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ECONOMIC AFFAIRS

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12 March 1985

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NATIONAL POLICY AND ISSUES

NEED TO STRENGTHEN RESEARCH OF MARKET CONDITIONS DISCUSSED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 8, 27 Aug 84 p 54

[Article by Sun Jiafu [1327 0502 1133]: "We Must Strengthen Work in the Investigative Research of Market Conditions"]

[Text] In order to open up a new situation in foreign economic trade, we must "know our enemies as we know ourselves" in our foreign trade work so as to meet emergencies, always seize the initiative, make export commodities marketable, make import commodities advanced, beautiful and inexpensive and meet the needs of the four modernizations. This requires that we expend a great deal of effort to complete an analytical forecast of the trend of supply and demand on the international market, promptly reflect trends in pricing, changes in currency, circumstances of foreign products, ideas concerning our own products as well as other information and that we comprehensively improve the economic results of the foreign trade of our province. This is an important link in developing foreign trade.

Paying attention to the investigative research work on our foreign trade has an extremely important effect on the formulation of our foreign trade plans, purchases, and import and export plans, on the import of technical equipment as well as the selection of a direction for investment and on understanding and grasping circumstances of customers' credit, etc. For example, we must carry out a comprehensive evaluation of our province's feed exports, and even though the foreign market is large, it possesses an increasingly outstanding contradiction in contrast to the development of the animal husbandry industry in our province. If the volume of foreign sales is too great, it is detrimental to the development of our province's exports of eggs, livestock products as well as manufactured goods. Mistakes in policy decision will occur if investigative research is not up to par. For example, the consumption of food grains, peanuts, garlic and other agricultural produce and sideline products is fairly stable. Yet because of atmospheric influences, the yield of these types of products is unstable, and the demand and price changes are great. Because our province lacks information and special research on these types of commodities, the supply of goods is often unable to be organized, or the selling price is very low because of mixed-up specifications, and this directly affects economic results. The province has taken a favorable step toward the export of lamb, yet too large a quantity is called for in the contract for the first batch; if we do not base ourselves upon

paying attention to developing the production of lamb and ensure a long-standing and well-established supply, a passive situation will appear of a temporary shortage and being unable to honor the contract. Since we started implementing the open door policy, our province has already had foreign trade contacts with more than 3,000 foreign traders. In light of the current trend of development, our province has extremely broad prospects for developing foreign trade.

The facts have proved that foreign trade work is inseparable from investigative research of the international market. In order to market goods we must earnestly pay attention to the target area's market structure and sales channels and understand the consumption habits and current trends of the target area's users. We also must be familiar with the target area's policies, laws and decrees, foreign exchange management and market prices and comprehend the circumstances of the target area's major competition, etc. This economic information is an important condition for China in winning competitive victories on the international market. The more fierce the competition, the more important the information is. With the continual development of world trade, competition becomes more complex and fierce daily, the market becomes more unsteady, prices fluctuate, commodities change with each passing day, consumption is psychological, and there are also changes in the creditworthiness of customers. If we do not pay sufficient attention to information work and do not quickly perform work in international trade information, the smooth completion of the province's foreign trade tasks will be affected.

In the 1980's, the world has gone from an industrial to an information society. In order to meet the new challenge of the international market, each country pays great attention to technical forecasts and market forecasts. Our province's preliminary steps in the investigative research of foreign trade's market conditions have been fairly late and development has been uneven. The procedures in information work are still fairly backward, sensitivity and accuracy are substandard, feedback is not ideal enough and the volume and quantity of personnel engaged in the investigative research of market conditions do not meet the needs of the work. These problems cannot help but affect the smooth development of work in the investigative research of market conditions. We must establish and perfect foreign trade information organizations in our province as quickly as possible and equip them with specialized personnel; we must increase the allocation of funds for the investigative research of market conditions and acquire the necessary equipment and materials; we must use all available channels, strengthen the training of persons involved in market conditions work so as to develop a high-quality contingent of personnel; we must use modern electronics technology and advanced measures, establish a powerful information network, strengthen horizontal and vertical cooperation and information exchange, provide economic, trade and commodities information and competently handle consulting services; and we must establish medium and small databanks: these are all top priority tasks. In developing work in investigative research of market conditions, from the beginning to the end we must "integrate leadership, business and market conditions," "integrate the active and the quiet," "integrate qualitative analysis and quantitative analysis," and provide a scientific basis for developing foreign trade in our province.

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PROVINCIAL AFFAIRS

DIRECTION OF YUNNAN'S ECONOMIC DEVELOPMENT

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 8, 20 Aug 84 pp 42-45

[Article by Li Hongguo [2621 1347 0948] and Peng Yongan [1756 3057 1489] of the Yunnan Geography Research Institute, Yunnan Normal University: "The Direction of Yunnan's Economic Development and Regional Economic Planning"]

[Text] Following a rather prolonged and extensive discussion, there is no more disagreement that it is not only necessary but possible to "double and redouble" Yunnan's economy. We must also see that to achieve this strategic goal, the tasks remain very arduous. The study and formulation of a correct strategic direction and path is an important step toward insuring that the great strategic goal will be achieved, and the direction of Yunnan's economic development must be based on the characteristics of Yunnan's conditions. Let's consider the following:

I. On Economic Pillars, Structural Readjustment and Developing Superior Factors

After 35 years of post-liberation development, Yunnan has grown economically from a backward agricultural province into a province with a fairly well developed industrial foundation, definite agricultural characteristics, a number of key products and very good prospects for future growth. However, for Yunnan's economy to further develop at a high speed, while some industries still show fairly great potentialities, some need to be consolidated and improve product quality, and there are also some "short legs" and weak links which must be vigorously strengthened or treated on a "priority" basis. What are the pillars and superior factors Yunnan should rely on to "double and redouble" its economy? What is the trend of the structural readjustment of the economy? These are important questions which must be answered.

On the basis of a comprehensive analysis of the bases, characteristics, roles and mutual relations of Yunnan's superior factors and major economic departments, the economic pillars on which the province relies to "double and redouble" its economy can be divided into three categories.

1. Superior light economic pillars. This mainly refers to the superior agricultural products (including products from farming, forestry, animal husbandry, sideline occupations and fishery), related processing industries and the

tertiary industries, particularly the tourist industry. These are Yunnan's predominant economic assets and main source of revenue. They are characterized by their wide distribution, abundance in resources, soundness of foundation, capability of making full use of the labor force, small investment, low energy consumption, quick returns and high output value and fund accumulation. People describe them as Yunnan's "starter" economic pillars. The light processing industries which grow on Yunnan's abundant agricultural and special products (including primary processing, multiple processing and high-quality precision work) and the tertiary industries, in particular, may achieve the aim of quadrupling their output value before 1990 and accumulate much more funds, thereby supporting and promoting the development of other economic pillars and the vigorous growth of Yunnan's economy as a whole. Tobacco, sugar, tea, spice, foodstuffs, textiles, rubber, architecture, forestry, medicine processing and tourism are known as the ten major light pillars. It is necessary to support the key units of the trades and departments in this category. Attention should be paid to making full use of the superior factors and existing foundations of various localities, suiting measures to local conditions, and efforts should be made to speed up technical transformation and import advanced science and technology. The emphasis should be placed on "processing, precision work, better quality, greater variety, higher marketability and increasing ultimate output value (or foreign exchange value)" to the greatest extent possible, so that the economic value and benefit of Yunnan's valuable assets can be fully developed.

2. Superior heavy economic pillars. This refers to the superior mining industries and related processing industries. Yunnan is known as the "kingdom of nonferrous metals," with lead, zinc and germanium reserves ranking first in the country, copper, platinum and nickel reserves ranking third and also considerable deposits of antimony, mercury, silver, bismuth, tungsten, aluminum and cobalt. The province's phosphorus mines are famous throughout the country for their high-grade ores and large reserves. Other mineral deposits are also very abundant. Especially with the availability of plentiful and cheap energy, the conditions are very good. On this basis, a certain foundation has been laid for the smelting of tin, copper, lead, zinc and other nonferrous metals, phosphorus processing, production of nitrogenous fertilizers and the building materials industry. But for further development to meet the pressing needs of the motherland's four modernizations drive, it is necessary to make greater investment in geological prospecting, construction of mines and bases, even railways and energy projects. Due to financial and other limitations, pillars of this category have to be developed step by step. Major new construction and extension projects should largely be scheduled for the next decade, and their economic benefits brought gradually into full play. Although pillars of this category require larger investments, take longer to build, consume more energy and are slow in producing results, they will match the light economic pillars in output value and fund accumulation in a later period and will become Yunnan's new economic backbone. This is something that does not often happen in the country as a whole.

3. Economic infrastructure: Of this category, the transport and energy industries are the "short legs" and major limiting factors to doubling and redoubling Yunnan's economy, and they require major investment to be developed on a "priority" basis. Otherwise, it is impossible to "double and redouble"

Yunnan's economy, and Yunnan's products will not be competitive. Key projects of the category of heavy economic pillars, in particular, depend on the completion of the Kunming-Nanning Railway, the Guangtong-Dali Railway and several large hydroelectric power stations. Highways and privately-run transportation services play a particularly important role in Yunnan and should be actively reformed and developed. The exploitation of hydroelectric resources in western Yunnan is of great strategic significance. The machine-building industry is one of Yunnan's better developed industries, an important force and pillar in the campaign to "double and redouble" the economy. Construction of the above-mentioned economic pillars must be planned as a whole, and their development should be well coordinated, by stages and groups, insuring investment in key projects and emphasizing results, so that Yunnan's economic structure will become increasingly more rational, making it possible to bring into full play the superior factors, both real and potential, and to achieve the goal of "doubling and redoubling" the economy.

II. Correct Handling of Relations Between East and West and Between the Hilly Areas and the Plains in Distributing Production

The present distribution of production in Yunnan, as in the rest of the country, is characterized by obvious differences between the east and the west. The eastern part of Yunnan is more developed than the western part in industry, agriculture, cities, population, transportation and economic and cultural levels. Attention has been paid to gradually changing the situation since liberation, but the eastern part remains the economic center of gravity of the province, and the western part still lags rather far behind in industrial, transport and agricultural production. This is rather incompatible with the geographical distribution of Yunnan's natural resources and superior factors, as most of Yunnan's "ten major superior factors" are concentrated in the western part of the province (generally speaking). To be sure, this irrational current state has its natural reasons (mainly the difference in terrain between the eastern Yunnan plateau and the Hengduan Mountain area in western Yunnan) and historical and ethnic reasons (the western part is where minority nationalities live in compact communities), but there is also the factor of strategic policy decisions. For example, in the more than 30 years since liberation, investment for Yunnan's economic construction has been made mainly in the eastern part of the province. Comparing the question of Yunnan's eastern and western parts with the question of China's coastal areas and the interior, there are both similarities and great differences. For example, western Yunnan has better water and heat conditions than eastern Yunnan, and it has far greater development potential than the arid and semi-arid regions of western China in the production of marketable grain and cash crops and in forestry and animal husbandry. Thus, western Yunnan will be able to effectively support the construction of new industrial bases in the province. Also uncommon is the natural combination of western Yunnan's abundant and concentrated reserves of nonferrous metals and rich hydroelectric resources. In the strategy to open up and develop western Yunnan, it is of especially great significance to overcome the transportation problems and reduce the cultural and technical limitations. Yet, despite all this, eastern Yunnan, with more than 70 percent of the province's population, more than 80 percent of its industry, 90 percent of its railways and a higher cultural and technical level, is still the main basis and starting point for Yunnan to "double and redouble" its economy.

Therefore, the strategy for Yunnan's long-range future economic growth and regional development can be divided into three stages. The first is readjustment and preparation. We should on the one hand concentrate our efforts first on readjustment, development and improvement in the eastern areas to produce the best possible results, and on the other hand place the main emphasis in western Yunnan on developing the "light pillars," both aimed at creating conditions and accumulating strength in funds, technology, transport facilities, preparations for early stage construction and so forth for the key heavy projects in western Yunnan. In the second stage, the strategy for regional development will begin to shift focus to western Yunnan, starting some key projects. In the third stage, the key projects will produce results, and the economy of the province as a whole will again "take off." In addition, the economic strength of the western areas will gradually approach the eastern areas, and the distribution of the productive forces and the division of labor between the eastern and western parts will become more and more rational. The CPC Central Committee has already issued the strategic decision and call for "development of the great southwest." The development of western Yunnan is an important component of this great strategic decision. It is our important task to do a good job in developing western Yunnan and, with this as a breakthrough, promote the work and scientific research on the utilization, exploitation, protection and control of land resources in Yunnan.

A special problem in production distribution in Yunnan is to correctly handle the relationship between the hilly areas and the plains and to develop extensive economic cooperation between the two. Also owing to natural, population, nationality, transport, historical, economic, cultural and policy reasons, there is a wide economic gap between the hilly areas and plains in Yunnan. The prosperous plains and backward, impoverished hilly areas are again very incompatible with the distribution of natural resources. If we fail to face up to this problem, not only will it be impossible to fully develop the superior factors in the hilly areas, but they inevitably will become a burden and obstacle hindering the whole province from achieving the goal of "doubling and redoubling" the economy. The hilly areas, which account for 94 percent of Yunnan's land area, have many natural advantages. For example, forests, livestock, cash crops, medicinal materials, mines, water resources, even rubber and some tropical crops, and still more special mountain forest products are all mainly found in the hilly areas. One half of Yunnan's population live in the hilly areas, cultivating two-thirds of the province's arable land, and the minority nationalities also mainly live in the hilly areas. Proper development and management of the hilly areas is also a matter of fundamental importance concerning the protection and improvement of the ecological environment of the province as a whole, the protection of people's livelihood and production and the well-being of future generations. Therefore, the development of the hilly areas is another important question when considering the strategy of regional development. Basically there is no disagreement on this question among comrades in Yunnan.

There are, however, rather serious disputes about where the focus should be and about the order of importance and urgency in the development of hilly and plain areas. This is referred to as the dispute between the "mountain faction" and the "plains faction." We hold that the relations between the hilly areas and the plains and the relations between eastern Yunnan and western Yunnan are

similar in that they both indicate clear regional economic differences and economic and cultural gaps. But the regional difference between eastern Yunnan and western Yunnan is "macroscopic," while that between the hilly areas and the plains is not so "macroscopic." Moreover, physically the plains are surrounded by the hills, and the two are contiguous and interlocked. The economic relations between the hilly areas and the plains are far closer, more direct and more extensive than those between eastern Yunnan and western Yunnan. The focus and order of the development of the hilly and plain areas are not so clear-cut as is the case with eastern Yunnan and western Yunnan. Besides, other than support from the state, the nature of the cooperative economic relations between the hilly and plain areas is mainly a relationship between socialist agricultural collective economies, which is also different from the relationship between eastern and western Yunnan. So, the strategies of regional development for the two should be different. With regard to the steps in developing the hilly and plain areas, while the state provides assistance for the development of the hilly areas, we should in the early period make full use of the superior economic, technical and labor conditions of the plains, continue to tap their production potential and bring the role of the plains as the "base" and "center" into full play to spur the economic development of the surrounding hilly areas. In a later period, after extensive cooperation is developed between the hilly and plain areas, it is necessary to move labor, capital and science and technology from the plains to the hilly areas in a rational and organized way. The hilly areas should be opened for development and joint ventures between hilly and plain areas should be encouraged on a basis of mutual help and mutual benefit. At the same time, efforts should be made to improve transportation, speed up commodity exchange and circulation and narrow the economic gap between the hilly and plain areas so that a fundamental change can be brought about in the distribution of production in Yunnan's hilly and plain areas.

There are many other important questions concerning the strategy of Yunnan's economic development, e.g., the questions of integrating agricultural, industrial and commercial operations, economic development of the border areas where the minority nationalities live, the strategy for development for the agricultural, industrial, commercial, transport and other departments, energy exploitation, the development, utilization and protection of land resources, the development and utilization of the warm zones, the strategy for technical development, the population problem and so forth. We shall not discuss these questions here one by one, but we want to say a few words about Yunnan's population problem. Since liberation, Yunnan's population growth rate not only has surpassed any past generation but has ranked among the highest in the entire country. At present, Yunnan's population is close to 33 million, and efforts are to be made to keep it under 40 million by 2000. For a mountainous border province with numerous nationalities, this is an extremely arduous task of great far-reaching and immediate significance. We must pay attention to research on Yunnan's regional population planning, which is an important part of territorial planning. Now some comrades have again brought up the subject of organizing immigration to Yunnan to speed up development. On this question, Yunnan's comrades hold a different view. We hold that it is all right to organize immigration of an "intellectual" and "technological" nature to support the border province, but organized immigration on a massive scale

is not in keeping with Yunnan's condition (see Li Hongguo's article "An Initial Study on Yunnan's Population and Geographic Characteristics," XIBEI RENKOU [NORTHWEST POPULATION] No 4, 1982).

III. On Yunnan's Regional Economic Planning

Regional economic planning is an important part of overall economic development and territorial planning. A regional economic development plan is an important component of the national economic plan. But how is a regional plan formulated? What is its scientific basis? How are the general strategic tasks of the whole province and the strategic tasks of the various departments implemented and assigned to the various regions? To answer these questions correctly, we must give full consideration to the natural conditions and resources of the province, the different social and economic conditions of the different regions, and their economic strength, development level and economic characteristics. This makes it necessary for us to do sound research on regional economic planning in order to rationally divide the economic tasks among the different regions. Only in this way will it be possible to carry out the strategic tasks of Yunnan's economic development mentioned previously, which are beyond reach under the present administrative divisions of the province. Regional economic planning within Yunnan Province has its own special and complicated nature. Based on Yunnan's actual conditions, the principle of regional economic planning should stress the following: (1) organizing a number of economic zones based on the key cities and a study of their short-term and long-term economic attractions, to spur the economic development of the zones as a whole; (2) combining the natural resources advantage with technological conditions; (3) regional distribution and integration of basic facilities (transport, energy, scientific, educational, cultural, finance, trade and so forth); (4) combining industry with agriculture, specialization with overall development; (5) combining present and long-range economic development; and (6) promoting economic development of the border regions of minority nationalities.

Owing to the irrational urban development in Yunnan, there is only one extra large city in the province, Kunming, and the rest are mostly small towns with no sizable cities in between. Therefore, on the basis of present economic conditions, only three sub-provincial level economic zones can be established, namely, Kunming, Dali and Kaiyuan-Gejiu economic zones, and it is difficult to set up other economic zones. However, from a long-range point of view, it is necessary to have a number of economic zones of a lower class and level. In the future, the economic zones may be readjusted according to new situations in economic development, particularly the construction of important transport lines, decisions on key projects and items, and discovery and exploitation of new resources. The purpose of setting up economic zones within the province is to make a strategic division of the provincial territory according to the needs and characteristics of social and regional division of labor. It also serves to indicate the direction of economic development, fields of specialization and special features of economic structure of the different zones to provide a scientific basis and advisory opinions for the rational distribution of the productive forces and compilation of regional economic plans and territorial plans. Therefore, economic divisions cannot be made to accommodate

the administrative divisions and are different from the geographic concept of regions. They must reflect the objective regional economic differences and the needs for rational organization of economic activities.

Based on the above guiding thought, an initial plan for Yunnan's regional economic divisions is suggested as follows:

A. Economic zones of province-wide significance:

1. Kunming economic zone. With Kunming City as its center, it includes Kunming City, Dongchuan City, Yuxi Prefecture and Chuxiong Autonomous Prefecture. It is the most developed economic zone of the province industrially, agriculturally and in communications and transportation, science and culture. It is also the integrated central economic zone of the whole province. Kunming is the economic center and the only extra large integrated city of the province. Dongchuan City is an industrial and mining city dominated by the copper industry. Yuxi and Chuxiong are the economic centers within the economic zone. In agriculture, marketable grain, tobacco, rape and hogs are of province-wide significance. Light processing industry is also a dominating economic pillar.

2. Kaiyuan-Gejiu economic zone. With Kaiyuan and Gejiu as the center, it covers Honghe and Wenshan autonomous prefectures. With the planned construction of the Kunming-Nanning Railway, this zone will gradually develop into the central economic zone of southern Yunnan (it may expand to include Simao-Jinghong economic zone). Kaiyuan and Gejiu are the key cities and the centers of coal, chemical, nonferrous metal and sugar industries in southern Yunnan. Wenshan is a sub-center in the zone and can be developed into a nonferrous metal industry center.

3. Dali economic zone. With Dali City as the center, it includes Dali Autonomous Prefecture, Deqen Autonomous Prefecture, Lijiang Prefecture, Lincang Prefecture and Lanping County in Nujiang Autonomous Prefecture. It is the central economic zone of western Yunnan. Dali City is the integrated central city in western Yunnan. Lijiang, Lincang and Deqen are sub-centers of the economic zone. Forestry, animal husbandry, tea, hydroelectric power and nonferrous metal industries are the main directions of development.

