait through the work of Taiwanese writers.

And Beijing has adopted a more open policy of allowing the sale of increasing numbers of books by overseas Chinese.

Miss Huo's company, set up 2 years ago to help develop writing talent among overseas Chinese, including those from Hong Kong, Taiwan and Macau, has published more than 200 books so far. Most have been written by Taiwanese authors.

"However, there has not been a feasible method to pay them," said Miss Huo. "The money is now deposited in the Beijing branch of the Bank of China."

Miss Huo is heading a delegation to get to know local writers, following visits to the United States and Canada.

She said her company is considering opening branches in Hong Kong and North America to help boost contacts.

HONG KONG MEDIA ON CHINA

PRC EDUCATIONAL, RESEARCH INSTITUTES BUY COMPUTERS

HK200934 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 20 Oct 85 p 4

/Article by Carolyn Leung/

/Text/ Apollo Computer has received HK\$7 million worth of orders from China's educational and research institutes, and shipbuilding mining industries.

Apollo Computer is a local subsidiary of the Massachusetts-based Apollo Computer Inc, one of the world's largest manufacturers of scientific and engineering Domain workstations for technical professionals.

Mr Frank Lee, general manager of Apollo Computer said the company has received an order for the Dn660 and Dn320 workstations from the Shanghai Jiao Tung University's Department of Electronic Engineering and Department of Computer Science.

"A switched-capacitor network software and analog circuit PCB (printed circuit board) automatic design software will be transported on to the Dn660," Mr Lee said.

"The software has been developed by Professor Shen Zhi-guang and his research staff at the universtiy."

Besides, Fudan University's Department of Electronic Engineering has orderd a Dn550 for educational program onelectronic design and PCB technique.

Recently, Apollo Computer also received an order from the Academia Sinicais Institute of Physics for one Dn460 and two Dn300 computers.

"We have many more orders from China," said Mr Lee, whose company also maintains an office in Bèijīng.

"East China Computer Institute has orderd a Dn300 and a Dn500 for research projects on electronics and PCB layout.

"The Shanghai Institute of Computing Technology has ordered a Dn300 and a Dn550 for software development on architectural and mechanical engineering.

The Shipbuilding Technology Research Institute of Shanghai has also ordered three sets of Dn300 and one set of Dn550.

"Their objectives are to cut down on wastage of steel and to increase efficiency in design and drafting of piping arrangement and the plotting of hull structures."

In addition, Apollo has also received an order for two Dn300 and one Dn550 computers from Geosystems Engineering Inc which is a joint venture between the China Jing-xi Engineering Consultant Corp and the Canada-based International Geosystems.

"The system will be used to process results of sampling and drilling programs," said Mr Lee.

"The system can also help in modelling deposits and calculating their geographical reserves.

"It can also produce three-dimensional design for open pit mines and solve the soil and rock mechanics problems."

Mr Lee said China's increasing installation of advanced workstations with computer-aided design (CAD) and computer-aided engineering (CAE) capability indicates that the company is gearing up to upgrade its high-technology electronic industry and mechanical and civil engineering research work.

He said the Institute of Computer Technology of Academia Sinica has been using three Apollo Domain workstations primarily to develop basic CAD concept for research in PCB layout, integrated circuit design, schematic, verification and geometric analysis.

Besides, two Apollo workstations have already been installed at the Harbin Institute of Technology where they are being used to strengthen the institute's technological capability in computergraphic research.

Mr Lee said the Harbin Institute of Technology has reached an agreement with Heilongjiang Province's Computer-aided Engineering Research and Development Co to develop a computer interface for linking the Apollo workstation with the digitiser and plotter.

According to Mr Lee, the Harbin Institute will develop the interface which will run on Apollo workstations while the Heilongjiang Co will come up with marketing plans to introduce the China-made plotter and digitiser to international clients through Apollo's Domain shows worldwide.

"The Harbin Institute has plans to push the China-made digitiser and plotter into the civil engineering, surveying and construction fields in both China and international markets," said Mr Lee.

"Following a market survey, the China companies decided to select Apollo workstations as a platform to tap the international markets."

Mr Lee said this indicates that Apollo is taking a leading role in computer graphic as well as CAD and CAE technology for both electronics engineering and mechanical engineering applications.

The Harbin Institute is also said to be studying ways to develop Chinese capability for Apollo workstations.

Two Domain Dn300 workstations have also been installed at the highway Design and Planning Institute of the Ministry of Transport in China.

Each of the Dn300 has a 70 megabyte disk and a CALCOMP 965 plotter, running Louis Berger's Candid design software.

Apollo's Domain workstations have been accepted as the industry standard for computer-aided design and computer-aided manufacturing and are used for various technical applications.