B. Sub-provincial economic zones:

4. Qujing economic zone. With Qujing City as the center, it includes Qujing Prefecture (except Huize County). Qujing City is the integrated key city and light processing, chemical industry and energy base of the zone. Coal, chemical, iron and steel, tobacco, light and textile industries, and marketable grain and animal husbandry in the agricultural area are the strong points of this zone.

5. Zhaotong economic zone. With Zhaotong City as the center, it includes Zhaotong Prefecture and Huize County in Qujing Prefecture. Zhaotong is the integrated economic center of northeastern Yunnan. Shuifu is a chemical fertilizer center. Huize is a nonferrous metal and hydroelectric power center. Energy (mainly coal), nonferrous metals, chemical industry, animal husbandry, fruits, tobacco and sugar are the dominating sectors of the zone.

6. Baoshan economic zone. With Baoshan City as the center, it includes Baoshan Prefecture, Nujiang Autonomous Prefecture (except Lanning County) and Dehong Autonomous Prefecture. Baoshan is the integrated economic center of the zone. Mangshi and Luku are the sub-centers. Tropical economy dominated by the sugar industry, tea, marketable grain, energy (hydroelectric and geothermal) and border trade are the main directions of development.

7. Simao-Jinghong economic zone. With Simao and Jinghong as centers, it includes Simao Prefecture and Xishuangbanna Autonomous Prefecture. Simao is the main economic center at present, and Jinghong is the center of long-range development. Tropical economy (rubber, sugar, tropical forestry and tropical crops), forestry and timber processing are the dominant sectors and development directions of the zone. Sylvite and gold mining also have good prospects.

Yunnan had a late start in regional economic research and lags far behind the fraternal provinces in this field of work. However, for a border, multinational province where cities are less developed and conditions are not quite ripe for economic zones, to get organized and begin to explore the laws in this field is of pressing significance, and is also an important content of the strategic research on regional development.

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CSO: 4006/179

PROVINCIAL AFFAIRS

FIVE ECONOMIC RELATIONSHIPS IN CARRYING OUT REFORM DISCUSSED

Beijing LIAOWANG [OUTLOOK] in Chinese No 44, 29 Oct 84 pp 14-15

[Article by Jing Bo [2529 0590]: "Heilongjiang Provincial Governor Chen Lei Discusses Properly Handling the 'Five Relationships' in Economic Reform"; portions within slantlines in boldface]

[Text] Recently, Heilongjiang Governor Chen Lei [7115 7191] put forward a suggestion: We must further emancipate our minds and conscientiously solve new questions which have cropped up in the course of economic reform so as to develop the reform smoothly.

Analyzing the trends of the urban and rural economic reform throughout the province at present, Chen Lei held that new progress has been made in the reform since the beginning of this year with the reform developing from a reform on a single item or on a certain aspect to comprehensive urban and rural economic reforms that promote each other, and economic results are improving. For this reason, more attention is required to study the new situation and new problems arising from the urban and rural economic reform and to solve them properly.

Chen Lei said: The following several relationships should be correctly understood and handled at present:

/He held that the relationship between reform and delegation of power must be understood and handled correctly./ The pursuit of reform of the economic structure is an assault on certain unrealistic traditional concepts and the old force of habit and, as it touches on various aspects, certain questions of cognition are bound to come up. While everybody is for streamlined administration and delegation of power in words, a certain resistance still remains mentally when it comes to action. Some do not want to delegate power by stressing the special circumstances in their own units and departments; some are not willing to delegate power for fear of losing it; still some are afraid to delegate power worrying that others may abuse it; some departments while scrambling for power with the higher-ups to expand their power are unwilling to delegate power to the enterprises. Chen Lei said: Basically speaking, reform of the economic structure is precisely for properly solving the problem that the enterprises have lost their inherent driving force due to excessive and rigid control, the overconcentration of power and the disjoining of

responsibility, power and interests which existed in the old economic structure. Thus, simpler administration and delegation of power are necessary. But delegation of power does not mean redistribution of power among the upper-level organs but truly delegate power to the enterprises so that the enterprises will have more operational power and management power to give full play to the inherent vitality and driving force in them. The provincial CPC committee and the provincial government have decided that with the exception of enterprises directly subordinate to the four departments and companies of coal, metallurgy, sugar manufacturing and medicine and other individual enterprises, all others must delegate their power to the lower level by stages and groups to be administered by the key cities. Delegating enterprises and delegating management power should be done simultaneously.

/In the course of economic reform the relationship between the partial and the overall situation in reform must be correctly understood and handled./ Chen Lei said: Now in our province there are still a few places and departments where the concept of the overall situation is lacking and bureaucracy has grown somewhat. In handling the relations between the state, the collective and the individuals, they only want small units and individuals to have more, as a result, such phenomena as arrears in tax payment, seizing profits and giving out bonuses indiscriminately have appeared. A few enterprises and departments have put up technical blockades, set up barriers, scrambled for profits, cheated by supplying substandard goods and raised prices at will to gain partial interests at the expense of the state interests. This kind of mentality and action must be earnestly corrected. We should insist that things in the major aspect are controlled and controlled well and that things in the minor aspect are relaxed and invigorated in order to advance a harmonized development of the national economy and bring about a virtuous cycle so as to realize the party's general targets and general tasks for modernization.

/The relationship between the current reform of the economic structure and the strategy of economic development must be properly handled./ Chen Lei said, The reform of the economic structure is a major systematic project requiring a well-defined guiding principle and a comprehensive plan for reform. At present the reform being carried out in some units only thinks in terms of immediate interests and ignores long-term interests by paying no attention to technical transformation and importation of technology and the practice of piecing equipment together and living on past gains has appeared. This tendency is bound to affect the "momentum" of the economic takeoff. In some units where the people do not have a good idea about their own advantage and a clear orientation of development, reform can only be done on a piecemeal basis and as it stands and even in a way of just "stopping up a loophole." Some units are very enthusiastic about the reform but they cannot produce a specific plan for reform in the light of the actual conditions in their own units. The basic cause for all these problems is the lack of economic strategic thinking. In short, a reform without an economic development strategy is an unrealistic reform, a reform without an objective and a reform to no avail.

/The relationship between the superstructure and the economic base must be correctly understood and handled./ Chen Lei said that progress has been made in the superstructure in Heilongjiang Province after undergoing reforms in the past 2 years. But these reforms are not thoroughgoing because they were carried out while the reform of the economic management structure has yet to be completed. As the economic reform is steadfastly deepening, reform in the superstructure must also be carried a step further. For example, after simpler administration and delegation of power are effected and the functions of government are separated from those of enterprises, corresponding changes should also take place in organs subordinate to the provincial government. While some departments and bureaus still remain departments performing government functions, some others have to be changed into economic corporations and some have to be merged, all of which requires investigation and study, trying and finding out experience and searching for a way. To sum up, reform must be carried out in the organizations, management system and the method of leadership, only in so doing can the battle for reform be won and serve the economic base even better.

/The relationship between the reform of the economic structure and ideopolitical work must be set straight and handled well./ Chen Lei said, as the people's minds are becoming more active than ever before in the course of reforming the economic structure, ideopolitical work must be strengthened all the more. It is worth pointing out that some cadres and workers and staff members now think that political work is not essential as long as reform is done well. We emphasize that to do ideopolitical work well, it is necessary to organize the broad masses of cadres and workers and staff members to seriously study the series of instructions of the central authorities concerning reform of the economic structure and make clear the significance and goal of the reform so as to enhance confidence in the reform. It is necessary to support the broad masses of the people in smashing the outmoded ideas and concepts that hampered the reform and the rules and regulations that fettered the development of forces of production and continuously seek a new way to advance the reform. We must insist on educating the broad masses of cadres and the people with communist ideology and the ideas of patriotism and collectivism so as to ensure the smooth progress of the reform and the successful fulfillment of the production tasks. It goes without saying that ideopolitical work itself also needs reform. We must overcome the "two-layers" phenomenon involving ideopolitical work and economic work in the past. We must adopt the method of enlightenment centered around the central work of enterprises to make ideopolitical work serve production and construction, operations and management, S&T and the standard of living and carry it out in cultural and sport activities and other links.

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CSO: 4006/135

PROVINCIAL AFFAIRS

JIANGSU RURAL, URBAN BUSINESSES HELP EACH OTHER

OW141009 Beijing XINHUA in English 0644 GMT 14 Feb 85

[Text] Nanjing, 14 Feb (XINHUA)--Rural and urban enterprises in coastal Jiangsu Province have been stepping up cooperation to help each other develop, provincial officials said here today.

Last year more than 160 economic cooperatives were formed between rural and urban enterprises and more than 1,000 cooperative schemes were carried out in the province.

Jiangsu's development is part of the national drive to expand industry in the countryside and diversify the rural economy.

Cooperation has helped urban enterprises expand production capacity through the use of land, buildings and labor from rural enterprises while the latter acquire better technology, business information and new markets.

For example, Suzhou City carried out more than 300 cooperative schemes last year, which helped to boost total industrial output value to over 10 billion yuan--26 percent more than the previous year.

Many rural townships under Suzhou's jurisdiction are also becoming prosperous with the help of urban technology, equipment and support.

Jiangsu has the highest industrial and agricultural production of any Chinese province. Its rural industrial production surpassed farm output value last year.

CSO: 4020/121

ECONOMIC DEVELOPMENT ZONES

QINGDAO ATTRACTING FOREIGN INVESTMENT, TRADE

OW111518 Beijing XINHUA in English 1450 GMT 11 Feb 85

[Text] Beijing, 11 Feb (XINHUA)--Qingdao, coastal city of Shandong Province, concluded agreements in 1984 on 121 projects using \$US163 million in foreign investment.

Qingdao Deputy Mayor Xu Shanyi announced this at a meeting on the city's economic and technical cooperation projects with foreign countries, held at the Great Hall of the People in Beijing this evening.

Qingdao, a port, naval base and tourist resort on the Yellow Sea, is one of 14 coastal cities China opened to more foreign trade and investment last April.

Deputy Mayor Xu said that Qingdao's situation as regards economic and technical cooperation with foreign firms has become quite favorable in the last few months, more than 450 business groups from Hong Kong and Macao and from foreign countries have visited the city for talks on cooperation.

The economic and technical development zone in which joint ventures or cooperative enterprises will be set up is now in the construction phase. New hotels and office buildings started going up last December and the water works and highway projects were also begun. Some universal workshops, warehouses and other facilities will be completed this year, he added.

Xu said Qingdao attaches much importance to the tourist industry. Construction of a number of resorts, including an overseas Chinese joint-venture hotel will start this year. The first phase of construction in the newly-developed Shilaoren resort area has begun. Some facilities will be completed and opened to visitors this year.

The deputy mayor said extension work on Liuting airport will be completed late this year when medium-sized jet planes will be accommodated. Telecommunications, transport and other facilities are also being improved.

CSO: 4020/121

ECONOMIC DEVELOPMENT ZONES

QINGDAO PICKS PROJECTS FOR FOREIGN COOPERATION

OW111221 Beijing XINHUA in English 1149 GMT 11 Feb 85

[Text] Beijing, 11 Feb (XINHUA)--Shandong's Province's port city of Qingdao has selected a group of 168 projects for cooperation with overseas partners. Included are 115 projects which will need imported technology and 63 aimed at joint ventures or cooperative enterprises, Qingdao's Deputy Mayor Xu Shanyi said here this evening.

The major portion are in textiles and light industry including food processing, electronics and meters and instruments. Production of rubber, chemicals, machines and building materials are also listed. Two more groups of projects will seek foreign cooperation in the future.

Qingdao, one of the 14 coastal cities China opened to foreign investment early last year, is holding a 3-day forum here on its economic and technical cooperation projects with foreign firms.

Mayor Xu said at the forum, Qingdao hoped foreign partners would make known their strong points and suggest more projects suitable for the city. Foreign firms may also set up wholly-owned enterprises, he added. He disclosed that talks about international economic and technical cooperation and trade sponsored by Shandong Province are scheduled to be held in Qingdao from 25 March to 3 April this year.

"Business friends from foreign countries as well as from Hong Kong and Macao region are invited to come and take part in wide-ranging discussions on the proposed projects. Economic and technical cooperation will be developed on the basis of equality and mutual benefit," he added.

CSO: 4020/121

ECONOMIC DEVELOPMENT ZONES

BRIEFS

SHANGHAI MARKET RESEARCH--At the Shanghai urban economic structure reform discussion meeting held on 7 February, Shanghai Mayor Wang Daohan said: An important prerequisite for enlivening the economy is market research. In opening the city to the outside world and carrying out reforms, we cannot deviate from the study of the market situation. Shanghai must study measures to carry out reforms and open to the world by conducting research on the markets of the Shanghai Economic Zone and of the whole nation. In his speech, Mayor Wang also put forward a series of issues on opening up the city and carrying out reforms is Shanghai, while introducing his experience to the comrades in the economic and academic fields who were at the meeting--the experience which he gained during his recent inspection tour in the four provinces under the administration of the Shanghai Economic Zone. The Shanghai urban economic structure reform discussion meeting concluded on the afternoon of 7 February after 3 days of warm discussions. During the meeting, many unique proposals were made on tackling some major issues in reforming the economic structure at present, for example how to invigorate enterprises, make good use of the economic lever, and study the market. The meeting also indicated that after the Spring Festival, a society for the study of Shanghai's economic structural reform will be established to further study the various issues which were brought up at the discussion meeting. [Text] [Shanghai City Service in Mandarin 0100 GMT 8 Feb 85]

TIANJIN TECHNOLOGY IMPORT--Tianjin Municipality had made great breakthroughs in the technology import work in 1984. Contracts worth \$230 million were signed in 1984, an increase of over \$95 million or about 70 percent over the business volume in 1983. [Summary] [Tianjin TIANJIN RIBAO in Chinese 31 Dec 84 p 2 SK]

HAINAN ISLAND CONSTRUCTION FUNDS--Haikou, 18 Feb (XINHUA)--A record 1.15 billion yuan will be spent this year to better prepare Hainan Island, Guangdong Province, for foreign investment, officials here said. This will be 73 percent more than last year, said local officials. Priority will be given to construction projects in transport, energy and telecommunications. Hainan Island is one of China's coastal areas being opened further to foreign trade and investment. [Text] [Beijing XINHUA in English 0854 GMT 18 Feb 85]

ECONOMIC MANAGEMENT

ZHAO ZIYANG HAILS REFORM OF JIANGXI HOSIERY PLANT

Beijing LIAOWANG [OUTLOOK] in Chinese No 44, 29 Oct 84 pp 13-14

[Article by Jiang Qiusheng [5592 4428 3932] and Xu Jinpeng [1776 6855 7720]:
"Transforming Old Enterprises Is a Direction--On Premier Zhao Ziyang's Visit
to the Hongdu Hosiery Factory"]

[Text] The autumn scenery in the month of September in Nanchang is delightful. On 9 October in the morning, accompanied by Bai Dongcai [4101 2767 2624], first secretary of the Jiangxi provincial CPC committee and Zhao Zengyi [6392 1073 4135], Jiangxi governor, Premier Zhao Ziyang arrived in the Jiangxi Hongdu Hosiery Factory for an inspection tour.

The Hongdu Hosiery Factory now employing over 1,000 workers and staff members was an old enterprise formed by several hosiery factories operated by hand. By upholding reform in recent years, they have generated vigor and vitality into this old enterprise. Around 0800 hours, Premier Zhao and company arrived at the weaving workshop accompanied by factory manager Luo Shiqi [5012 1102 1142] and party committee secretary Ding Shaolu [0002 4801 7627] who briefed them on the situation. Ding Shaolu picked up a Golden Deer brand red nylon stocking just weaved, upon seeing it, secretary Bai Dongcai commented: "Oh, what a pretty stocking!" as he handed it over to Premier Zhao. This type of stocking, a new product designed by the factory this year, had twice won full score in public appraisals in the province. Although not being marketed in large quantities, it has enjoyed a good reputation elsewhere. Luo Shiqi said: This type of stocking was produced by the renovated equipment of the 1940's. Delighted, Premier Zhao said: "We must renovate old equipment. Developing and producing new products through renovation is a direction."

In the quality-control workshop, all women workers had engrossed themselves in work. Walking toward examiner Sun Jinxiang [1327 6855 7449], Premier Zhao asked amicably: "You are responsible for inspection, would you let substandard products slip through?" Busy working with both hands, Sun Jinxiang replied smilingly: "It will not happen, if I let substandard products slip through and get caught by the next working process, I will be penalized."

"How many dozens at the most can you handle in a day?"

"About 170 dozens."

"How much bonus can you get in a month?"

"About 20 yuan. I can also get more if I overfulfill the quota."

"How much fine do you have to pay if you let substandard products slip through?"

"Twofold greater than the bonus."

Premier Zhao said cordially: "You have been working hard!" Bashfully shaking her head, Sun Jinxiang said promptly: "I do not feel tired."

After undergoing reform, the Hongdu hosiery factory has instituted wholly the economic responsibility system of fixed personnel and fixed quota centered around economic accounting and closely linked the economic income of the cadres, workers and staff members with the production and operations of the enterprise. This way, everyone shows enthusiasm and the factory is full of vitality. Since 1980, this factory has delivered 20 million yuan in profits to the state, which is five times greater than its fixed assets. It ranks first among other hosiery factories in Jiangxi.

After leaving the workshop, Premier Zhao and company strolled along the broad avenue in the factory premise. The factory environment was neat and trim and the air was refreshing, flowers were blooming along the avenue. The premier said to factory manager Luo Shiqi: "Let us find a place to chat, all right?"

At the factory's reception room, Luo Shiqi briefed Premier Zhao about how the factory carried forward the "Jiang [3068] hosiery spirit" and improved enterprise management. Premier Zhao asked with great interest: "What is the 'Jiang hosiery spirit'?" To which Luo Shiqi explained in detail: "Jiang hosiery spirit" means the spirit of the Jiangxi Hongdu hosiery factory which included three aspects. One, the spirit of diligence in learning, strict discipline, hard work and civility. Two, the practice of creating and learning, the practice of helping and teaching others and the practice of being strict and meticulous. Three, love for the country, love for the factory and love for the job. Premier Zhao appreciated the explanation very much. Premier Zhao said: "You have a great variety of very beautiful products that should make small profits but quick turnover and be sold at a good price for good quality. 'The 'Jiang hosiery spirit' put forth by you has a rather comprehensive content. It is excellent to implement scientific management by integrating ideological and political work with the economic responsibility system."

Luo Shiqi also described how the factory had abolished the original administrative offices and set up the technical research center, the production and management service center, the economic activities analysis center and the personnel education and training center. Each cadre in the factory must attend classes for at least 300 hours in a year to systematically study all-round quality control, projects on value, information and the study of the market, the theory of control, the application of electronic computers and

knowledge in other fields. Many cadres have also written theses and published three pamphlets probing into the subject of enterprise management. Premier Zhao interjected: "You people have paid much attention to developing qualified personnel." He then asked Luo Shiqi about how long he has been factory manager. Luo Shiqi replied: "Three years. Before that I had been trade union chairman for 4 years."

When Luo Shiqi mentioned that after the factory manager responsibility was put into effect, a contract hire system had been applied to cadres who would be dismissed if their performance did not measure up, Premier Zhao asked: "Are you not afraid of giving offense?" Luo Shiqi said: "To make reform a success, the job has to be done even giving offense to others." Premier Zhao commented laughingly: "You as factory manager really mean business!"

Premier Zhao also asked about whether or not a factory manager handed out punishment to those workers who seriously violated labor discipline and whether or not he has the power to dismiss workers. Luo Shiqi said: "They naturally would be punished and the factory manager has the power to dismiss them. However, what we do is to discharge them. We discharged a worker during the first half of this year with the approval of the workers congress after discussion." After hearing this, Premier Zhao commented: "This is an excellent way. After the implementation of the factory manager responsibility system, things can run better when the factory manager making important decisions can have the understanding and support of the workers and the backing of the party committee."

It was about noon when Premier Zhao left the Hongdu hosiery factory in a big sedan. Before his departure he said to comrades Bai Dongcai and Zhao Zengyi: "This factory's experience is very comprehensive and it should be summed up and popularized properly."