Apollo has shipped more than 13,000 workstations worldwide.

Recently, Apollo held its first Domain exhibition in Beijing at the Friendship Hotel where it displayed more than a dozen Domain workstations.

Mr Lee said the Beijing exhibition is the company's fourth international Domain show and the first ever held in Asia.

Apollo's Beijing show highlighted application areas on architectural projects, engineering, construction, mechanical engineering and printed circuit board design.

The show was cosponsored by the Chinese Computing Society and the Institute of Software Technology of Academia Sinica.

More than 30,000 visitors attended the exhibition and seminar on software products displayed by 25 system builders and software suppliers.

Apollo's founder and Chairman Dr John William Poduskan flew to China for the opening where he gave a special address to computer professionals and the Chinese Ministry of Education at Qing Hua University in Beijing.

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HONG KONG MEDIA ON CHINA

PRC SETS UP OFFICE TO COORDINATE TECHNOLOGY IMPORTS

HK220742 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 22 Oct 85 p 1

/Article by Peter Robinson/

/Text/ A special office has been set up in Beijing to coordinate the importing of new technology to prevent any overlap by government departments and state-run organizations.

The director of the State Council for Introducing Technology and Knowledge, Mr Wang Nein, told members of the Hong Kong press in Beijing that the central government-run office is also responsible for sending people overseas for training.

Mr Wang said since 1979 the rapid and often piecemeal importing of technology from the West had caused overlapping in both systems and methods used.

The office now maintains close links with the buying departments in government bodies.

Mr Wang said his office worked closely with the China Hua Yang Technology and Trade Corp which was set up a year ago.

China Hua last week signed an agreement with a Hong Kong company, DataBase Asia Ltd, to help develop the information technology industry in China to facilitate the flow of computer-generated information between Hong Kong and Beijing.

DataBase has agreed to provide China Hua Yang with technical assistance and consultation which will include the training of technical staff, identification of suitable information systems and equipment, computer hardware and software and telecommunications facilities.

Also, DataBase are to assist in plans to further develop the information industry in China.

A direct online communication link is being arranged between China Hua Yang in Beijing and DataBase.

DataBase plans to introduce a service here for companies wishing to do business with China by putting them in touch with the relevant business contacts.

A company spokesman explained how difficult and costly it is to set up a representative office in Beijing and the service, he said, would allow companies to liaise closely through DataBase.

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8 November 1985

HONG KONG MEDIA ON CHINA

HONG KONG STUDY VIEWS SHENZHEN CONVERTIBLE CURRENCY

HK210627 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD Supplement) in English
21 Oct 85 p 1

Text A form of exchange risk, which is new in China's recent economic history and which could destabilize the economic development of Shenzhen, may occur if the introduction of a convertible special economic zone (SEZ) currency is not based on sound economic fundamentals, structure and management.

This was the conclusion of a study prepared by the Alumni Association of Master of Philosophy in Economics of the Chinese University of Hong Kong on the issuing of convertible Shenzhen SEZ currency.

The study said there were many structural problems and high cost elements involved in the issuing of the proposed currency.

It claimed that from the economic point of view, it was likely that these problems would be even more serious than the existence of a currency black market and parallel trade, which the Chinese authorities hope to check by issuing this currency.

The study said a convertible SEZ currency may be needed because a SEZ is involved more actively in international transactions than the rest of China.

It is likely, it added, that the absence of a convertible currency in the SEZ would increase transaction costs to such an extent that developments in trade and investment may be seriously hampered.

The most obvious consequence, though, is the development of a currency black market, it said.

This problem stems from the decentralization of China's foreign trade system which was part of the economic reforms introduced in 1979, it said.

New entities, it added, were permitted to trade outside the state import and export plans and this gave rise to strong demand for foreign currency which, one way or another, contributed to the proliferation of black market activities.

In addition to these extra official channels, tourists were also a major source of foreign exchange to the black market, it said.

Traders and producers also resort to improper trading practices, which involve reporting lower export prices or higher import prices to the government to hold back some foreign exchange earnings.

While the currency black market was responsible for a number of problems, including loss of foreign exchange earnings and corruption. The study said it also had positive effects.

It claimed the emergence of the black market had reduced transaction costs on obtaining certain types of goods, by obtaining foreign exchange through the black market rather than through the government.

It also facilitated the recycling of investible funds of surplus units and foreign investors, as well as stimulates export activity and the supply of foreign exchange to China.

In addition, the black market rate provides an indicator of the free market rate of Rmb, which is a valuable piece of information for economic planners regarding foreign demand for the currency.

The study recommended against the adoption of a convertible SEZ currency based on the floating rate system at the beginning of its introduction, citing Hong Kong's experience.