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CSO: 4006/135

FINANCE AND BANKING

BRIEFS

JILIN TAX REVENUE ACHIEVEMENTS--Jilin Province has made marked progress in levying agricultural taxes this year. As of 12 December, the province pre-fulfilled by 18 days the state assignment of agricultural taxes, which fixed a sum of 103.52 million yuan. [Excerpts] [Changchun JILIN RIBAO in Chinese 16 Dec 84 p 1 SK]

HEILONGJIANG URBAN SAVINGS--By the end of November, Heilongjiang Province's urban savings deposits had reached 4,308,590,000 yuan, an increase of 1,060,130,000 yuan over the figure calculated at the beginning of this year. [Excerpt] [Harbin HEILONGJIANG RIBAO in Chinese 23 Dec 84 p 1 SK]

TERTIARY INDUSTRY LOANS--Beijing, 14 Feb (ZHONGGUO XINWEN SHE)--The China Industrial and Commercial Bank loaned a total of 782.2 billion yuan in support of China's tertiary industry in 1984, an increase of more than 130 billion yuan over 1983, it was learned from the bank by the reporter. Total loans made to individual households by the bank grew from more than 120 million yuan in 1983 to more than 570 million yuan in 1984. China has begun to attach attention to developing its tertiary industry in recent years, and has increased its investment in the industry with each passing year. By the end of 1984, the China Industrial and Commercial Bank had loaned a total of more than 120 billion yuan to the commercial and service trades, an increase of 11.5 billion yuan over the same period in 1983. Apart from such traditional loan operations as state-run commerce and grain, the loans were used in other tertiary industries including the catering trade, the tourist industries, service trades, repair services, cultural and educational undertakings, public health, public utilities, gardening and recreation. The balance was 8.5 billion yuan by the end of 1984, an increase of 5.6 billion yuan over the same period in 1983, and more than triple the same period in 1980. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 0906 GMT 14 Feb 85]

HEILONGJIANG INDUSTRIAL, COMMERCIAL TAXES--By mid-December 1984, Heilongjiang Province had collected 290,850,000 yuan in industrial and commercial taxes, prefulfilling the annual plan, and showing an increase of 200 million yuan. The number of taxpayers (excluding individual industrial and commercial households) increased by 4.6 percent over 1983. [Summary] [Harbin HEILONGJIANG RIBAO in Chinese 29 Dec 84 p 1 SK]

HEILONGJIANG TREASURY BONDS--The 1985 treasury bonds for Heilongjiang Province have been put on sale. The volume of treasury bonds will increase by 100 million yuan over the previous year. This year, the state will issue 6 billion yuan in treasury bonds, 2 billion yuan more than in the past year. [Summary] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 9 Jan 85 SK]

HARD CURRENCY GUARANTEES--Beijing, 12 Feb (XINHUA)--Twenty-three financial organizations in China are now authorized to provide hard currency guarantees for foreign firms, the ECONOMIC DAILY reported today. Six of these are the Chinese branches of overseas, Hong Kong and Macao banks, such as the Shenzhen branch of Hong Kong's Nanyang Commercial Bank, and the Shanghai branches of the Hong Kong and Shanghai Bank, Britain's Standard Chartered Bank, and Hong Kong's Bank of East Asia. The rest are Chinese organizations, including the Bank of China and all its branches and the China International Trust and Investment Corporation. Hard currency guarantees may be provided only by banks and other financial organizations approved by the Bank of China and licensed by the State Exchange Control Administration to handle hard currency, the paper added. Meanwhile, new regulations to improve management of financial organizations have just been issued by the People's Bank of China, said the ECONOMIC DAILY. Without approval by the bank, according to the regulations, no organization may do business relating to currency circulation, including insurance, loaning, and conversion and settlement in hard currency in China. [Text] [Beijing XINHUA in English 1221 GMT 12 Feb 85]

SHANGHAI SILVERWARE SHOPS--Shanghai, 18 Feb (XINHUA)--A big silverware shop opened here today to meet the growing demand for silver and gold. This jewelry is a traditional Shanghai industry. It was condemned as a luxury after the late 1950's, but since 1982 the old industry has picked up. Shanghai produced 270,000 gold and silver ornaments in 1984, marketed in Europe and America as well as in China. Gold jewelry attracts more and more buyers in Shanghai. Over 300,000 pieces were sold there last year, three times as many as in 1983. The three opened earlier this month bring Shanghai's silverware shops to four, including two in outlying counties. Shanghai's eight other counties will open such shops soon for peasants. [Text] [Beijing XINHUA in English 1642 GMT 18 Feb 85]

RECORD HIGH BANK SAVINGS--Nanjing, 14 February (XINHUA)--Total peasant bank deposits reached a record 4 billion yuan in Jiangsu Province by the end of last year, provincial banking officials said here today. This was a growth of 900 million yuan in a year, and was 700 percent more than in 1978, the year before China began adopting flexible rural policies. Bank savings averaged 76.9 yuan for each rural resident in the province. In the most prosperous county, Taicang, bank savings per person was an average 281.6 yuan. Bank officials said rural savings deposits surpassed those of urban residents for the first time last year. Jiangsu's total industrial and agricultural output value was highest among China's provinces last year. Provincial officials have not disclosed peasant income per head in 1984 yet. But the figure in the previous year was 400 yuan for each rural person, about 30 percent higher than the national average. [Text] [Beijing XINHUA in English 1515 GMT 14 Feb 85 OW]

MINERAL RESOURCES

BRIEFS

LARGEST PEAT DEPOSITS REPORTED--Beijing, 16 February (XINHUA)--China's largest peat deposits have been found on the Zoige Plateau on the border of Sichuan, Gansu and Qinghai Provinces, says today's QUANGMING DAILY. The marshy plateau, crossed by the red army on its historical long march in the 30's, has reserves of 7 billion cubic meters in 19 major peat beds covering 4,000 square kilometers. The peat contains over 10 percent oil and releases 2,000 to 4,000 calories per gram. Geologists regard it as ideal for industrial use. A survey team worked in Zoige from 1982 to 1984, the paper adds. [Text] [Beijing XINHUA in English 1210 GMT 16 Feb 85 OW]

LIAONING NEW GOLD MINE--Another gold mine of Liaoning Province--Baiyun gold mine--was completed and went into operation on 7 December. Located in Fengcheng County, the gold mine is the province's only small gold mine capable of successive operation of mining, dressing, and smelting and of producing up-to-standard gold. The annual designed capacity of the mine is 1,860 liang of gold. Construction of the mine began in April this year and was completed in 7 months. [Excerpt] [Shenyang LIAONING RIBAO in Chinese 19 Dec 84 p 1 SK]

CSO: 4006/389

INDUSTRY

GUANGXI TECHNOLOGICAL ADVANCEMENT CONFERENCE

HK310208 Nanning Guangxi Regional Service in Mandarin 1130 GMT 29 Jan 85

[Excerpts] The second regional conference on technological advancement in enterprises was held from 22 to 29 January in Nanning. The conference relayed the spirit of the second national conference on technological advancement in enterprises; studied the documents of the 3d Plenary Session of the 12th CPC Central Committee and Premier Zhao Ziyang's speech on policy on the building of the Seventh 5-Year Plan; further resolved the problem of switching our ideology onto a new track; summed up and exchanged experiences in technological advancement and technological innovation; studied and discussed this year's plan for carrying out technological innovation and exploitation and bringing in technology; and studied and formulated measures and policies for promoting technological advancement in enterprises.

At the conference, Wang Rongzhen, vice chairman of the regional people's government, delivered a report entitled "Implement the Spirit of the National Conference on Technological Advancement in Enterprises, Create a New Situation in Technological Advancement in Enterprises Throughout the Region." She pointed out that after 30 years of capital construction, the region has now brought about industrial distribution. In the near future, stress should be laid on tapping the potentials of the existing enterprises. In the future the state will also assign some priority projects in capital construction to the region, but not many. It is thus estimated that enterprises in the region will have to assume heavier tasks than those of average enterprises in the country in achieving the target of quadruplication. Due to the region's backward industry, inferior enterprises, and few talented people, it has become an urgent task in the region's economic construction to promote technological advancement in enterprises and speed up technological innovation of the existing enterprises.

In the final part of the report, Wang Rongzhen put forth specific suggestions and demands:

1. Seriously resolve the problem of our ideological understanding. Properly switch our ideas onto the new track.
2. Firmly grasp the work of formulating medium and long-term plans for promoting technological advancement in trades.

3. Bring in advanced technology and key equipment by using foreign funds. Narrow the difference between the advanced international levels and ourselves.
4. Achieve technological advancement in the year.
5. Strengthen the management over the plan for technological advancement. Establish the responsibility system for each project.
6. Vigorously promote overall quality control. Widely carry out the activities of achieving fine quality.

Comrade Huang Yun, deputy secretary of the regional CPC committee, attended the conference on 26 January and delivered a speech on relevant policies and measures for carrying out technological innovation, bringing in technology, and on overall arrangements.

CSO: 4010/89

INDUSTRY

BRIEFS

NEI-MONGGOL MACHINERY INDUSTRIAL ACHIEVEMENTS--In 1984, the 109 machine-building enterprises across Nei Monggol Autonomous Region prefulfilled their annual production plan by 2 months. Their total industrial output value reached 348 million yuan, a 28-percent increase over the 1983 figure. They realized 26.53 million yuan of profits, a 130-percent increase over the 1983 figure. They handed over 25.34 million yuan of taxes and profits to the state, a 29-percent increase over the 1983 figure. [Excerpts] [Hohhot NEIMENGGU RIBAO in Chinese 22 Jan 85 p 2 SK]

FUJIAN 1985 MACHINE INDUSTRY GOALS--The recently concluded Fujian provincial machine-building industry work meeting pointed out that the province's machine-building industry should take reform as a motive force in fulfilling 10 objectives this year. The 10 objectives include the achievement of 1 billion yuan in output value, 100 million yuan in profits, more than 10,000 yuan in productivity for a full-time worker, and \$US10 million in export value and the development of 100 new products. To this end, the meeting called on the province's machine-building industry to implement reform to add vigor to enterprises; bring vitality to production, supply, and marketing; speed up the import of technology; and increase the export of machinery and electrical products in order to create a new situation in the province's machine-building industry. [Text] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 30 Jan 85]

JIANGSU TECHNICAL TRANSFORMATION GAINS--Our province made new gains in its technical transformations and importation of technology in 1984. More than 4,480 technical transformation projects were implemented in 1984, of which more than 1,000 were imported. The total investment reached 1.478 billion yuan. More than 2,120 projects were completed the same year. Approval was granted for the import of over 780 projects and the use of more than \$400 million in foreign exchange for these purposes. Contracts were signed and transactions made for more than 700 of the imported projects. The amount of foreign exchange used on these contracts was more than \$350 million, bigger than the combined total for the previous 6 years. The results of these investments were more remarkable. [Excerpt] [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 28 Jan 85]

SHANGHAI, JINAN TECHNOLOGY AGREEMENT--A meeting on economic and technological cooperation between Jinan and Shanghai, sponsored by the Jinan City CPC Committee and people's government, was held in Jinan 1-6 February. One hundred and seven leading comrades from the Shanghai Municipal People's Government office in charge of cooperation, the Shanghai Municipal Planning, Economic,

and Science and Technological Commissions; the Shanghai Municipal Academy of Science; and Fudan University exchanged views and held cordial talks with responsible comrades of the Jinan City Planning, Economic, and Science and Technological Commissions as well as city districts, counties, and bureaus on a broad range of issues related to economic and technological cooperation. During the session, Su Yiran, secretary of the Shandong Provincial CPC Committee; Liang Buting, secretary and governor; and Lu Maozeng, Li Changan, and Jiang Chunyun, deputy secretaries, cordially met with the Shanghai guests. The two sides signed agreements or letters of intent on 10 technological cooperation projects during the 6-day session. [Text] [Shanghai JIEFANG RIBAO in Chinese 7 Feb 85 p 1]

XINJIANG MACHINE-BUILDING INDUSTRY--In 1984, the machine-building industry in Xinjiang Region developed steadily. The growth rate in the machine-building industrial output value was larger than the national average growth rate in industrial output value. The gross industrial output value of the 26 enterprises under the regional machine-building department amounted to some 200 million yuan, recording an increase of 20.7 percent over 1983. Their profits were some 12 million yuan and were 86.6 percent more than in 1983. The output value, profits, and revenue submitted to the state all increased. Output of motor vehicles, tractors, and machines for agricultural use increased greatly. The output value of all products used in the petroleum industry in 1984 reached some 36 million yuan, about one-fifth of the gross output value. [Summary] [Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 4 Feb 85 HK]

HEILONGJIANG LARGE POLYESTER PLANT--With the approval of the state, a large polyester plant will be built in Daqing, Heilongjiang Province. Adopting advanced technology and equipment, the plant will be completed in 1990 according to initial plans, and will have an annual capacity of 80,000 tons. Upon completion, it can create more than 400 million yuan of output value for the state and pay more than 200 million yuan of taxes annually. [Excerpt] [Harbin HEILONGJIANG RIBAO in Chinese 29 Jan 85 p 1 SK]

CSO: 4006/389

DOMESTIC TRADE

JINGJI RIBAO COMMENTATOR ON CONTROLLING INSTITUTIONAL PURCHASES

HK081358 Beijing JINGJI RIBAO in Chinese 6 Feb 85 p 1

[Commentator's article: "Strictly Control Institutional Purchasing Power"]

[Text] Recently, some units violated the relevant state regulations by trading in commodities under state control without authorization or recklessly buying large quantities of consumer goods on the markets, thus sharply straining the market supply. All this is completely wrong.

In order to meet the needs in the new economic situation, last year the state reformed its methods of controlling the purchasing power of social institutions by appropriately delegating part of the authority to approve the purchase of the commodities under state control to localities and departments. This provided the necessary conditions for establishing the present system for managing commodities under state control, and was welcomed by localities and departments. Since the new method came into effect, the general results of its implementation have been satisfactory. However, some localities and departments do not correctly understand and implement the new method. They have loosened their management over those commodities, and some units have taken advantage of this opportunity to conduct illicit business. So it is hoped that all relevant localities and departments will seriously check and correct their handling of the commodities under state control and will strictly control institutional purchases.

At present, reform of the urban economic structure is advancing across the board. Strict measures must be taken to bring the purchasing power of social institutions under control. Only thus can we ensure a financial balance and maintain market stability so as to create more favorable conditions for the economic reform. Purchase control offices at all levels should make more investigations to promptly find out problems in this field, should seriously sum up experience in carrying out the relevant instructions of the State Council, and should severely deal with the units which have violated financial discipline, squandered the state's financial resources, and conducted illicit business. Governments at all levels should effectively settle various problems in the purchase control work and should better direct the institutional purchasing power to serve the economic reform and to contribute to the four modernizations.

DOMESTIC TRADE

CHINESE MARKET EXPECTED TO BECOME BRISKER

OW081738 Beijing XINHUA in English 1642 GMT 8 Feb 85

[Text] Tianjin, 8 Feb (XINHUA)--The Chinese market will become even brisker this year, with fast-growing rural commodity production and increases in workers' wages, according to a national economic conference now in session here.

A spokesman for the Commerce Ministry listed the following measures to cope with the new situation:

--selling large amounts of surplus grain as feed to boost animal husbandry; more gold and silver jewelry and high-grade clothing will be on sale; and downpayment sales of big consumer durables, including color TV sets, refrigerators, washing machines, cameras and motorcycles;

--greatly expanding service trades, such as catering, tourism, consulting, information, cosmetics and recreation;

--state commercial departments should help in market regulation to keep prices stable and ensure supplies;

--building of shops of all kinds should be included in urban development plans. More shopping-precincts, supermarkets and free markets should be opened in larger cities;

--efforts to produce more goods in short supply, including popular brands of cigarettes, liquors, pastries, woolen textiles, silks and satins, bicycles, furniture and building materials.

CSO: 4020/121

DOMESTIC TRADE

NATION TO CONTROL COMMODITY PURCHASES BY LARGE INSTITUTIONS

HK081350 Beijing JINGJI RIBAO in Chinese 6 Feb 85 p 1

[Report: "Strictly Control the Purchases by Institutions of Commodities Under Special Control, Resolutely Curb the Malpractice of Indiscriminate Distribution in Kind"]

[Text] Recently, the responsible person of the national leading group responsible for controlling the purchasing power of social institutions told the reporters that its subordinate offices at the provincial and local levels will take strict measures to control the trading in special commodities specified by the state and that apart from those urgently needed in production and other work, no commodities under the state's special control are allowed to be traded.

In 1984 the purchase control work achieved certain results in the course of the economic structural reform. This work has contributed to the reduction in unreasonable spending and the checking of such malpractices as recklessly issuing bonuses in kind and illegally buying cars at high prices. However, since the second half of last year, the purchasing power of various social institutions has sharply increased each month. According to the estimates by the State Statistical Bureau, the total value of consumer goods bought by social institutions in 1984 may reach 32 billion yuan, an increase of 24.7 percent over the previous year, which marked the highest growth rate in recent years. The proportion of the institutional purchasing power to the total retail value of consumer goods increased to 11.2 percent from 10.6 percent in 1983. Apart from the development of institutions which have increased the number of their staff, and important reason for the rapid growth in institutional purchases of consumer goods lies in the fact that some units tend to squander money and violate the relevant financial discipline. They even rush to buy a great deal of consumer goods on the markets and distribute them to the workers as bonuses in kind. This has not only seriously wasted the state's financial resources but has also strained the market supply.

The responsible person said: In order to link the purchase control work closely with the ongoing economic reform, the authorities will resolutely check the evil tendency of recklessly issuing garments and other articles as bonuses in kind. In 1985 the financial, commercial, banking, and other relevant departments will have to coordinate closely in strictly checking such things. Prompt action

must be taken to inquire into and deal with problems which are discovered. Institutions should also be advised to reduce their purchase of such high-class consumer goods as television sets, refrigerators, and washing machines, over which state control has been lifted, and should be forbidden to contend for these goods with individual residents. If necessary, local authorities in charge of the purchase control work can lay down more concrete regulations with the approval of local governments.

He stressed: At present, a small number of units are buying large quantities of imported vehicles from Guangdong and Fujian with authorization and selling these vehicles to interior provinces. This has constituted a violation of the relevant stipulations. It is now reiterated that all purchases of cars from Guangdong and Fujian and deliveries of these cars to other areas must be subject to the approval of the State Bureau of Materials and Equipment and that vehicles delivered from Guangdong and Fujian to other provinces can be cleared only on the basis of the inspection of the "pass permits" issued by the State Bureau of Materials and Equipment. All contraventions of this regulation must be seriously handled by the relevant departments, local governments, and local authorities in charge of purchase control work.

CSO: 4006/395

DOMESTIC TRADE

BRIEFS

SICHUAN COMMERCIAL CENTER--Chengdu, 26 Dec (XINHUA)--Chengdu City's oldest commercial street, built in 1908 by the Qing Dynasty Government, will be renovated to become the city's new commercial center. The Chengdu City People's Government held a special meeting on renovation of the commercial street on 26 December. During the 10 chaotic years of the Cultural Revolution, the commercial street deteriorated, and stores were turned into workshops or residences. Under the renovation plan, the street, with a length of 158 meters and a width of 10 meters, will be turned into Chengdu City's commercial center, selling medium and high-grade commodities. [Summary] [Beijing XINHUA Domestic Service in Chinese 1511 GMT 26 Dec 84 OW]

JILIN SUPPLY, MARKETING COOPERATIVES--In 1984, 2.65 million peasant households or 84 percent of the total in Jilin Province bought shares, worth 17.47 million yuan, from supply and marketing cooperatives. A total of 307 small village cooperatives were run by peasants and 511 joint and branch cooperatives were set up. Over 1,100 purchasing and marketing, processing and service networks were set up. The province had established 71 agricultural and sideline products trade centers. In 1984, the supply and marketing cooperatives of the province had purchased 340 million yuan of agricultural and sideline products, an increase of 18 percent over 1983. The cooperatives helped peasants sell over 320 million jin of grain, an 1.8-fold increase over 1983. [Summary] [Changchun JILIN RIBAO in Chinese 18 Jan 85 p 1 SK]

HANGZHOU PEASANT-RUN HOTELS--Hangzhou, 14 Feb (XINHUA)--More than 2.2 million Chinese tourists stayed in peasant-run hotels around the beauty spot of West Lake, in Hangzhou, Zhejiang Province, last year. This was 11 percent of the total number of domestic visitors to the city, according to the city tourist department. Encouraged by local authorities, rural collectives and individual peasants have opened more than 400 hotels, restaurants and shops for tourists. More than 12,000 people are employed. Collectives now run 44 hotels with nearly 9,000 beds. New hotels with at least 2,000 beds will be opened this year to cope with the increasing number of visitors, a tourist department official said. Twenty-five peasant-owned pleasure boats will be launched in spring. Then tourists will be able to enjoy the beauty of the lake's scenery, with the owners acting as guides. In Manjuelong village alone, 30 local families have applied to open hotels; seven have so far been granted licenses. The official added that peasants were now being encouraged to start hotels and restaurants in Hangzhou city center. [Text] [Beijing XINHUA in English 1509 GMT 14 Feb 85]

FOREIGN TRADE AND INVESTMENT

XINJIANG TO INCREASE TRADE WITH USSR, OTHERS

OW260756 Beijing XINHUA in English 0740 GMT 26 Jan 85

[Text] Urumqi, January 26 (XINHUA)--China's State Council has authorized the Xinjiang Uygur Autonomous Region to conduct border trade with two republics of the Soviet Union, officials here said today.

Xinjiang borders on the Kirgiz and Kazakh Soviet Socialist Republics.

During Soviet First Vice-Premier Ivan Arkhipov's visit to China last December, the two governments agreed to increase their volume of trade this year from 3.6 billion Swiss francs to 4.6 billion.

Xinjiang has established economic and trade relations with more than 40 countries and regions since China started opening to the outside world.

The officials said Xinjiang would also increase border trade with Pakistan, while expanding trade with East European, Arab, Mid-East and Gulf countries.

Last year, Xinjiang's exports rose by 64.6 percent over the previous year, and imports by 23.8 percent.

The region plans to increase its exports by 9.5 percent this year. The main items include cotton, cotton yarn and cloth, woolen fabrics, carpets, licorice roots, raisins and melons.

A rise of 19.1 percent in imports is planned, with stresses on rolled steel, cement, motor vehicles and chemical fertilizers.

CSO: 4020/112

FOREIGN TRADE AND INVESTMENT

LEGAL PROTECTION OF FOREIGN TRADE IN CHINA

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 8, 27 Aug 84 pp 47-49

[Article by Liu Chu [0491 5368], deputy director of the Treaties and Law Department of the Ministry of Foreign Economic Relations and Trade: "The Legal Protection of Foreign Investment"]

[Text] All of the world's capital-exporting national and transnational corporations increasingly recognize that China is one of the world's outstanding investment markets with the greatest potential in the world today. Yet China is a socialist nation, and its national conditions and investment environment are much different from the traditional investment markets with which foreign investors are familiar. Thus, it is understandable that they feel strange and even uncertain. Under these circumstances, whether China is able to provide insurance of foreign investment and whether it is able to provide any type of insurance has become a problem on which the world has focused its attention.

Since China has implemented the open door policy, in order to attract foreign investors, it has created an outstanding investment environment and has paid great attention to the legal problem of providing protection and insurance for foreign investment.

In this respect, we have adopted two forms: domestic legislation and international agreements.

With regard to domestic legislation, we have promulgated a series of laws that protect foreign investment.

The first is the 18th article in "The Constitution of the PRC" which was adopted in December 1982 by the Fifth National People's Congress, and it stipulates: social enterprises and other foreign economic organizations as well as Chinese-foreign joint venture enterprises within China's borders must all comply with laws of the PRC, and their legitimate rights and interests are protected by the laws of the PRC.

Special legislation of Chinese-foreign joint venture enterprises all has this substance. The second regulation of "Laws of Chinese-Foreign Joint Venture Enterprises" adopted by the Fifth National People's Congress in July 1979 stipulates: the Chinese Government legally protects foreign joint ventures

in line with the investment, deserved profits and other legitimate rights and interests of joint venture enterprises that the government has approved in agreements, contracts and regulations. The second regulation in "Regulations for Chinese-Foreign Joint Ventures" adopted by the State Council in October 1983 stipulates: the Chinese-foreign joint venture enterprises that have been approved to be established within China's borders according to "Laws for Chinese-Foreign Joint Ventures" are under China's legal jurisdiction and are controlled and protected by China's laws.

There is also this substance with regard to the special legislation for attracting foreign investment in ocean petroleum recovery. The third regulation in "Regulations of the PRC for Foreign Cooperation in Recovering Ocean Petroleum Resources" stipulates: the Chinese Government legally protects the investment, deserved income and other legitimate rights and interests of foreign enterprises participating in the cooperative recovery of ocean petroleum resources and legally protects the cooperative recovery activities of foreign enterprises.

Legislation for the concerned Special Economic Zones [SEZ] also has this substance. The first regulation in "Regulations of Guangdong Province's SEZs" approved by the NPC Standing Committee in August 1980 stipulates: the SEZs encourage foreign citizens, overseas Chinese, compatriots from Hong Kong and Macao, as well as their companies, enterprises and investment, to set up factories or to jointly set up a factory with our side, run enterprises and other undertakings, and legally protect their investment, deserved profits and other legitimate rights and interests.

With regard to international agreements, China has signed agreements with a few countries for protecting investment. These agreements are mainly in two forms: one is an agreement insuring and ensuring investment and the other is an agreement that mutually promotes and protects investment.

Agreements for investment insurance and assurance are signed between countries, and one contracting party, which acts as the country that is the source of investment, toward investment within the borders of the second contracting party (the host country receiving the investment) through special organizations makes an agreement for the insurance to be provided by the second contracting party. At the present time, China has already signed this type of agreement with the United States and Canada. The main substance of these agreements are included in the following few points:

First, after being approved by the Chinese Government, the investment projects and activities of a country within China's borders can be insured against political risks by the special organizations of the country's government. So-called political risks usually means that because of war or some other extreme political risk that causes the investor to suffer financial losses, there are risks to the investment that are caused by the implementation of requisition-style nationalism as well as by forbidding or restricting the transfer of currency or property out of the country.

Second, if because of political risks within the country, the special organizations pay reparations to the investor within the confines of the contract, the Chinese Government acknowledges that because of the aforementioned payment, the special companies will be given rights (including proprietary rights, requisition rights or the right to file a lawsuit, etc.). That is to say that under these circumstances, the Chinese Government acknowledges the so-called right of representation, requisition and compensation.

Third, when contentions arise between the two governments concerning the interpretation of clauses in the agreement, or if any contentions arise because based on the agreed-upon insured investment, any rights or demands are brought up to any one government and the other side feels that it is already part of international law, the two governments must try as hard as possible to solve the problem through discussions. If it is not resolved within a certain period of time, then any one of the governments can demand that the contention be submitted to ad hoc arbitration and be resolved according to the applicable principles and rules of international law. Explicit regulations are made in the agreements concerning the composition of the arbitration as well as its authority, procedures, costs, etc.

It is clear from the important points mentioned above that through agreements to insure and ensure investment, the Chinese Government ultimately assumes responsibility for the contracting nation's investment that is lost because of political hazards within the country. This is an international responsibility that the Chinese Government bears and is also the legal protection by the Chinese Government toward foreign investment.

Agreements for helping each other forward and protecting investment are agreements of the contracting nations for helping each other forward and protecting the other side's investment in this country. Currently, China has already signed this type of agreement with Romania, Sweden and the Federal Republic of Germany. The most important content of these agreements is included in the four points below.

First, both contracting parties ensure that they will fairly and reasonably treat the investment of the other contracting party's investors and let them enjoy a treatment no lower than that enjoyed by third-party investors, i.e., the so-called most-favored-nation treatment.

Second, one contracting party protects the investment of the other contracting party and ensures its safety. One side can be compensated according to legal procedures only for its common interest, and can collect. The compensation payment must not be delayed and must be exchangeable and freely transferable. If party "A" suffers losses within the borders of party "B" because of war, armed clashes, a national state of emergency or some other similar event, when party "B" is adopting any relevant measures, it must give this investor treatment no worse than a third party would receive.

Third, all contracting parties, based on their respective laws, allow other investors to transfer and invest certain sums of money, including possessions they have put their money into, cleared themselves of or transferred, the

profits created from investment and other daily income which both sides acknowledge as investment loans and the interest paid back as well as the remuneration of citizens of contracting party "A" from work in investment projects that are permitted within the territory of contracting party "B."

Fourth, any dispute that arises when the contracting parties are explaining or executing an agreement must be resolved to the greatest extent possible through friendly consultations. If it has not been resolved within a certain period of time, at the request of any one side, the dispute will be handed over to arbitration. The formation and authority of the arbitrating body as well as its regulations and costs will be clearly stipulated in the agreement.

These four points are the essence of agreements signed by China for helping each other forward and protecting investment. Because each country has special characteristics and stresses different points, there are slight differences in specific regulations, but they are basically the same, that is, we provide assurance and protection for the few problems about which investors are the most concerned, and use this to promote the mutual investment between us. This is an internationally current method and is also another form of legal protection that China gives to foreign investment. China is currently negotiating this type of agreement with Japan, France, Sweden, the United States and other countries, and is close to reaching an agreement with some of these countries.

China does not have a long history of implementing the open door policy and attracting foreign investment, and work concerning foreign economic legislation and signing agreements with concerned nations has only just started. However, we can explain the following few points from the aforementioned work that has already been accomplished.

First, China has adopted a strict and earnest attitude toward protecting foreign investment. The constitution is the state's basic legal document. China clearly stipulates in its constitution the essence of protecting foreign investment and fully explains the importance of implementing the open door policy and attracting foreign investment. It is just as our leaders continually proclaim: this should be treated as a fundamental national policy.

Second, China has adopted a flexible attitude with regard to the type of laws used to protect foreign investment. For example, because some countries have domestic laws, they can only adopt an agreement for insuring and ensuring investment and cannot adopt an agreement for helping both countries forward and protecting investments; some countries can only adopt agreements that help both countries forward and protect the investment and cannot adopt an agreement for insuring and ensuring investments; and some countries are willing to adopt and use both these agreements at the same time. China respects the national conditions of these countries and is willing to adopt a form for carrying out negotiations that they are able to accept. This fully explains our sincerity in protecting foreign investment and our attitude of respecting the national conditions of other countries. In the specific regulations of agreements, China has also adopted a flexible attitude on the premise of strengthening its principles.

Third, China's laws for protecting foreign investment are formulated on the basis of China's fundamental interests; the fundamental principle is equality and mutual benefit and suiting China's national conditions. Thus, when negotiating agreements with foreign countries concerning the protection of investment, China also requires other countries to respect its social, economic and legal system. On this basis, an agreement will be reached that both sides are able to accept. Even though certain points in similar agreements signed by other countries may be prevalent among those countries, if they do not correspond to our national conditions, then we cannot accept them. For example, giving foreign investors the exact same treatment that we give to our own citizens or enterprises, i.e., the so-called national treatment, is clearly not possible in China. This is not because we discriminate against foreign investors, but in fact, in many respects China gives even more preferential treatment to foreign investors than it does to its own enterprises (for example, income tax rates, autonomy of an enterprise's management and administration and in other respects). But because of the different natures of foreign investment enterprises and Chinese enterprises, there must be some differences in their treatment, and they cannot be completely "treated the same." Even among Chinese enterprises, there are enterprises with different characters, for example, there are state-run enterprises, collective ownership enterprises and individual enterprises, and they are not at all treated the same. How then are we able to give foreign investors "national treatment"? China's treatment of foreign investors is stipulated through a series of special legislation, but it cannot be summarized from the viewpoint of "national treatment." This is China's national condition. There are similar circumstances with other problems in agreements. We happily see more and more countries understand our national conditions better with each passing day and understand our point of view, and China's negotiations with all countries are proceeding smoothly. We deeply believe that with laws for protecting foreign investment that are even more improved and extensive, foreign investment will enter China more quickly and in greater volume, and China and foreign investors will attain goals that are mutually beneficial.

12437

CSO: 4406/149

FOREIGN TRADE AND INVESTMENT

COMPANIES OPEN BUSINESS IN JINAN

SK090625 Jinan Shandong Provincial Service in Mandarin 2300 GMT 8 Feb 85

[Text] In order to meet the new situation of enlivening the domestic economy and opening to the outside world, the Bohai Trade Development Company and the Jinan branch of the China (Xinxing) Company opened business in Jinan on 8 February with the approval of the Ministry of Foreign Economic Relations and Trade.

The two companies are economic entities linking industry with trade, technology with trade, and internal trade with external trade directly under the leadership of the Jinan Military Region. Their main tasks are to rely on factories, horse farms, and agricultural farms under the PLA units to organize projects for internal and external trade, tourism, storage, transportation, and repairs to serve the four modernizations, the enlivening of Shandong's economy, the work of making the people and Shandong flourish, and PLA construction.

Leading comrades of the Jinan Military Region, the province, and Jinan City extended greetings to the opening ceremony. Shen Hongyi, director of the Logistics Department of the Jinan Military Region, chaired the ceremony for opening business. Cutting the ribbon at the ceremony were Rao Shoukun, commander of the Jinan Military Region; Chen Renhong, political commissar of the Jinan Military Region; and Su Yiran, secretary of the Shandong Provincial CPC Committee. Li Suiying, deputy commander of the Jinan Military Region and honorary chairman of the board of the company [which of the two companies not specified], and (Ji Qingvun), deputy chairman of the board and concurrently general manager of the company, [which of the two companies not specified] delivered speeches at the ceremony.

CSO: 4006/395

FOREIGN TRADE AND INVESTMENT

STRUCTURE OF CHINA'S LABOR CONTRACTING INDUSTRY

Beijing GUOJI MAOYI /INTERTRADE/ in Chinese No 7, Jul 84 pp 24-26

/Article by Chen Guanting /7115 7070 0080/: "China's Developing Overseas Contracting Industry?"

/Text/ It was in 1978 that China started developing its overseas contracting projects, labor cooperation, and joint-venture enterprises in partnership with foreign countries. The creation and development of this undertaking are a result of the implementation after the Third Plenum of an open door policy toward foreign countries. Before 1978, the pattern of economic and technological cooperation with foreign countries consisted mainly of trade and economic and technological assistance. Since 1978, a new development has taken place in the pattern of China's economic and technological cooperation with foreign countries, and this finds manifestation in development of overseas contracting projects and labor cooperation, in establishment of joint-venture enterprises, and in multilateral economic cooperation through channels of the United Nations.

Continual Growth of International Economic Cooperation Corporations

The enterprises responsible for China's external contracting projects and labor cooperation are the overseas economic and technological cooperation corporations. Established under approval of the state from 1978 to the present time are 44 corporations. Because of differences in relations of subordination, these corporations fall into two major categories. One category, corporations which have been placed under the leadership of ministries and commissions of the central authorities, are corporations of a relatively strong professional nature with all of their headquarters established in Beijing. The other category, corporations which have been placed under the jurisdiction of provinces and municipalities, are corporations of a comprehensive nature with all of their headquarters established in the capitals of their home provinces. Today there are 22 central corporations (as shown in attached list) and 22 local corporations (as shown in attached list).

A disparity between these two categories of corporations is that the central corporations, because of their subordination to the relevant ministries and commissions under the State Council, possess unparalleled superiorities and peculiarities of a greater magnitude than the other corporations in businesses that are under the jurisdiction of the relevant ministries and commissions.

For example, the China Civil Engineering Corp, which is under the jurisdiction of the Ministry of Railways, undertakes the task of domestic railway construction. This corporation is equipped not only with large numbers of heavy-duty machinery for construction projects in cubic meters of earth and stone, but also with specialty machinery for erecting railways. Meanwhile, it also possesses a mighty force of professionals and technical workers who are skillful in technology and rich in experience. This engineering and technological force surveys and designs and builds railways of advanced world levels, cuts through mountains with tunnels, puts up bridges across rivers, constructs railways in varied topographic and adverse geological conditions, and makes it possible for trains to pass through safely and go on transporting over a long period of time. It was this corporation that designed and built in Africa a Tanzanian railway of nearly 2,000 km in length as China's aid to the country and provided the railway with locomotives, rolling stock and complete sets of machinery and equipment for a large repair plant. Another example is the China Metallurgical Construction Corp, which is under the jurisdiction of the Ministry of Metallurgical Industry. This corporation not only surveys and exploits mines of all descriptions essential to iron and steel metallurgy, but also designs and constructs factory buildings of various types for the ferrous metallurgical industry as well as modern buildings for civilian use, besides providing complete sets of equipment for iron and steel smelting, coking, steel rolling, forging and thermal treatment on a grand scale, etc. Still another example is the China National Architectural Engineering Corp, which is under the leadership of the Ministry of Urban and Rural Construction and Environmental Protection. This corporation has assisted Sri Lanka in building the Puttalam International Conference Hall with a floorspace of more than 30,000 square meters, plus a 30,000-seat coliseum with comprehensive facilities and installations for physical culture in Islamabad, Pakistan. The other category of corporations consists of the local corporations of a comprehensive nature, which are directly under the leadership of provinces and municipalities. These local corporations possess extremely rich human resources and peculiar features of industry and agriculture in their home provinces and municipalities, with engineering and technical personnel of all trades and professions as well as productive factory and mining personnel of all lines of businesses. Take, for example, the China Sichuan International Economic and Technological Cooperation Corp, which was capable not only of building the Parkhan Cement Plant in Pakistan and making a major overhaul of the Bahia Sugar Refinery in Brazil, but also of completing in a short period of just over 4 years the repair of a modern highway of nearly 1,000 km in length from Belet Uen to Bullo in Somalia.

Both the central and local corporations have one thing in common, namely:

- (1) all are state-owned enterprises, with a legal person status;
- (2) all have abundant capital, with a huge supply of construction machinery and equipment;
- (3) all possess highly experienced designers, architects, engineers, machinists, technical and managerial personnel of excellent professional skills, and well-trained technical workers;
- (4) all have specific management experience in overseas construction work.

The scope of operations of China's contracting corporations is vast and extensive, not only covering each trade and profession of the national economy, but also involving trade, public health and livelihood services. A review of the

projects acquired the year before last by the various contracting corporations indicated that the scope of their operations covered mainly the areas of industries, communications, with public facilities and house construction. In the area of concrete projects of construction, all corporations are capable of undertaking the tasks that range from study of the feasibility of starting a project, survey, design, land construction, to technical guidance after a project goes into production. The corporations are also capable of contracting a portion of a project. Meanwhile, they are likewise capable of providing complete sets of equipment, spare parts and accessories, and building materials of various types, etc., which are essential to the various industrial sectors, and which are of the highest quality China could produce.

The pattern of operations of China's contracting corporations is flexible, diversified and capable not only of operating independently, but also of operating in partnership with foreign corporations and government departments of friendly nations. The corporations can contract the manual work of a project without contracting the materials needed for a project, and they can also furnish laboring personnel alone. Among the laboring personnel they can provide are technical professionals in a certain field, technical workers, medical personnel, and advisory experts in many branches of academic learnings. In addition to the above-mentioned areas of services, the corporations can also provide seamen, chefs well versed in the art of preparing China's unique delicacies, and kitchen workers. The period of cooperation may range from 6 months to 1 year, or from 8 years to 10 years, or even longer than that.

In order to develop textensive economic and technological cooperation with friendly nations and to meet the needs of the international contracting market, China will continue to set up a number of corporations. Meanwhile, in pace with the needs of the international contracting market, China's contracting corporations will go one step forward in diversifying the pattern of their operations. For instance, Hong Kong and Macao and other areas are willing to hire labor forces for household chores we have provided, and so China's contracting corporations have started opening up and will tremendously expand this line of business.

Basic Guiding Ideology

The basic guiding ideology of China's overseas contracting projects and labor cooperation is abiding by contracts, guaranteeing quality, minimum profits and valuing fairness.

Abiding by Contracts. This means that the contracting corporations must stand by their deeds and rigidly fulfill their contracts when carrying out all economic activities in conjunction with their proprietors, general contractors, subcontractors, or other signatory parties. It goes without saying that all functionaries of the contracting corporations must without exception comply with the laws and decrees of the governments of the countries where the projects are being carried into effect, and that they must respect the habits and customs of the local people.

Guarantee of Quality. This means that the contracting corporations must undertake the engineering projects they have contracted with conscientious and meticulous performance, acting in compliance with the stipulations of contracts, the criteria of technology, and the designation of standards, both in design and in construction and in guaranteeing fulfillment of the requirements of designs. In supplying proprietors and demanding parties with laboring personnel of all descriptions, it is necessary to comply with stipulated conditions and requirements and to send out laboring personnel as scheduled, on the basis of quality, and in accordance with the required quantity.

Minimum Profits. This means that the engineering projects contracted and the laboring personnel supplied as well as the machinery and equipment or spare parts and accessories provided are priced on the basis of scientific economic analysis and business accounting. We cannot disregard costs, nor can we demand an exorbitant price.

Valuing Righteousness. It is necessary to attach great weight to our friendship and unity with the governments and people as well as the cooperating corporations and organizations of the friendly nations, to take into account the difficulties of the other side, to regard the construction undertakings of the friendly nations as a matter of our own, and to refrain from doing things detrimental to the developing countries.

At the 12th CPC National Party Congress, General Secretary Hu Yaobang once again set forth this statement: "Socialist China belongs to the Third World. Our friendship with the Third World countries is true and sincere. Whether in implementing mutually beneficial cooperation or in providing aid, we strictly respect the sovereignty of the opposite side, never attaching any condition, never demanding any privilege."

A peculiar style of our socialist economic cooperation with foreign countries consists in abiding by contracts, guaranteeing quality and minimum profits, valuing righteousness, and in manifesting a spirit of equality and mutual benefits in China's external economic cooperation. To implement this basic principle in earnest benefits the enhancement of a further development of the cause of China's economic cooperation with friendly nations, and this is also beneficial to promotion of "South-South cooperation."