It said the risk of speculating against the currency to the extent that the normal economic activity in SEZ, including foreign trade and capital movement, will be seriously hampered should not be underestimated.

It added that transaction costs on the foreign exchange market may also become larger.

"Thus, a floating rate should only be considered when the external value of the SEZ currency is firmly established at a later stage," the study said.

Under existing international monetary arrangements, the study pointed out that a pegging exchange rate system represented an alternative to the floating system.

It said that if the exchange value of the domestic money (the SEZ currency) is pegged on a particular currency at a fixed rate, the stock of money supply in the SEZ will adjust automatically in response to the balance of payment situation.

The study cited nine major necessary conditions to allow an automatic adjustment mechanism to work smoothly and successfully:

- A stable political environment in China.
- An economic system which promotes private property rights.
- A mechanism to redeem all the different types of currency now under circulation in Shenzhen under the SEZ currency, according to a realistic rate accepted by all parties.

- The SEZ should be backed up by sufficient foreign currency reserves.
- A stable demand for money is required. The inflow of Rmb into /word indistinct/ be regulated.
- A consistent government monetary policy, understood properly by the financial sector and the public, should be implemented.
- The monetary authority should be able to differentiate short-term pressure from permanent pressures on the pegged rate system.
- Money supply should be contingent on the balance of payments situation and the flexibility of major economic variables, such as wages, prices and product productivity.
- Domestic prices should be based primarily on supply and demand situations, but inflation rates in the SEZ should still be kept at a relatively low level to maintain a reasonable cost-of-living for the people.

The study said the proposed SEZ currency can be pegged with the Hong Kong dollar considering that the territory boasts substantial international transactions with Shenzhen.

CSO: 4020/44

HONG KONG MEDIA ON CHINA

PRC DECIDES NOT TO BUY SATELLITES FROM FOREIGN COMPANIES

HK221432 Hong Kong AFP in English 1411 GMT 22 Oct 85

/Text/ Beijing, 22 Oct (AFP)--China has decided against buying two satellites from foreign firms, reliable sources said here today. The decision follows an announcement by Beijing in July that it had suspended an international tender for the purchase of two satellites, Western sources said.

Three foreign firms--Matra of France, RCA of the United States and MBB (Messerschmidt Boelckow Bloehm) of West Germany--were still competing for the 200 million to 300 million dollar contract.

Western experts said China's decision definitely not to go ahead with the purchase was linked to the sudden fall in China's foreign exchange reserves.

Official figures show the reserves dropped from 16.3 billion dollars at the beginning of the fourth trimester last year to 10.852 billion dollars in June.

The fall in the reserves had earlier led to the suspension or cancellation of several contracts, particularly in southern Guangdong Province which has close commercial links with the nearby British colony of Hong Kong.

Western experts also said the decision to cancel the purchase of the satellites appeared to be part of the reorientation of China's space policy in a national framework, evident in official Chinese statements in recent months.

The experts noted that last June, just several weeks after the expiry of the international tender, the director general of the Ministry of Space Industry, Zhang Jiqing, stressed that China was now able to make and launch space shuttles and to achieve trips into space and back.

"China is now ready to accept orders for its space products, including satellites, rockets capable of carrying payloads and ground stations," he said.

The Western experts said that China has the ability to build its own satellites and ground stations, as well as launchers.

They said China was determined to pursue its cooperation with foreign countries a step at a time, by buying material for specific programs, but that it planned to develop its own space industry and put itself on the market.

Beginning next month, they said, Chinese leaders had decided to rent channels on the Intelsat network, which would enable them to be operational faster and at less cost.

China entered the space era in 1970 and has launched 16 satellites of different types, including a telecommunications satellite put into geostationary orbit in April last year.

CSO: 4020/44

HONG KONG MEDIA ON CHINA

BRIEFS

CELLULAR CONTAINER SHIP IN HONG KONG--The first cellular container ship ever designed, financed, built and operated by China, "Tian Yan," arrived in Hong Kong yesterday on her maiden voyage. Tientsin Marine Shipping Co (TMSC), owners of the 6,350 DWT ship, said the vessel was specially designed for the expanding Hong Kong-Tientsin service. With its capacity of 365 Teu's /expansion unknown/, the ship will boost the line's capacity. TMSC will now operate one breakbulk and three container vessels and expects to provide a 4-day frequency full container service, and a triweekly breakbulk service to Xingang, Tientsin. Tientsin Marine Shipping was formed in 1980 to facilitate trade to northeast China. Built by Wu Hu Shipyard, Tian Yan is a ZCA /expansion unknown/ container ship Ice Class B and is equipped with the latest satellite navigational aids. /Text/ /Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 18 Oct 85 p 8/

CSO: 4020/44

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