A Good Beginning in China's Contracting Corporations

As compared with some old-time contracting corporations in the world, China's contracting corporations entering the international market are just displaying their talents for the first time. Nevertheless, they have already had a good beginning in the international market. In the past 5 years, their footprints had spread all over 59 countries and areas, with positive results attained. By the end of 1983, more than 3,000 contracts, worth more than \$2.1 billion and involving the dispatch of over 30,000 overseas contracting and laboring personnel, were signed with foreign countries and areas.

This gratifying achievement of China's contracting corporations in the past 5 years is by no means accidental. This has an intimate correlation with the

effective cooperation and mutual trust which a vast majority of the key functionaries of China's contracting corporations have established with the government officials and the friendly personages of the various countries in the course of implementing foreign aid projects in the Third World countries during the past 20 years and more. In 1983 alone, China's contracting corporations signed labor contracts for \$200 million in the Congo, Yemen Arab Republic, Rwanda, Burundi, Somalia and other countries. Facing the current situation of a daily-growing international contracting market, China's contracting corporations are still willing to organize joint-venture corporations with contracting corporations of other countries for joining management and to develop contracting operations in the third countries. The China Metallurgical Construction Corp and the Nigeria Dantang Corp have formed a joint-venture corporation which is achieving marked results in their contracted projects for extension of water networks in the local areas, and for other pools, chimneys, etc.

Today, the economy of the Western countries has recovered, oil prices are stable, and the voices of the Third World countries calling for an intensification of "South-South cooperation" and "North-South dialogue" are growing louder and louder. And they are striving to bring about a vigorous development and prosperity in the economy of their own countries. This, along with other factors, has ushered in a broader and brighter prospect in the international market of contractors. It is the sincere hope of China's contracting corporations to continue carrying out effective cooperation with organizations, corporations, enterprises and friendly personages of all friendly nations in the world, and to render contributions to the development and diversification of this economic cooperation.

The 22 central corporations:

China National Architectural Engineering Corp
China Highways and Bridges Engineering Corp
China Aerotechnology Import and Export Corp
China Civil Engineering Corp
China Harbor Engineering Corp
China Complete Plant Export Corp
China Water Conservancy and Electric Power Overseas Corp
China Petroleum Industry Engineering and Construction Corp
China National Machinery Industry External Economic and Technological Cooperation Corp
China National Chemical Industry Construction Corp
China Metallurgical Construction Corp
China Agriculture, Animal Husbandry and Fishery Overseas Engineering Corp
China Geological Exploration and Well-drilling Engineering Corp
China Northern Industrial Corp
China Light Industry External Economic and Technological Cooperation Corp
China Forestry Overseas Engineering Corp
China International Engineering Consultants Corp
China Shipping Industry Trading Corp
China Central Plains Overseas Engineering Corp
China Nonferrous Metal Industry Overseas Engineering Corp
China Building Materials Industry External Economic and Technological Cooperation Corp
China Textile Industry External Economic and Technological Cooperation Corp

The 22 local corporations:

The Sichuan International Economic and Technological Cooperation Corp of China
The Jiangsu International Economic and Technological Cooperation Corp of China
The Jilin International Economic and Technological Cooperation Corp of China
The Heilongjiang International Economic and Technological Cooperation Corp of China
The Liaoning International Economic and Technological Cooperation Corp of China
The Hua Qin International Economic Cooperation Corp
The Tianjin International Economic and Technological Cooperation Corp of China
The Beijing International Economic and Technological Cooperation Corp of China
The Shanghai External Economic and Technological Cooperation Corp of China
The Fujian International Economic and Technological Cooperation Corp of China
The Guangdong International Economic and Technological Cooperation Corp of China
The Anhui International Economic and Technological Cooperation Corp of China
The Hebei International Economic and Technological Cooperation Corp of China
The Hubei International Economic and Technological Cooperation Corp of China
The Zhejiang International Economic and Technological Cooperation Corp of China
The Shanxi International Economic and Technological Cooperation Corp of China
The Henan International Economic and Technological Cooperation Corp of China
The Jiangxi International Economic and Technological Cooperation Corp of China
The Yunnan International Economic and Technological Cooperation Corp of China
The Hunan International Economic and Technological Cooperation Corp of China
The Shandong International Economic and Technological Cooperation Corp of China
The Chongqing International Economic and Technological Cooperation Corp of China

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CSO: 4006/27

FOREIGN TRADE AND INVESTMENT

INTEGRATION OF TECHNOLOGY, TRADE GUIDES TRADE WORK

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 4, 27 Apr 84 pp 27-28

[Article by Ge Hui [2047 6540]: "Integration of Technology and Trade Is Important Guiding Principle of Foreign Trade Work"]

[Text] Integrating technology and trade means linking up equipment imports and technology imports.

Following the development of our foreign economic and technology exchanges, the amount of equipment needed by various state economic departments will continue increasing, and introductions of equipment and manufacturing technology will also expand. Linking equipment imports and technology imports, implementing an integration of trade and technology, appears to be a concrete problem of practice, but in reality is an important guiding principle of foreign trade work.

In the early 1970's, China imported 13 complete sets of large-scale chemical fertilizer equipment. This played a positive role in transforming the backwardness of China's chemical fertilizer industry and meeting the needs of agricultural development. But because at the time of the equipment importation the matching manufacturing technology was not introduced, we did not learn how to make this type of equipment. That 5-year plan came to an end and up to 1978 domestic manufacturing departments still were unable to supply such equipment. Only by means of imports could the needs of the departments using this equipment be satisfied. There are many such kinds of repetitive imports and this is only a typical case.

We have been taught a very important lesson from the repeated importation of complete sets of equipment. Namely, in order for various state economic departments to be fitted out with modern technology and realize the state's economic modernization, we cannot rely on repeated imports of foreign equipment to supply each state economic department, but we must rely on raising the technological level of China's machine industries and be mainly self-reliant, depending on our own efforts. This is because:

1. In the short run, importation of equipment may raise the technological level of certain enterprises. In the long run, this equipment will age due to material and spiritual wear and tear. In order to make the technological

level of enterprises achieve an adequately advanced status, we will have to import advanced equipment again. In this fashion, although individual factories may have improved levels of modernization, if catching up with the world's advanced levels is the basis for repeated equipment imports, then for the whole country it can only mean dependence on foreign countries, walking in their footsteps. The gap with the outside world will only enlarge and can be reduced only with great difficulty.

2. Equipment imports, especially imports of complete sets of equipment, not only require additional investment consuming giant sums, but after shipment imported maintenance and spare parts are required for a long period, and we must spend foreign exchange several times higher than the original cost. That is to say, the state must have a rather large ability to pay. But China's export total is rather small, the export commodity mix is backward and in particular, when comparing the variety and technological level of electrical machinery with the advanced countries there is a definite gap and a poor ability to compete. Therefore, it is still difficult to expand exports on a large scale in the short run. Priority must be given to using limited foreign exchange reserves to ensure imports of materials truly in shortage. We do not have the national strength to import complete sets of equipment continually.

3. After over 30 years of construction, our machinery industry has a rather considerable production capacity, formed a group of S&T troops, and over 85 percent of state economic departments are technologically outfitted by domestic machinery industry supplies. At present the gap between our machinery industry and the industrially advanced countries appears mainly in the key technologies, techniques, processing equipment and testing conditions. If we can improve these areas, China's machine industry may fulfil its historical responsibility to supply advanced technology equipment to state economic departments.

The above analysis shows that reliance on repeated importation of equipment to outfit state economic departments is no way to realize the four modernizations and is impermissible by national strength. Only by raising the technological level of China's machinery industries, nourishing her ability to be self-reliant and making self-reliance the basis of supplying state economic departments with advanced technology and equipment will the important effects of technological backwardness be fundamentally transformed, and in this way only will modernization be solidly established and reliable. An important sign of so-called self-reliance is whether modernization is worked for or purchased.

In order to raise the technological level of the state machinery industry our own S&T powers must first be fully brought into play, raising the technological level of the existing material and technical base. At the same time we must also study advanced foreign experiences and introduce advanced foreign technology. The formulas for introducing foreign technology-use licensed trade, technical consulting, etc. Besides these formulas, integrating imports of equipment and technology and carrying out the unification of trade and technology are most important for introducing technology. The main ways to integrate trade and technology are, one, to negotiate the introduction of equipment-manufacturing technology whenever negotiating the importation of

equipment-manufacturing technology whenever negotiating the importation of equipment, and two, when importing equipment, especially complete sets of equipment, to carry out cooperative production which is to produce a part of it in factories abroad and a part of it in factories domestically. Facts prove that linking up technology and trade to introduce technology has the advantages over simple technology imports in terms of lower costs, greater profits and quicker results because:

1. In general, by linking trade and technology to introduce technology we can put our money where it is most needed, aimed at the weak link of our domestic machinery industry.
2. Linking up imported equipment and imported technology lets the buyer have a hand in using imported equipment as a bargaining chip for importing technology, in this way we can save money and get more, or spend no money and get more than by simple technology imports.
3. Both sides in cooperative production assume economic responsibility. In order to guarantee equipment deliveries, foreign manufacturers must supply sufficient manufacturing technology and endeavor to help domestic manufacturers produce standard-quality spare parts. Because of their economic responsibility, domestic manufacturers must strive in every way to grasp technology, to meet overall machine schedules and quality requirements. Our own technological power will be nourished by changing the portion of domestic production from small to large, from producing common spare parts to producing key components, fully implementing cooperative production contracts and gradually digesting and mastering foreign equipment-manufacturing technology.

In China, the process of linking technology and equipment imports and carrying out trade linked to technology has begun and has achieved some success. For example, when the Beijing Analytical Instrument Plant purchased 100 key components of an infrared gas analyzer from a West German company, it got the product's manufacturing technology free, raising product precision from 2.5 to 1.0. The Xintian Optical Instrument purchased 110 full units of machinery and 100 disassembled medium grade polarization microscopes from the West German Leica, at the same time importing manufacturing technology and raising the technological level of our polarization microscope production. Departments of geology and mineralogy need approximately 1,000 polarization microscopes every year. In the past we relied on imports, but after introducing technology we established a domestic production supply and can save about \$4 million in foreign exchange every year. In another example based on the principle of linking technology and trade to carry out cooperative production, we imported American manufacturing technology for 30,000 and 60,000 [KW] large-scale thermal power station equipment. We imported the first set and made 50 percent of the units ourselves, about 70 percent in the second, and over 80 percent in the third set. In this way, we cooperate in production and exercise our own technological strength. Although we must spend some foreign exchange, we can win some time mastering the technology for 30,000 and 60,000 [KW] large-scale thermal power equipment. It is estimated that by the year 2000 domestic production will be able to meet most of China's demand for large-scale thermal power units.

Although linking technology and trade is an important guiding principle for foreign trade work, we must adopt appropriate reform measures in order to open the way to thorough implementation of this principle. One, we should comprehensively consider and rationally arrange for the unification of foreign trade administration departments that import equipment and introduce technology, from long-term plans down to concrete foreign trade tasks. Two, when importing equipment, particularly when domestic technology cannot make the grade nor supply key equipment and large-scale complete sets of equipment, we must have all manufacturing departments participate in investigations, jointly investigating and deciding concrete measures and plans for importing equipment and introducing technology. In this way, we can more effectively introduce key manufacturing technologies urgently needed by our country, and raise the technological level of our machinery industries.

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CSO: 4006/21

FOREIGN TRADE AND INVESTMENT

FOREIGN EXCHANGE INCOME EXCEEDS 1984 GOAL

OW121804 Beijing XINHUA in English 1430 GMT 12 Feb 85

[Text] Beijing, 12 Feb (XINHUA)--China's foreign exchange income amounted to \$US28.89 billion in 1984, 27 percent more than the planned target for the year, a spokesman for the Bank of China (BOC) announced here today.

The main factor behind the rise was the growth of the country's foreign trade, he said. China's foreign trade for 1984 amounted to \$US53.63 billion, a 38.8 percent rise over 1983.

Last year's foreign exchange expenditure was \$US29.5 billion, the spokesman added.

BOC is the country's sole foreign exchange bank.

Foreign exchange loans and investment made by the Chinese bank last year totaled \$US2.96 billion, representing a 37-percent increase over the bank's 1984 program. The money went mainly for such large projects as the nuclear power station in Guangdong Province, the Pingshuo coal mining project in Shanxi Province and onshore oil projects.

The year 1984 witnessed a big headway made by the bank's both domestic and overseas offices in raising funds for China's modernization drive, the spokesman said, adding that by the end of the year, the total balance of the bank's domestic exchange deposit accounts showed that the bank's 1984 foreign exchange deposit-taking was 70 percent greater than the planned target for the year.

CSO: 4020/121

FOREIGN TRADE AND INVESTMENT

CHINA'S EXPORT COMMODITIES VIEWED FROM JAPANESE MARKET

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 6, 27 Jun 84 pp 59-61

[Article by Qui Shensheng [5941 3947 3932]: "China's Export Commodities Viewed From the Japanese Market"]

[Text] Recently at the invitation of the Japan Trade Promotion Association, the Japan Study Group of the International Trade Research Institute, Ministry of Foreign Economic Relations and Trade, went on a 10-day study tour to Japan. Besides having discussions with the Japan Trade Promotion Association we also had discussions with retailers such as Mitsubishi, Itoya, Seibu, Mitsukoshi, Seiyu, and Daiei, visited supermarkets, and got a concrete understanding of the demand situation of the Japanese consumer goods market and its future potential for development.

A. Japan's Imports of China's Commodities in Recent Years

Japan imported \$5.29 billion of Chinese commodities, in 1981, \$5.35 billion in 1982, and \$5.09 billion in 1983. Foods accounted for 10.3 percent; raw materials, 12.6 percent; minerals and fuels, 54.6 percent, and processed goods 22.5 percent. In 1983, Chinese goods accounted for 4 percent of all Japanese imports, occupying sixth place.

This year the Japanese economy will continue to recover and its GNP may increase 4 to 5 percent. Imports may increase 7 to 8 percent over last year's. In the wake of the slow economic recovery, plus the favorable 1983 Japanese trade surplus and the large surplus in the international balance of payments, private consumption may have a turn for the better.

B. The Present Japanese Consumer Goods Market Demand Situation and Development Trends

The yearly Japanese import total is \$120 billion, and finished goods account for more than \$30 billion of this. Japan must not only import large quantities of raw materials but also has to expand imports of finished goods to meet the demands of the Japanese people. In recent years, a rather large proportion of imports have been various fibers and consumer nondurables while at the same time imports of labor-intensive products also increased. Imports of shirts, underclothes, shoes, handbags, furniture, etc., also increased.

Imports of high-quality designer fashions also increased above previous levels. Besides the above, Japan increased imports of oil, chemical products and of all high-energy-consuming products. Hospital and medical apparatus imports would have increased if only quality had been higher than Japanese goods. Electrical machinery and consumer durables were the chief stagnating imported goods. Overall, if we want to expand exports to Japan we must thoroughly investigate and understand the Japanese market and the demand situation. Despite slightly higher prices, sales of top-quality products will not be adversely affected.

The trends of development in Japan's consumer products are that medium-number and high-grade goods sell well and name brands and those with good reputations are well received. Many consumers purchase things that have individuality, are novel and stylish. They always want things that few or no others have. In athletic goods, especially recreation goods, such as tennis rackets, golf equipment, and athletic shoes, purchasers increase daily. At the same time, they also demand products that give customers a lot of choice.

According to personnel managing the marketing of Chinese products in Mitsubishi and other firms, the market situation for Chinese goods in the Japanese market is as follows:

Chemical products: The quality of Chinese raw materials is good. The quality of semifinished and finished goods has yet to be improved. China's non-ferrous metals can further develop for there is export potential to Japan.

Textile goods: In recent years quality has greatly improved. For example, in Japanese-style clothing Chinese embroidery is famous, highly valued and receives many orders; but they must be turned away because the time needed for embroidering is long (for example, to embroider one belt sash takes 1 month) and there are impurities and defects. In such products as Chinese shirts, underwear and Western clothing, quality has been raised and prices have fallen in recent years. Japanese manufacturers cannot match us, but when deliveries are late, the expansion of exports to Japan is adversely affected. Also, China's raw cashmere is very good, but finishing techniques are not good enough (as, for example, in cashmere carpets). Japanese department stores carry handmade Chinese sweaters. China has an advantage here, for Japanese labor costs are too high and China can use this advantage to develop. Aside from the above, in terms of color and variety, new designs must be made and additional colors added to Chinese textile products to meet Japanese market demands.

Frozen vegetables: There definitely is a Japanese market but we must achieve timely distribution, otherwise when the season has ended it will be difficult to compete with fresh produce grown locally in Japan. There have been instances of damaged packages of Chinese frozen vegetables. It is hoped that the date of production will be clearly indicated on the package.

Frozen convenience foods: Chinese quick-frozen foods, such as meat dumplings, small steamed dumplings, and Tianjin dumplings, definitely have a market in Japan and it is hoped that supplies can be long-term and stable. In recent

years, the Japanese market for frozen food has continued to grow because the products are easy to use, keep without losing the original flavor, and the number of married Japanese working women is increasing, further stimulating demand for convenience and frozen foods. In addition, in view of the popularity of household freezers and microwave ovens, especially the latter's suitability to heat frozen foods, there will be a rather large-scale increase in the cooking of frozen foods.

Foodstuffs: Chinese salted vegetables, jams, and canned fruit have a definite market in Japan. The foods can be neither greasy nor sweet, otherwise they will make people fat. It is better if the production date of canned foods is more recent; they do not sell well if more than 1 year old. An introduction to the special characteristics and relevant information about Chinese food should be stressed on the packaging or directions in order to draw more customers, such as the "Liu biju" [0365 1801 1446] pickles of Beijing, long held in high regard. We can raise the status of products if we give a brief introduction to the ingredients and the method of salting.

Teas: China's Wulong and Wanmin teas sell rather well in Japan. In Japan, Wulong tea that is sold in sealed containers sells well; in 1983 alone, a total of 6 billion yen was sold, a sixfold increase over 1981. Japanese singers, actors and radio announcers all use it as an indispensable drink and promoter of health and beauty, and it is estimated that this year total sales will reach 10 billion yen. According to Japanese repute, Wanmin tea is the king of teas. It is a natural diet drink that is highly regarded by consumers.

Calligraphy instruments: The Japanese commonly love calligraphy. Calligraphy brushes and inkstones are all imported from China, but quality has fallen in recent years. It is hoped that this will change so imports can be raised. In addition, they have asked the Chinese side in instruction booklets to introduce some character styles to practice, tell which brushes to use, and recount some relevant outstanding examples, historical background and folktales. In this way, when customers purchase them as gifts they will have the added value of technique and this may induce even more people to buy them. Also, regarding Chinese handicrafts, Japanese retailers would like introductions to the traditional styles of old master craftsmen because the Japanese highly regard the works of old masters. We could also introduce the workmanship of accomplished disciples of the old masters, thus making the value of the goods higher, and if possible add a biographical note about old masters.

Besides the above Chinese goods, China's baby clothing, scarves, rabbit fur, bamboo and rattan products, grey cloth, cotton yarn, handmade carpets, garlic bolt, cultivated shrimp, sesame, drawnwork, and traditional Chinese medicines all sell well in the Japanese market. If we can further improve quality, offer reasonable prices and speed up distribution it is possible to expand exports to Japan.

C. Japanese Retailers' Opinions and Suggestions About Chinese Export Goods

1. Have rational and stable prices. In order for Japan to increase Chinese imports, they advocate maintenance of stable prices, quantities, and channels of communication.

2. Improve product quality. In recent years, China has begun to stress the improvement of product quality. There has been a definite improvement in some products, like clothing, down products, and wool yarn, but the quality of a certain number of traditional staple goods is still inferior. For example, raw silk quality used to be very good, but recently there have been instances of uneven plying and broken threads; the quality of individual canned jams has also fallen. Under the present conditions of product diversification and high quality in the Japanese market, not to improve product quality will hurt China's ability to compete there.

3. Develop new products, increase exports, change low-grade shipments, and develop middle-number and high-grade goods. While consolidating and expanding the staple exports, we must energetically develop new types of goods Japan can import, such as special agricultural and sideline products, semiprocessed industrial and mineral goods, and finished goods. Since 1983, China has had a certain success in its work at developing beef and goods made of bamboo. If Chinese products can show similar improvements in quality and change from low-grade to middle- and high-grade, Japanese importing companies will correspondingly raise purchase prices, making Chinese goods more profitable because of higher quality.

4. Distribution must be timely, seasonal demands met. Delayed deliveries still occur. They recommend finding speedy solutions for existing problems in production and in each link in transport, and catching up with the tide of development in the Japanese market.

5. Expand publicity; creative advertising also very important. Few Chinese goods are advertised in the Japanese market. For example, Chinese medicines are quite popular in Japan. To promote and expand exports, additional advertising is suggested to explain such things as effects and dosages.

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CSO: 4006/21

FOREIGN TRADE AND INVESTMENT

GUANGDONG BOOSTS EXPORT-ORIENTED MEASURES

OW081752 Beijing XINHUA in English 1649 GMT 8 Feb 85

[Text] Guangzhou, February 8 (XINHUA)--A new company was inaugurated here today to help build export-oriented factories in Guangdong Province.

The Guangdong branch of the China Export Commodities Centers Construction Corporation will set up joint factories with other Chinese firms and Sino-foreign joint ventures, an official said.

It will also purchase goods surplus to state quotas for export, import equipment and raw materials for export-oriented factories, handle compensation trade, leasing and process imported materials.

The branch has built many factories in the cities of Foshan, Zhaoqing and Shantou and set up joint ventures with firms from overseas and Hong Kong.

A farm to eventually breed 400,000 lean-meat pigs will be set up soon with a United States company. A factory to produce 70,000 tons of zinc-plated iron sheets will be launched with a Japanese firm.

It will also establish a fruit and vegetable company with an Australian business to grow imported varieties of pears, peaches, litchis, mangoes and tomatoes. The products will go to Hong Kong and Macao and Guangdong's tourist hotels and areas.

Negotiations are under way with overseas firms on 10 joint projects, including production of combination furniture, refrigerators, embroidered clothing, a Western suit production line and a laundry.

CSO: 4020/112

FOREIGN TRADE AND INVESTMENT

SINO-NETHERLANDS ECONOMIC RELATIONS IMPROVE

HK160433 Beijing CHINA DAILY in English 16 Jan 85 p 1

[Report by staff reporter Zhu Ling]

[Text] Development of Sino-Dutch economic relations has been put on course since the resumption of diplomatic ties at the ambassadorial level last February.

Most of the provisions of the proposed Sino-Dutch Investment Protection Agreement have been agreed upon, CHINA DAILY has learned.

"There are some minor differences but there is a strong desire on both sides to seriously consider each other's suggestions and proposals further," said a senior official of the Department of Treaties and Law of the Ministry of Foreign Economic Relations and Trade.

Negotiations on the agreement started last May and three rounds of talks were conducted in 1984. "Both governments attach importance to signing the agreement," he said.

A division chief of the ministry's Foreign Investment Administration said: "We hope the agreement will be signed at an early date, making it possible for more Dutch enterprises to invest directly in China."

So far, no Sino-Dutch joint venture project has been established in China but many Dutch companies have shown a strong interest in launching such co-operative ventures, the official said.

By the first 11 months of last year, bilateral trade between China and the Netherlands had already exceeded 1983 levels by 5.99 percent, bringing its value to a total of \$283 million, said Dai Yunlou, an official of the ministry's Third Regional Department.

China's exports to the Netherlands make up most of this figure, totalling \$192 million over the 11 months, 29.4 percent more than the same period in 1983. Imports totalled \$91 million, a 12.5 percent increase.

The goods China exports to the Netherlands are mostly oils and cereals, textiles, native produce, animal by-products, light industrial goods and tools, while its imports cover steel and chemical products as well as fertilizer.

Dai told CHINA DAILY that the trend is towards a further increase in importing goods from the Netherlands. Dutch products are highly regarded by the Chinese for their high quality and service is generally available.

But he hoped that the Dutch would raise their competitiveness in terms of price.

Dai said that China is boosting its trade with the Netherlands and it has taken measures to facilitate Holland's exports to China. Last November, a goods-purchasing mission went to the Netherlands to explore the possibilities of expanding imports.

During its stay, Dai said, the mission concluded contracts valued at more than \$60 million. The products purchased included colour TV sets, refrigerators, small household electric appliances and chemicals.

China also dispatched an economic and technological delegation to the Netherlands last September and discussions took place on more than 50 co-operative projects with Dutch companies.

As a result, co-operative partners were found for most of the projects and further active discussions are now under way, Dai said.

Meanwhile, the Netherlands Foreign Minister Hans Van Den Broek is due to arrive in Beijing today for a week-long official visit. Van Den Broek, the highest level Dutch visitor since 1980, will be accompanied by economics and agriculture officials.

CSO: 4020/112

FOREIGN TRADE AND INVESTMENT

LAW ON FOREIGN-INVESTOR-OWNED ENTERPRISE PLANNED

OW210734 Beijing XINHUA in English 0717 GMT 21 Jan 85

[Text] Beijing, January 21 (XINHUA)--China "is quickening its pace" to draw up a law on enterprises wholly owned by foreign investors. The law is expected to be published in the first half of 1985, according to a report in the latest issue of "Beijing Review" off the press here today.

The report is based on an interview by the journal's correspondent with Liu Yimin, deputy director of the Department of Treaty and Law under the Ministry of Foreign Economic Relations and Trade.

Liu said that concrete regulations concerning the trades of these enterprises will be spelled out in the law.

"Wholly owned foreign enterprises will enjoy more decision-making power than Chinese-foreign joint ventures in the management of the enterprises. The Chinese Government will not interfere in their business as long as they do not violate Chinese laws and exceed the approved scope of operation," the deputy director said.

Liu said that China welcomes these enterprises to produce industrial products urgently needed in China that are technologically advanced and to provide the means of production that China lacks.

"China will do its best to supply whatever available materials the wholly owned foreign enterprises need. Those China cannot supply, wholly owned foreign enterprises can import or have imported by a Chinese foreign trade corporation."

Like the policy for joint ventures, products manufactured by wholly owned foreign enterprises are allowed to be sold in China as long as they are vital to the construction of China's four modernizations and are made with advanced technology, Liu said.

Though the law has not been published, more than 50 enterprises with exclusive foreign capital have already been approved in the special economic zones, and most of them have begun operation. They are enjoying almost the same treatment as joint ventures, the deputy director said.

CSO: 4020/112

FOREIGN TRADE AND INVESTMENT

JAPAN TO SET UP BUILDING DESIGN COMPANY

OWO61758 Beijing XINHUA in English 1633 GMT 6 Feb 85

[Text] Beijing, 6 Feb (XINHUA)--A Sino-Japanese contract setting up the China Prosperity Building Design Joint Venture Corporation, Ltd. was signed here this evening.

It was signed by representatives of the China International Trust and Investment Corporation (CITIC), Beijing Institute of Architectural Design, and the Shimizu Construction Co. Ltd. and Nissho Iwai Corporation of Japan.

The Beijing-based corporation has a registered capital of \$US1 million, with a cooperation period of 10 years.

This is the eighth joint venture signed by CITIC with foreign firms.

A CITIC architect told XINHUA the first project will be a 30-storey trade building with a floor space of [figure indistinct] square meters in Hangzhou, Zhejiang Province, including restaurants, offices, a trade center and exhibition rooms. It will also design a 24-storey building for the Hangzhou Red House Hotel, a 40 to 60-storey trade center in Shanghai's Pudong District and a high-rise trade building on Shanghai's Nanjing Road.

The joint venture will contract for designing projects and consulting services inside and outside China, he added.

CSO: 4020/121

FOREIGN TRADE AND INVESTMENT

GUANGDONG PORT PREPARES FOR FOREIGN INVESTMENT

OWL80749 Beijing XINHUA in English 0719 GMT 18 Feb 85

[Text] Guangzhou, 18 Feb (XINHUA)--Dr Sun Yat-sen's hometown--Zhongshan City in Guangdong Province--is taking on a new look to attract foreign investment.

Projects worth over \$US100 million are being negotiated for the city, formerly Xiangshan County, where Dr Sun, the forerunner of the Chinese revolution, was born in 1866.

Last year, the city, on the Pearl River delta and near Hong Kong and Macao, signed contracts to absorb over \$US35 million of foreign investment and spent more than \$US20 million, 64 and 72 percent more than between 1979 and 1983.

The city is now determined to attract more foreign investment under the open policy, local officials said.

Zhongshan port, locally designed and built, is being expanded, local officials said. Upon completion in one and a half years, officials said, it will handle 1.2 million tons of cargo a year, double the present annual handling capacity.

Industrial power lines are being erected, cement roads laid and over 100,000 square meters of workshops built. City telephone exchanges can handle 3,000 lines, 1,000 more than last year.

Four new hotels will bring tourist accommodation to 2,000 rooms by the year's end.

A special company now takes up the overall responsibility for approving projects of processing and assembly with supplied parts or materials.

This is expected to simplify procedures, officials said.

CSO: 4020/121

FOREIGN TRADE AND INVESTMENT

CUSTOMS SERVICES MADE AVAILABLE IN GUIZHOU

OW130801 Beijing XINHUA in English 0630 GMT 13 Feb 85

[Text] Guiyang, 13 Feb (XINHUA)--Customs services will be made available in Guiyang City, capital of Guizhou Province, according to a decision by the State Council. Part of the services had already begun while preparations for establishing a customs house is under way.

Foreign trade in Guizhou Province used to be handled by customs houses in Kunming, Guangzhou and Shanghai.

Guiyang is connected by rail with Guangxi, Hunan, Sichuan and Yunnan, and by air with Beijing, Guangzhou, Shanghai, Xian and other cities.

Imports handled by the province have increased by 60 and exports by 72 percent over the past 4 years.

Guizhou exports minerals, chemicals, agricultural produce and animal by-products to more than 40 countries and regions.

At the same time it undertakes compensation trade, joint ventures, co-production schemes and processing with foreign materials, and imports equipment and modern technology.

Up to the present, China has set up customs houses and branch offices in 25 of its 29 provinces, municipalities and autonomous regions.

CSO: 4020/121

FOREIGN TRADE AND INVESTMENT

PRC TO TRY OUT DOMESTIC BIDDING FOR MACHINERY

OW090821 Beijing XINHUA in English 0658 GMT 9 Feb 85

[Text] Beijing, 9 Feb (XINHUA)--China is to try out a system of bidding by domestic concerns wishing to get machinery, says a document approved for national circulation by the State Council.

If a domestic solution is impossible, imports may be handled jointly by the bidding company and other authorities involved, without having to apply to higher-up authorities for approval.

The new system is expected to step by step replace the existing system of examination and ratification of applications for supplies, which often involve layers upon layers of red-tape.

According to a report approved by the State Council, it will not only meet the needs of the current policy of invigorating the domestic economy by opening to the outside world, but also aid the technical progress of the machinery industry.

The report was submitted by the State Economic Commission and the State Bureau of Materials and Equipment. Bids will be submitted to companies to be set up in big cities. All registered manufacturers and suppliers in China may tender.

As encouragement, end-products will enjoy priority in production and distribution and ensured supplies of raw materials and parts.

Prices will not be government-controlled but float according to quality.

Manufacturers may apply for foreign currency up to 30 percent of the value of end-products if they need to import special parts or materials or co-produce with foreign firms.

The State Council agrees to set up a consultancy center to draw up bidding principles and policies, help establish and supervise bidding companies, solve and regulate practical problems and circulate information.

CSO: 4020/121

FOREIGN TRADE AND INVESTMENT

SHAANXI PLANS TO ATTRACT MORE TOURISTS

OWL31300 Beijing XINHUA in English 1249 GMT 13 Feb 85

[Text] Xian, 13 Feb (XINHUA)--Shaanxi Province, known for its historical buildings and relics, is planning to attract 1.5 million foreign tourists a year by the year 2000, according to the provincial tourist department. This is 12 times the 1984 figure of 124,000, an official said.

The number of foreign visitors has soared at an annual rate of over 50 percent since 1978, leading the whole country.

The provincial capital of Xian, the former capital of 11 Chinese dynasties, is world famous for the 7,000 life-size terra-cotta statues guarding the tomb of Qin Shihuang, the first emperor of the Qin Dynasty (221-207 b.c.).

There are 72 unexcavated imperial tombs in the area.

Foreign firms, interested in developing tourist resources in Xian, signed contracts for 10 joint-venture hotels with the provincial tourist department at an international economic cooperation meeting last December. The hotels will cost \$US349 million in foreign funds and have 9,300 beds.

By a provincial government decision, top priority will be given to the tourist industry to stimulate the growth of Shaanxi's economy as a whole.

The following measures will be taken:

--a provincial tourist group will be set up to draw up overall development plans and oversee coordination;

--reform of the tourist management system, with firms and local authorities granted greater administrative autonomy;

--seeking foreign investment while pooling the initiatives of the state, local governments, collectives and individuals. Construction site rates will be lowered to encourage investors;

--projects requiring up to \$US5 million may be approved by governments below provincial level;

--all tourism earnings before 1990 will be used to build new tourist facilities. New tourist businesses will enjoy income tax exemption or reduction for up to 5 years. Enterprises may retain half of their hard currency earnings to expand production.

FOREIGN TRADE AND INVESTMENT

BEIJING EXPANDS AUTO IMPORT, EXPORT INDUSTRY

OW110927 Beijing XINHUA in English 0859 GMT 11 Feb 85

[Text] Beijing, February 11 (XINHUA)--A new motor vehicle import and export corporation was opened here today to help promote the city's automotive industry.

Beijing envisages an annual production of 250,000 motor vehicles and 100,000 motorcycles by 1990, according to a corporation official.

In 1984, Beijing produced 17,000 jeeps, 4,000 one-ton and 15,000 two-ton trucks, 1,200 minibuses and 10,000 motorcycles.

Zhang Yiliang, deputy manager of the Beijing Motor Vehicle Import and Export Corporation, said economic and technical exchanges with foreign firms would be expanded. Foreign manufacturers would be welcomed to enter into joint investment and management or cooperative production, he added.

The first vehicle was produced at the Beijing Auto Works in 1958. The city now has four motor vehicle plants, one motorcycle works and more than 130 parts manufacturers.

Three jointly-managed companies have been established to oversee production of motor vehicles and motorcycles. Two major manufacturing centers are being planned for Huairou and Shunyi Counties on Beijing's outskirts.

Beijing would be developed into one of China's major minitruck producing bases, the official said.

In October, 1985, the first consignment of new model jeeps will come off the production line at the Beijing Jeep Corporation, a Sino-U.S. joint venture started in January, 1984.

The Ministry of the Machine-Building Industry announced early last month that China produced 300,000 motor vehicles in 1984.

CSO: 4020/112

FOREIGN TRADE AND INVESTMENT

BRIEFS

FOREIGN TRADE INSTITUTE PRAISED--Rome, 29 Jan (ANSA)--Chinese Trade Minister Chen Muhua has voiced warm praise for the Italian Foreign Trade Institute (ICE) in China. During a meeting here Monday with ICE President Giuseppe Ratti, she said that China was continuing along its path of four modernizations and that foreign investment was welcome, especially for such key sectors as energy, transport and the overhauling of some 400,000 industries. Chen Muhua also noted China's interest in forms of cooperation for the acquisition of business administration techniques. Ratti noted ICE's plans to open another office in Shanghai to help further Italo-Chinese trade. ICE Director Massimo Mancini will go to Beijing on 7 February to help organize the institute's activities in China for the year 1985. [Text] [Rome ANSA in English 0800 GMT 29 Jan 85]

NEPALESE CEMENT TO XIZANG--Katmandu, 8 Feb (XINHUA)--China's Tibet Autonomous Region is to import 1,500 tons of cement from Nepal, according to an agreement signed here today. The agreement was reached after talks between a visiting Tibetan trade delegation and the Nepalese National Trading Ltd. this afternoon. The delegation, the first of its kind from Tibet to Nepal, met with Damodar P. Gautan, secretary of the Nepalese Commerce Ministry, held talks with other officials from the Nepalese trade circles and visited some industrial centers since its arrival on 3 February. A wide range of trading subjects were discussed in the talks. Tibet is interested in Nepalese food and light industrial products and Nepal is willing to import Tibetan woolen products, sheep and traditional handicrafts. It is learned that more trade agreements between the two sides are expected to be signed in future. The Tibetan delegation leaves for home tomorrow. [Text] [Beijing XINHUA in English 1836 GMT 8 Feb 85 OW]

PRC-HONG KONG-BUILT TOURIST FACILITIES--Guangzhou, 16 Feb (XINHUA)--An amusement park, a hotel and a shopping center, jointly built with Hong Kong firms, opened Friday in Zhaoqing, a well-known scenic city in Guangdong Province. The Xinghu Amusement Park, covering 200,000 square meters, provides such services as three-dimensional films, laser shooting and mini-automobile racing. All equipment was imported from Europe and the United States. The center cost \$US9 million. After expansion, the Songtao Hotel has 204 rooms with a total floor space of 16,000 square meters. The Qixingyan shopping center consists of a 150-meter-long street and a floating store. The three new facilities were completed in five months. [Text] [Beijing XINHUA in English 1625 GMT 16 Feb 85]

HEILONGJIANG FOREIGN CAPITAL UTILIZATION--According to statistics, Heilongjiang Province has thus far signed contracts with foreign countries for 399 projects in building, expanding, and technically transforming enterprises. Foreign capital used by the province totaled more than \$470 million. The quantity of imported advanced technology and equipment was also very large. [Excerpt] [Harbin HEILONGJIANG RIBAO in Chinese 1 Feb 85 p 1 SK]

JILIN DELEGATION TO JAPAN--A delegation headed by (Zhang Youzhi), secretary of the CPC committee of the Changchun Department Store, and concurrently director of the Changchun City First Commercial Bureau, left Jilin Province on 12 January for Japan to conduct investigation and hold trade talks. This is the first commercial enterprise delegation in the province to go abroad for a visit. This delegation will investigate and learn from the experience of Japanese commercial enterprises in the fields of management, services, and operation. At the same time, this delegation plans to directly import some electrical home appliances and popular commodities from Japan. [Text] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 13 Jan 85 SK]

SHANDONG USES FOREIGN FUNDS--Shandong Province has made rapid developments in using foreign funds and importing advanced technology and equipment. In 1984, the province signed 362 contracts on using foreign funds and importing advanced technology and equipment. The contracts involved \$327 million. Of this, 106 contracts on using foreign funds were signed and the contracts involved \$195 million [as published]; and 256 contracts on importing advanced technology and equipment were signed and the contracts involved \$130 million [as published]. [Summary] [Jinan DAZHONG RIBAO in Chinese 19 Jan 85 p 1 SK]

CSO: 4006/395

SPECIAL ECONOMIC ZONES

ZHUHAI ECONOMIC ZONE TO EXPAND, IMPROVE

OWL52033 Beijing XINHUA in English 1615 GMT 15 Feb 85

[Text] Guangzhou, 15 Feb (XINHUA)--The Zhuhai special economic zone, Guangdong Province, will spend 700 million yuan this year improving its foreign investment environment and infrastructure, almost treble the amount for 1984.

Though there are 40,000 construction workers here, more are still needed, local officials said.

North of Macao and facing Hong Kong across the Pearl River estuary, Zhuhai, which became a special zone in August 1980, covers 349 square kilometers and has a population of 150,000. Roads, power and water supplies and telephone service will have to be completed this year in an area of 10 square kilometers, they said.

Feasibility studies for an international airport are under way.

Construction will begin on a shopping center covering 200,000 square meters and another one of 1 square kilometer, a deep-water wharf and a residential district covering 170,000 square meters.

Work will also start on several industrial districts covering 5.5 square kilometers, they said.

In 1984, 240 million yuan were spent on infrastructure--2.7 times the total for the previous 4 years. Most funds came from bank loans. As a result, buildings of all kinds with a total floor space of 380,000 square meters were completed, equal to the total for the previous 4 years.

With the completion of a harbor, passenger ships now sail from Zhuhai to Macao and freighters to Hong Kong.

An automatic telephone system with a capacity of 4,000 lines will begin service this year. Direct dialing to Hong Kong, Macao and the provincial capital of Guangzhou is now available.

A 110,000-volt power substations and another five are either nearing completion or under construction. Many facilities were completed in 6 months in the Nanshan industrial area covering 230,000 square meters. These included five factories, 13 workshop premises, 10 warehouses and 25 apartment buildings.

SPECIAL ECONOMIC ZONES

RENMIN RIBAO REPORTS ZHUHAI READY FOR INVESTORS

OW281603 Beijing XINHUA in English 1450 GMT 28 Jan 85

[Text] Beijing, January 28 (XINHUA)--Zhuhai Special Economic Zone in Guangdong Province has completed almost all infrastructure facilities for foreign investment, and the number of intended overseas investors has grown, said today's "People's Daily."

It is now linked with Macao and Guangzhou by 14 new roads built over the past four years. Thanks to the completion of a harbor in 1982, passenger ships now sail to Hong Kong and Shekou in Shenzhen, another special economic zone in Guangdong Province.

A heliport completed last December links the zone with Guangzhou. Construction will soon begin on a deep-water berth for 10,000-ton ships.

The zone signed 500 cooperation contracts worth 530 million U.S. dollars in the first 11 months of last year as against 850 of 1.35 billion U.S. dollars from 1979 to 1983.

During last year's Hong Kong investment symposium, the daily said, 45 agreements and letters of intent were concluded.

Just north of Macao and facing Hong Kong across the Pearl River estuary, Zhuhai, which became a special economic zone in August 1980, covers 349 square kilometers with a population of 150,000. It has 20 million tons of quartz sand, an indispensable material for construction and glass-making.

A 2,000-automatic telephone system has direct dialing to Hong Kong, Macao and Guangzhou. It will be expanded to accommodate 20,000 telephones over the next two years.

Other facilities already completed include two waterworks, 32 hotels and 34 standard workshops.

All standard workshops have been let, the paper said.

Speedy construction has stimulated economic development. Industrial output in the first ten months of last year was worth 200 million yuan, almost five times as much as in 1978.

CSO: 4020/112

SPECIAL ECONOMIC ZONES

BRIEFS

XIAMEN SPECIAL ECONOMIC ZONE--Fuzhou, January 19 (XINHUA)--The Xiamen Special Economic Zone will invest 850 million yuan this year in improving its investment environment and infrastructure, up from 420 million yuan in 1984, according to Vice-Mayor Wang Jinshui. Wang told XINHUA that the zone would continue to stress transport, energy, harbor development, public utilities, tourism and housing. Xiamen Airport will be able to land jumbo jets when a 2,900-meter-long runway is added by the end of this year. The State Council recently approved Xiamen's plan to establish direct air links with Japan and the Philippines, he added. Construction of five main roads will be started on Xiamen, and the causeway linking the island with the mainland will be widened by 20 meters, Wang said. A computerized ten thousand line switchboard will go into use next month while another 20-thousand-line exchange and a 500-line long-distance network were under construction, he said. [Text] [Beijing XINHUA in English 1624 GMT 19 Jan 85 OW]

CSO: 4020/112

LABOR AND WAGES

HUBEI RURAL LABOR FORCE STRUCTURE SHOWS CHANGES

HK180407 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 17 Feb 85

[Text] Marked changes have started to occur in the structure of the province's rural labor force. The past situation in which over 90 percent of the people were engaged in growing food has initially changed. According to figures from the provincial statistics bureau, since last year, 14,292,500 of the province's 16.31 million rural laborers have been engaged in agriculture, forestry, animal husbandry, and fisheries, a decline of 280,000 compared with 1983, and a drop of from over 90 percent to 87.6 percent of the total rural labor force.

Rural industries have developed rapidly. The number employed in these last year rose by 106,000 compared with 1983. The number of laborers engaged in tertiary industries in the rural areas has reached 1.16 million, a rise of 62.7 percent compared with 1983. Of these, the fastest developments have occurred in transport and posts and telecommunications.

The provincial statistics bureau's figures show that there are great imbalances within the development of rural tertiary industry. Some sectors are quite weak. For instance, less than 2 out of every 10,000 laborers in the townships and districts are engaged in scientific research. The development of certain other sectors is very far from meeting the needs of rural social and economic development. Hence, readjusting the rural production mix and giving free rein to developing rural tertiary industry remains an extremely important task.

CSO: 4006/389

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

U.S., USSR ECONOMIC STRENGTHS COMPARED

HK251029 Beijing SHIJIE JINGJI in Chinese No 11, 10 Nov 84 pp 27-33

[Article by Wang Shuzhong of Institute of World Economy and Politics, Chinese Academy of Social Sciences: "Assessment of Relative Economic Strengths of United States and Soviet Union Before the End of This Century and Impact Thereof"]

[Text] The United States is a highly developed monopoly capitalist country that accumulated a large amount of wealth through the two world wars and laid the economic foundations for becoming a superpower. Even now, it continues to be the country with the greatest economic strength in the world. The Soviet Union is an up-and-coming superpower. It has been doing its utmost to exploit the process of the gradual decline of the strength of the United States in order to catch up with it. Judging by the economic growth rates of the United States and the Soviet Union, we can divide the period from the end of World War II to 1983 roughly into two: The first was from the end of the war to 1975, and the second was from 1976 to 1983.

During the first period, the Soviet economy could basically be regarded as developing at a high or medium speed (the average growth rate was 8.1 percent, or no less than 5.3 percent, if calculated according to the U.S. method). From 1976 to 1983, the Soviet economy could be regarded developing at a slow speed (about 4 percent). The periods from 1971 to 1975 and from 1976 to 1980 were a transition period between the above-mentioned two periods. The growth rate from 1971 to 1975 was 7.2 percent, lower than the 8.1 percent average growth rate from 1950 to 1975. The growth rate from 1976 to 1980 was 5.8 percent, still lower than that from 1971 to 1975, but higher than the 3 percent average growth rate from 1981 to 1983.

By comparison with the Soviet Union, during the first period, from the end of the war to 1975, the growth rate for the United States was about 3 percent, and could be regarded as small. During the second stage, from 1976 to 1983, hit by two serious economic crises from 1973 to 1975 and from 1979 to 1982, its growth rate dropped to about 2 percent. This means that during the first stage, between the Soviet Union and the United States, it was a high or medium growth rate versus a low one, while it was a low growth rate versus another low one in the second stage. However, relatively speaking, the Soviet growth rate was slightly higher than that of the United States. Therefore, generally speaking, the economic disparity between the Soviet Union and the United States has tended to continuously decrease, though, since 1976, this trend has not been as clear as before 1976.

During the early 1980's, both the United States and the Soviet Union encountered the most grim economic challenge since the end of the war. Now, it has been 3 years since then and they extricated themselves from the most difficult economic situation almost at the same time. The Soviet Union has admitted that the U.S. economy has already left the bottom and entered a stage of recovery, and that the speed of the recovery has been greater than generally expected. The United States also admits that the Soviet Union has already begun to put an end to the declining trend in its economy and that, in 1983, the results in the implementation of the Soviet national economic plan were the best for the past few years.

What will be the economic disparity between the two superpowers by the end of this century? Will it be further widened or narrowed? These are questions that both East and West are much concerned about. For hegemonism is the practice of power politics based on economic strength and backed by military strength. The all-round balance between the national strengths of the United States and the Soviet Union determines the strategic situation and then affects the combinations of world political forces; while the economic strength of each of the two countries is the foundation of its all-round strength. Considering the ratio between the two countries' comprehensive indexes of their economic strength--their GNP's--for 8 years, it continued to fluctuate around the 1975 ratio of 100:67. The economic growth rates of the two countries in the coming period will directly affect the balance between the strengths of the two countries. Major factors that determine the two countries' economic growth rates are as follows:

I. The Role of Science and Technology

There are, in the main, two different kinds of assessment of the impact of science and technology on the U.S. and Soviet economies: According to one of the assessments, (which has been popular in the United States, Japan, and other Western countries), as the United States has a better economic foundation and a more advanced level of technology than the Soviet Union, and as it is difficult for the Soviet Union to overcome its economic structural crisis, it is thought that in the 1980's, the Soviet growth rate can only be 2-2.5 percent, and that the growth rate of the United States will surely be greater than that of the Soviet Union. Therefore, by the end of this century, the economic disparity between the United States and the Soviet Union will be widened. The other assessment (which is popular in the Soviet Union), holds that as the U.S. economy is affected by economic crises and can only develop at a low speed in the future, and as there is already a fairly sound foundation for the Soviet economy and a certain level of development of science and technology, if the Soviet Union can adopt sound reform measures, its growth rate will be able to exceed 4 percent, higher than that of the United States. Therefore, the disparity will be greatly narrowed or even eliminated by the end of this century. A matter which researching is the situation regarding the level of development of science and technology in the two countries and how great an impetus it gives to the development of their economies.

From the point of view of external conditions, the ascendancy of the United States in developing its economy after the war resulted from its exploitation of its position as a postwar overlord. From the point of view of internal conditions, it mainly relies on its leading position in science and technology. Corresponding to its economic position, U.S. labor productivity still ranks first in the world. However, since the mid-1960's, the role of science and technology in raising labor productivity has gradually weakened and a declining trend has emerged in labor productivity. According to a report of the U.S. Department of Commerce in 1977, in the more than 40 years [as published] from 1929 to 1969, 45 percent of U.S. economic growth was due to technological progress, but now, its technological ascendancy in the steel, automobile, and textile industries and in some of the electronics industry has already been lost to the FRG and Japan. In 1977, the president's Council of Economic Advisors wrote an economic report to the president pointing out that the declining trend in labor productivity "has been the most serious economic problem in the past few years and the low growth rate in labor productivity will produce serious consequences in the whole national economy of the United States. If this trend is allowed to develop, the United States will become a second class industrial country." Accompanying the decline of labor productivity is the declining trend in the rate of profits. United States companies as a whole achieved the highest rate of profits during World War II and the initial period after the war. During the period of the Vietnam War, from 1960 to 1969, the rate rebounded, but the general trend has been a declining one. It dropped from 7.7 percent, in the period from 1948 to 1953, to 5 percent, in the period from 1973 to 1981. At the same time, the average annual growth rate in the GNP dropped from 4.9 to 2.3 percent. As a result, basic industries such as the iron and steel, machine building, automobile, shipbuilding, textile, and rubber industries began to wane, and this marked the trend of stagnation in the U.S. economy, directly hindered the development of U.S. productive forces, and seriously weakened its capability in competition.

Starting from this background, and in order to counter the fierce competition from Japan and Western Europe and to solve domestic economic problems, U.S. Government officials and economists have already observed the necessity of carrying out a scientific and technological revolution. During the past few years, some of the highly advanced, sophisticated and frontier technology and rising industries have developed quickly. Assessment of the influence of this kind of development on the future economy differs with different people. For example, George W. Miller, a former secretary of the treasury during the Carter administration, has placed particular emphasis on the impetus of science and technology in promoting the development of the U.S. economy. He optimistically holds that after a short period of readjustment, the U.S. economy will be able to continue to prosper until the end of this century. The French journal PROBLEMS ECONOMIQUE said when it analyzed the trend of new industries in the United States that there will be major development in U.S. highly advanced, sophisticated, and frontier industries during the 10 years from 1983 to 1993. Calculated according to 1972 U.S.-dollar prices, the per capita output value in high-technology industries is expected to rise by 46 percent, which will be twice the growth rate for the manufacturing industries and service trades. This means that the output value of high-technology industry will rise by 87 percent, its percentage of the GNP will rise from 7 to 10 percent, and it will go up to about \$206 billion.

We should admit that since the 1960's, the United States has established a series of rising industrial sectors, which are now relatively highly developed. Among these sectors, it is estimated that the computer industry in particular will have an even greater impact on U.S. economic development by the end of this century. However, viewing U.S. economic activities as a whole, by the end of this century, its traditional basic industries will still constitute a fairly large percentage of its GNP, and for a fairly long period in the future, the rising trend of its rising industries will not offset the declining trend of its traditional basic industries. For the development of rising industrial sectors will help little in putting an end to the trend of rapid decline in the value of fixed capital consumed in its basic industries. Generally speaking, the value of consumption of fixed capital in the latter industries will be 50 or 100 percent more than the former ones. This shows that for a country like the United States, which has highly concentrated monopoly capital, under certain conditions, a scientific and technological revolution can continue to promote the development of its productive forces, but only to a limited extent. While rising industries are developing in the United States and there is clamorous discussion about a "new industrial revolution," most authoritative Western economists have forecast, the possibility of another crisis in the U.S. economy in the mid-1980's. This precisely proceeds from consideration of the actual persistent malady in the U.S. economy.

In comparing the Soviet Union with the United States, Western economists generally underestimate the technological level of the Soviet Union. True, generally speaking, the Soviet technological level is not as high as that of the United States, but the Soviet Union has a very strong scientific and technological force. It has one-fourth of the approximately 6 million scientists in the world. During the past 30-odd years, the Soviet scientific and technological work force has increased by more than seven times, far exceeding the increases in population and number of laborers in that period. Scientific research expenditure as a percentage of GNP is higher in the Soviet Union than in the United States (4.5 percent for the Soviet Union and 2.6 percent for the United States). According to one estimate in Japan, by the next century, the Soviet Union will possibly become the world scientific and technological center. The Soviet Union has also scored major achievements in using science and technology to promote the development of its national economy. According to Soviet statistics: During the 1960's, about 40 percent of the increase in its industrial labor productivity was due to exploiting new technology and adopting scientific measures to organize labor. The educational level of its staff members and workers rose from the 6-year educational level in the 1950's to an over 8-year level in the 1970's, and this enabled the Soviet Union to raise its labor productivity by at least 75 percent. Since the 1970's in particular, while relying on its own efforts, the Soviet Union has introduced a large amount of frontier science and technology from the West and thus gradually raised its level. The United States itself has admitted that the Soviet Union is already nearly abreast of the United States in 15 of the most important kinds of basic technology, including laser and other directed energy, aerodynamics, electronic-optical pick-off, navigation and radar pick-off, advanced materials for optical instruments, microelectronic technology, integrated circuits, and spacecraft and their propulsion units.

If we make a further analysis, we will find that at present, the disparity in economic strength between the Soviet Union and the United States has not been entirely caused by the disparity in their scientific and technological levels. The problems in Soviet scientific and technological policies and management systems are seriously hindering its efforts to give full play to its existing scientific and technological level. The rate of application of research achievements and the length of time from scientific research to operation in the Soviet Union have been much more backward than those of the United States, about two-thirds of the research achievements have not been promptly popularized and applied, and the period from research to operation has generally been 10 years. In the United States, the period is only 5 years. Therefore, the reform of its technological system has already become an important task in Soviet economic reform. However, generally speaking, there is a trend of continuously lessening the disparity between the Soviet Union and the United States in the development, popularization, and application of their science and technology, rather than the reverse.

II. Influence of Arms Race

At present, the United States and the Soviet Union are conducting a new round of an even more intense arms race. The United States has two aims in its strategic intention: the first is to seize a military superiority and the second is to wear down the Soviet economy. There is a relatively popular view in the United States and Japan that because of U.S. ascendancy in its economic foundation and technological force over the Soviet Union, in a prolonged arms race, the United States will win, and that an arms race can promote the development of the U.S. economy but will only wear down the Soviet economy. The reason for this view is that, unlike the practice in the United States, the Soviet military technological sector is completely cut off from its civilian economic sectors, and its military technology has almost no such effects in being transferred for civilian application as occur in the United States. For example, Richard Pipes, former Soviet affairs adviser to President Reagan, holds that the Soviet internal system and economy is fragile, and that through forcing the Soviet Union into a dilemma, in choosing between butter and guns, it is possible to give rise to a collapse inside it. However, Bi-Ya-Le [3024 0068 0519], director of the International Change Research Institute at Colombia University, who is of another faction in the United States, holds that the pressure of the arms race can slow down the speed of Soviet economic development and cause additional difficulties for the Soviet Union in developing its economy, but that the Soviet system and economy will not collapse. The latter view may be relatively more realistic.

A probe into U.S. economic development since the war will make us see that arms expansion and war preparations have indeed given a fairly big push to the development of an economy of the U.S. type. From statistic data, we can see that the average profit rate of all U.S. companies and the average rate of increase of U.S. GNP have been highest during the years when there has been some involvement in wars (for example, from 1939 to 1945, from 1948 to 1953, and from 1960 to 1969). However, just as was pointed out by Harry Magdoff and Paul Sweezy, cowriters of the book "The Daily Worsening Crisis of U.S. Capitalism" (published in 1980), pointed out after making an analysis of the role of the Korean and Vietnam wars

in actually promoting the U.S. economy: "No matter how great the demand for military supplies, the stimulus it provides cannot hold back the decline of the economic growth rate." "In 1950, the output of U.S. manufacturing industry accounted for nearly 62 percent of the total output of the 10 major industrial countries, but this figure dropped to 50 percent in 1965 and then to 43 percent in 1976. U.S. superiority in exporting its manufactured goods has also declined sharply. Its exports of manufactured goods as a proportion of the total volume of exports of such goods in the world dropped from 30 percent in 1953 to 16 percent in 1965 and to 13 percent in 1976. True, the United States has achieved better results in promoting civilian production through the technology of military production, and we have some data which shows that over 80 percent of U.S. military technology is transferable, but military technology is by no means nontransferable in the Soviet Union. In particular, during the past few years, in order to speed up the production of consumer goods for civilian use, Soviet military industrial enterprises have been increasing the percentage in their output value of civilian products.

We should say that the arms race will play for both the U.S. and Soviet economies a dual role--a stimulating role and a negative role. We fail to look at the problem from all sides if we say that the new round of the arms race between the United States and the Soviet Union will play only a stimulating role, and not a negative role, in the U.S. economy, or if conversely, we say that it will play only a negative role, and not a stimulating role, in the Soviet economy. The stimulating role of the arms race is, relatively, greater for the United States than for the Soviet Union; while the negative role of the arms race is smaller for the Soviet Union than for the United States. This is because of the differences between the two countries' political and economic structures.

Indeed, the current round of the arms race is not only a competition regarding quantity, but also, and more importantly, a competition in terms of quality. In order to seize a military superiority in the situation of lagging behind the United States, to a certain extent in its economy and technology, the Soviet Union must pay a higher price. There is no doubt about this. One-fifth of Soviet industrial capacity and two-thirds of its machine-building industrial capacity are now devoted to satisfying its military needs. In order to win this race, it must put in more labor and material resources, and this will surely put great pressure on the Soviet economy. However, it is obviously not practical to think that the pressure on the United States is not as heavy as that on the Soviet Union. In order to maintain an excessively great military budget, the United States must continue to cut down its welfare expenditure and continue a huge financial deficit. This will be very unfavorable to the continuation of the U.S. economic recovery, and has already become an issue over which there has been a fierce internal dispute among the U.S. ruling class. However, the Soviet Union can rely on the centralized nature of its system and on internal mobilization to ease the contradiction. For example, the United States spends 45-50 percent of its military expenditure on its personnel including expenditure on wages, pensions, and subsidies, and only 50-55 percent is left for research and purchases; while the Soviet Union spends a much lower percentage on its personnel, only 11 percent according to an estimate made public by Casper Weinburger, or 15 percent as once disclosed by Soviet newspapers, so that the Soviet Union has 85 percent left for research

and purchases. Moreover, different factors are taken into account in calculating the costs in the research and manufacture of weapons in the United States and the Soviet Union. Over 90 percent of U.S. armament, including all the airplanes, missiles, space arms, radio equipment, electronic equipment, and facilities, are developed and made by private companies, which add their profits to the cost of the arms and make the United States pay much more than the Soviet Union, whose arms costs are calculated in accordance with the guidance plans of the government. Therefore, even if the Soviet Union increases its military expenditure at the same rate as that of the United States, from an actual base that is one-third lower than that of the United States, it can achieve greater actual results than the United States. Although, since 1976, there has been a declining trend in the Soviet economic growth rate, its annual rate of increase in its military expenditure has been 2 percent, a revised figure published by the U.S. Central Intelligence Agency, which originally concluded that the increase was 5 percent but later revised it to 2 percent after verification. Recently, the U.S. Defense Department declared that the Soviet rate of increase in military expenditure was 2.8 percent in 1983. This was enough to prove the existence of pressure on the Soviet economy. Obviously, there are not sufficient actual grounds to think that the economy of the Soviet Union will "definitely" be less able than that of the United States in withstanding the pressure of an arms race and that therefore the United States would be able to bring about the collapse of the Soviet economy is obviously wrong.

III. Possibility of Putting an End to the Low Growth Rate of Industry

Because of the trend of a low growth rate in the Soviet economy since 1976, some people in the West have estimated that the pressure the Soviet economy faces makes it difficult to continue to make progress at the same pace as in the 1970's, or to continue its strategic offensive against the United States. This problem needs to be probed deeply. However, the first conclusion we can draw is that the problems that have arisen in the Soviet economy are not "incurable diseases."

First we will start by comparing the industrial structures of the two countries. Though both countries are developing their economies at a slow rate, there has not been the same declining trend in Soviet basic industries as there has in the United States. On the contrary, Soviet basic industries have been slowly rising. For a long time, Soviet category A industries developed more quickly than its category B industries, and this was particularly true for its industrial sectors that had a close relation with military industries. The growth rate of its category B industries, which were related to people's livelihood, was not so great as that of category A industries. During the 1970's, the machine-building industry rose by 170 percent, among which the computer industry rose by 900 percent and the instrument manufacture industry 230 percent. During the same period, its light and food industries rose by 48 and 39 percent respectively. It was only by 1983 that it achieved a 4.1 percent increase in its category B industries, which was greater than the 3.9 percent growth rate of its category A industries in the same year. This is due to the fact that the Soviet Union has always paid great attention to giving priority to the development of heavy industry and generally invest 80 percent of its industrial

investment in its heavy industry. The development of Soviet basic industries will have an impact in the following two aspects: First, basic industries are the foundation of national economy and their development facilitates the economic development in the future; on the other hand, when there is a proportional imbalance in basic industries, it will adversely affect the growth of the whole economy. Though the Soviet Union has intended to readjust the proportion for a long time, it has encountered relatively great obstacles. In 1984, the Soviet Union planned to continue to make the growth rate of its category B industries exceed that of its category A industries, but we shall have to wait and see whether it will be able to achieve this goal. If it handles this proportion appropriately, it will be possible for the Soviet Union to maintain an industrial growth rate greater than 4 percent.

Second, a comparison between the two countries' energy and mineral resources affecting their industrial development shows that the Soviet Union obviously has conditions superior to those of the United States. According to statistics, 60 percent of the 111.1 billion metric tons of the known world iron ore deposits is in the Soviet Union, and so is 70-80 percent of the world's manganese ore. Soviet lead, zinc, and nickel deposits also rank first in the world. Its coal deposits account for about half of world coal deposits and its natural gas deposits account for one-fourth of world natural gas deposits. Its known oil deposits total about 9 billion metric tons. Therefore, it will at least be able to supply its own needs in regard to energy and important mineral resources in the period up to the end of this century. However, this is not the case with the United States. Since the mid-1970's, it has increasingly relied on imports. In particular, it relies on imports for 40 percent of the petroleum it needs, and has imported more than 50 percent of its iron and iron ore needs for producing steel and over 50 percent of other important industrial materials.

Since the world petroleum crisis in 1973, the Soviet Union has paid particularly great attention to developing the fuel energy sector. From 1975 to 1982, Soviet oil output rose from 400 million to over 500 million metric tons; while U.S. oil output rose only from 340 million to 360 million metric tons. According to statistics published recently by Nikolay K. Baybakov, chairman of the Soviet state planning committee, Soviet output of petroleum and condensate was 616 million metric tons in 1983 and the planned target for 1984 is 624 million metric tons; the output of natural gas was 535.5 billion cubic meters in 1983 and the planned target for 1984 is 578 billion cubic meters; and the output of coal was 718 million metric tons in 1983 and the planned target for 1984 is 723 million metric tons. In order to make the growth rate of energy output correspond to the growth rate of Soviet production, the Soviet Union plans to maintain an annual growth rate for energy output of more than 3.4 percent. In short, regarding energy, both the United States and the Soviet Union are among the four major oil producers in the world, but the United States is a net importer (it imports over 200 million metric tons) while the Soviet Union is a net exporter (it exports over 80 million metric tons). If we calculate the coefficient of elasticity by dividing energy consumption by GNP (that is, the percentage of increase in energy consumption needed for 1 percent increase in GNP), in accordance with the method used by energy experts, then compared with the Soviet Union, the United States is in an unfavorable condition.

Moreover, the decline in the U.S. economy is also reflected in the declining trend in the U.S. percentage of the world's raw materials consumption. Compared with that in 1947, in 1978, the U.S. percentage of the world's total raw materials consumption dropped considerably, though it was still great. And that of the consumption of some important raw materials such as uranium, aluminum, copper, zinc, lead, tin, iron ore, and nickel all dropped more than 50 percent.

Some people in the West still regard the U.S. economy as a "typical" market economy and the Soviet economy as a "typical" planned economy and hold that market economy is necessarily superior to planned economy. They regard this as an absolute law and categorically assert that Soviet economic development will surely be slower than U.S. economic development. This is obviously wrong. True, the overcentralization in Soviet economic policy decisions and economic guidance plans has deprived the existing Soviet economic mechanism of vitality and made it unable to meet the demands of the development of the complicated economic structure, has impeded the role of science and technology, has led directly to a decline in its labor productivity and slowed down its economic development, and has fettered the development of its productive forces. However, this does not mean that the Soviet Union has exhausted its potential for developing its economy. Because of its needs in scrambling for hegemony with the United States, strengthening the vitality of the Soviet economy and reducing the disparity between the Soviet and U.S. economies has become a matter of vital importance. Both Brezhnev and Andropov, and Andropov's successor Chernenko, have had seriously and conscientiously to deal with this problem. In fact, since the latter period of Brezhnev's rule, the Soviet Union has already begun to carry out reforms in this aspect. For this purpose, it adopted in July 1979 a resolution "On Improving Planning Work and Strengthening the Role of the Economic System in Raising Production Efficiency and Work Quality." After Andropov came to power, he vigorously promoted economic structural reform and achieved initial results. Since 1983, the Soviet Union has put an end to the trend of continuous decline in its economic growth rate and, for the first time in 5 years, the increases in its industrial production and labor productivity have exceeded the planned targets. Chernenko has expressed his desire to continue Andropov's policies and confirmed the view that "the economic management system and the whole mechanism of the economy should be conscientiously reformed."

From the above we can see that conditions for overcoming a low industrial growth rate in the Soviet Union are no more difficult than in the United States.

IV. A Comparison Between Their Agricultures

There is a relatively great disparity between U.S. and Soviet agriculture. The United States is the greatest exporter of agricultural products in the world. Its exports of agricultural products constitute 20 percent of its total exports and it has an important position in the world agricultural products market. During the past 10 years, the Soviet Union has also, to a certain extent, developed its agriculture. In this area, it has not done as well as the

United States, but has done better than Western Europe. However, it has changed from being a grain exporter to being a grain importer. In the period from 1963 to 1964, for the first time since the war it imported a large amount of grain from the United States, and since 1972 it has imported grain every year. In the process of U.S. economic development, exports of agricultural products have accumulated large amounts of funds for U.S. industry and thus promoted the development of industrialization. In the Soviet Union, however, agriculture has held back economic development for a long time. According to statistics, the Soviet Union employs about 30 percent of the labor force of its material production sector in its agriculture, and the funds it allocates from its national income for investment in its agriculture accounts for about 93 percent of the contribution of its agriculture to its national income (investment in agriculture accounts for 27-30 percent of its total investment). This means that only 7 percent of the national income contributed by agriculture is net contribution. The earnings of its agriculture are lower than those in the United States and its agricultural labor productivity is about 25 percent of that in the United States. In 1981, there were 2.4 million family farms in the United States and the number of agricultural laborers did not exceed 3.7 million, while there were more than 26 million people engaged in agriculture in the Soviet Union. The United States has twice the output of the Soviet Union from an area of land less than two-thirds of that used by the Soviet Union. The per capita grain output is now 1,400-1,500 kg in the United States and 700-800 kg in the Soviet Union.

Under the rule of czars, Russia was a grain exporter, and from the victory of the October Revolution until now, Soviet grain output has risen more quickly than the increase in its population; therefore, there has not been a problem concerning the supply of food grain. The reason the Soviet Union has to import grain now is mainly that it has to solve the problem regarding the supply of fodder grain. Compared with the United States, Soviet output of fodder is much lower. According to the statistics of the U.S. Department of Agriculture, from the year 1970-1971 to the year 1978-1979, the U.S. percentage of the world's fodder output rose from 25 to 29 percent. In the same period, the U.S. percentage of the world's output of wheat rose from 36 to 47 percent and the proportion of wheat used as fodder to total wheat output rose from 42 to 44 percent. The Soviet Union uses 40 million hectares of land to produce fodder, which constitutes one-third of its farmland, and the per hectare average output for the whole country is lower than 2 metric tons (that for the United States is 4-5 metric tons).

It is, of course, an excuse to ascribe to bad weather the difficulties in Soviet agricultural production, and the prolonged backwardness in Soviet agriculture has been directly related to its management system and its low level of intensive farming in its agricultural economic sector.

The Soviet Union has a vast and sparsely populated land area, and its agricultural operation has always been very extensive. Until the middle to late fifties, it regarded expansion of farming areas as the major way to increase output. Through the large-scale reclamation of land in which 500,000 youths took part in the fifties, (over 600 million mu of land was reclaimed), over the past 30 years, the reclaimed area has produced 1.8 billion metric tons of grain, accounting for 39 percent of the total grain output of the country. This has proved that the reclamation was necessary. During the sixties, as there

was not much barren land left that was easy to reclaim, the Soviet Union was forced to make a transition from extensive farming to intensive farming. In February 1964, it adopted a resolution on carrying out intensive farming and in March 1965, it further stressed "steadfastly realizing intensive agricultural production." Later, Soviet agricultural output increased to a certain extent, the per area [as published] output rising from 1,020 kg during the 7th 5-Year Plan period to 1,600 kg during the 10th 5-Year Plan period. During the 11th 5-Year Plan period, it has been striving to achieve a per area output of 1,800 to 1,900 kg, and it plans to achieve a per area output of 2,100 to 2,200 kg in the 12th 5-Year Plan period. Judging by the present situation, if Soviet policies are correct, it still has very great potential to tap in developing its agriculture, for the per hectare output in advanced collective farms is already 4,500 to 5,000 kg, while the generally advanced level for per hectare output is 2,500-3,000 kg.

According to Soviet calculations, if per capita grain output exceeds 1 metric ton (including 500 kg for food, industrial materials, and [word indistinct] and 600 kg for fodder), it will basically solve its agricultural problem. This would mean a 25-percent increase over current grain output. According to Soviet plans, this goal will be achieved in the period of the 12th 5-Year Plan, from 1986 to 1990. However, viewing the actual situation, despite its great potential for developing its agriculture, because of the long-standing guiding thinking of attaching importance to industry and neglecting agriculture, the task of achieving this goal will still be very arduous.

In order to speed up the development of its agriculture, the Soviet Union already regards as three keys to making its farming intensive the extensive use of chemical fertilizers and other farm chemicals in its cultivation and animal husbandry, the development of water conservation facilities for its farmland and soil improvement, and the realization of all-round mechanization. It also regards fodder production as the most urgent issue. According to Western estimates, [word indistinct] the 10th 5-Year Plan period, its output of fodder grain rose by 28 percent. However, even if the Soviet Union can increase its fodder grain output by 30 percent in the 11th 5-Year Plan period, and by more than 30 percent in the 12th 5-Year Plan period, it will still have to import 10-20 million metric tons of fodder grain every year up to 1990. Nevertheless, there is still great potential for the Soviet Union to tap in developing its grain production, particularly its fodder grain production. It is satisfactorily readjusts the organizational and managerial structure of its agriculture, raises its agricultural labor productivity, and brings about greater economic results through intensive farming, it will not be impossible for it to gradually solve the problems related to its agricultural production.

The United States does better than the Soviet Union in agricultural production, but it has also had its own problems. For a long time, there have been crises of surplus agricultural production in the United States. The government has, to a great extent, to subsidize exports of agricultural products, and adopts the policy of catering to foreign markets in order to stimulate the development of agriculture. From the end of the sixties to the end of the seventies, the volume of U.S. exports of agricultural products rose by 400 percent. For example, in fiscal year 1978-1979, it sold over 60 percent of its wheat output, 56 percent of its soybean output, 54 percent of its cotton output, nearly

50 percent of its rice output, and 26 percent of its fodder grain output in foreign markets. However, as its agricultural production increases, its agricultural production expenses also increase. Because of the sharp increase in the prices of land, fuel, fertilizers, agricultural technological equipment, and all the means of production purchased by farmers, and because of continuous increases in rents, interest rates for mortgages, and taxes, production costs incurred by farmers rose from 4.5 percent in the sixties to 10.5 percent in the seventies [as published]. As a result, since the beginning of the eighties, in spite of bumper harvests, the agricultural profit rate has dropped. For some farms, there have even been no profits at all. As a result, the number of farm bankruptcies has been at its highest since the great recession in the thirties. It seems very difficult for the U.S. monopoly capitalist system to solve this problem.

From the above, we can draw the following conclusions:

1. At present, Soviet economic strength is about two-thirds that of the United States, but the military strengths of the two countries are basically equal. In the early seventies, the Soviet Union planned to surpass the United States in an all-round manner, both in economic and military strength, by the eighties. It seems that it will not be able to achieve this goal. Furthermore, there will hardly be any dramatic breakthrough before the end of this century in the factors that determine the economic development of the United States and the Soviet Union; therefore, the situation of the economic strength of one of them overwhelming that of the other will not emerge. However, from the end of the war to the seventies, the Soviet economic growth rate was nearly double that of the United States, and from the midseventies to the early eighties its growth rate was still slightly higher than that of the United States, even though it declined. If the Soviet Union can make steady progress and achieve actual results in the economic reforms it is carrying out, it is generally forecast that by the mideighties or late eighties, or by the early nineties, there will be another economic crisis in the United States, that the Soviet economic growth rate will be a little higher than that of the United States, and that the disparity between the economic strengths of the two countries will possibly be further reduced by the end of this century.

2. As the U.S. and Soviet economies will both grow slowly, with no great disparity between their speeds of development, in the new round of the arms race between them they will both do their best to compete with each other and to a great extent use their economic strengths to support their efforts in the arms race. Though each has its own difficulties, the arms race will not put unbearable pressure on their economies. At least before the end of this century, they will continue to overtake one another and neither will let the other win the race. Thus they will continue to maintain the current situation of military balance. In the early eighties, the stalemate in the balance of the overall national strengths of the United States and the Soviet Union (including their economic and military strengths, capability to control their allies, strategic thinking, and effective application of their strength) has caused the strategic situation of the scramble for hegemony between them to change to a strategic stalemate stage, in which each attracts and defends alternately. It is very possible that this situation will continue until the end of this century.

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

GUANGMING RIBAO ON HUNGARIAN REFORM SUCCESSES

HK050125 Beijing GUANGMING RIBAO in Chinese 29 Jan 85 p 4

[Article by Xu Binghe [1776 3521 0735]: "Hungarian People Are Enjoying the Fruit of Their Reform"]

[Text] The reform of economic and management structure in Hungary has traversed a tortuous path, yet the reform has promoted economic development and by so doing has improved and enhanced the people's living standard.

In 1968, after making sufficient preparations, the Hungarian Socialist Workers Party and the Hungarian Government started to carry out a reform of economic and management structure. The basic principle of the reform was that on the basis of the socialist system of ownership of the means of production, the central management which aimed at developing the national economy according to plans would be organically integrated with commodity relations and the active role of the market.

First, state planning only played a guiding role, and this role is not to be shared by the enterprises. Enterprises were entitled to draw up their own plans without deviating from the direction of state planning. Factory directors were selected through election. In the spheres of operations and management like production, marketing, wages, and so on, enterprises possessed decision-making power. Enterprises relied on the initiative and creativity of workers to satisfy the needs of the internal and external markets. The state regulated state planning and enterprise planning by means of policies such as taxation and so forth. About 65 percent of the profits of an enterprise were delivered to the state as taxes, but the enterprise had control over the rest. The state also supervised enterprises, mainly to prevent them from wildly inflating prices. In expanding production, if enterprises had any problems with investment, they could rely on bank loans to solve them.

Second, three price policies were adopted: 1) State-regulated prices, such as for the people's necessities of life like bread, meat, and so on, which were fully controlled by the state. 2) Government guidance prices, meaning that fluctuations of prices of commodities produced by enterprises could be decided only through consultation with and after approval by government departments. These primarily refer to the prices of imported raw materials and household consumer durables such as refrigerators. 3) The prices of commodities like vegetables and fruits and so on fluctuate along with the market prices. In addition, domestic prices should be correspondingly adjusted in light of the international prices.

Third, the wage policy included distribution according to work, more pay for more work, shunning egalitarianism, enforcing the bonus system, and allowing staff members and workers to have second occupations.

The Hungarian Government has adopted a series of realistic and practical policies in the aspects of tax revenues, prices, wages, and loans, and coordinated state planning with enterprise planning by economic means. As a result it has extended the decisionmaking powers of enterprises, and enabled the enterprises to demonstrate their vitality. Enterprises have become competitive not only in the domestic but also in the international market. Hungary has also carried out some bold and fruitful reforms in agriculture and commerce.

Reforms have contributed to the speedy development of the Hungarian economy. Industrial output in 1981 was 860 percent of that in 1950. In 1984, the Hungarian economy once again achieved new development and the actual national income could increase by 2 to 2.5 percent. Hungary has also scored important achievements in foreign trade, and the unfavorable balance of trade has become favorable. From 1981 to 1983, Hungary had a surplus every year and the favorable balance of trade in 1984 could reach 30 billion forint (\$1.00 equals 49 forints). Planned economy has been practiced for more than 30 years, including more than a dozen years of reform, and Hungary has changed from being one of the most backward countries in Europe before liberation into a medium-developed industrial and agricultural country. According to statistical data of the Hungarian Chamber of Commerce, the per-capita national income in 1981 was about \$2,250.

With the speedy development of the economy and the increase in national and individual income, the living standard of the Hungarian people is also being constantly improved. On average, every Hungarian consumes per annum 112.7 kilograms of cereals, 74 kilograms of meat, 83.1 kilograms of vegetables, 38 kilograms of sugar, 174.4 kilograms of dairy products, and 315 eggs. Consumer durables like refrigerators are in widespread use. One-third of the households own their own private cars. Cultural and educational undertakings are also vigorously developing. Primary and secondary education is compulsory.

CSO: 4006/395

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

SHANGHAI PAPER EXAMINES HUNGARIAN WAGE SYSTEM REFORMS

HK080810 Shanghai SHIJIE JINGJI DAOBAO in Chinese 28 Jan 85 p 4

[Report: "The Reformed Hungarian Wage System"]

[Text] Hungary has organically combined the economic interests of the enterprises with the personal economic interests of individuals by implementing the floating wage system, which differs somewhat from its 1968 reform measures. Prior to the reform, the wages of the Hungarian workers and staff members were stipulated by the state. Since the reform, Hungary has stressed combining the necessary control of the central authorities with the decisionmaking power of the enterprises, combining changes in the workers' wages with their production accomplishments, and refraining from the practice of egalitarianism while preventing too wide a gap in wages. Raising wages in line with this will allow better expression of the actual conditions of the enterprises, while avoiding egalitarianism.

The salaries of enterprise leaders are generally two to three times the average wage. Hungary is ready to increase the difference. It has considered raising the monthly salary of a large enterprise manager to 18,500 florin.

In regard to premiums and bonuses, Hungary has implemented the policy of "high bonuses and penalties." If the enterprise is well managed, the responsible department has the power to raise the salary of the best manager by 20 percent. In addition, an annual bonus, which can be as high as 30 percent of his salary, can be given to him. An annual premium can be given to him depending on the overall evaluation of the managerial activities of the enterprise for the year. The amount of this premium can be 20 to 30 percent of his annual salary. In this way, the total income of an enterprise's leaders may become 3 to 4 times the average wage. However, should the enterprise suffer deficits, the leader should assume economic responsibility. Not only will their premiums be cancelled but the chief leader will receive only 75 percent of his basic salary the next year, and the intermediate level leaders will get only 80 percent of their salaries. If the enterprise fails to change the situation of suffering losses to one of making profits, the chief responsible person of the enterprise will be removed from office. Such measures of "high bonuses and penalties" have effectively spurred the leaders to exert all their efforts in the management of the enterprises and to improve economic results.

Regarding the basic wages of the workers and staff members, whether there can be a raise in other income, and what the range of the raise will be, depends on the results of the management of the enterprise, the amount of profits, and the work attitude and accomplishments of the workers and staff members.

PUBLICATIONS

INTERNATIONAL BUSINESS TRIAL ISSUE PUBLISHED

OW041124 Beijing XINHUA in English 1049 GMT 4 Feb 85

[Text] Beijing, February 4 (XINHUA)--The first trial issue of INTERNATIONAL BUSINESS, an official newspaper of the Ministry of Foreign Economic Relations and Trade, was published today, and will be officially launched on April 1.

The trial issue carries an editorial calling on trade officials to keep in close touch with rural economic developments, and to export more agricultural, sideline and processed products, light industrial goods and textiles.

They should also watch developments in the coastal areas opened to foreign trade and investment, as well as the economic structural reforms aimed at decentralizing power, it says.

The trial issue also reports on export goods which have won prizes.

Over the past few years, more than 100 commodities have won international awards, and of these, 17 have received gold prizes at international fairs.

The issue also carries the news that the China National Chemical Import and Export Corporation achieved exports worth 6.309 billion U.S. dollars last year. This was the highest figure among China's 10 big import and export corporations.

The import volume of the China National Metals and Minerals Import and Export Corporation came to 4.688 billion U.S. dollars in 1984--the highest on the import side.

The Ministry of Foreign Economic Relations and Trade says it will use the paper to issue national advice, business regulations and notices, and provide information and consulting services on developing foreign trade, foreign investment, importing technology, labor services and overseas engineering contracts.

CSO: 4020/112

TAIWAN

PREMIER YU TALKS ON U.S. TRADE FIGURES

OW140347 Taipei CNA in English 0233 GMT 14 Feb 85

[Text] Taipei, 13 February (CNA)--Premier Yu Kuo-hwa told American businessmen here Wednesday that the Republic of China-U.S. trade in 1984 approached a staggering U.S. dollar 20 billion, up 24 percent from the 1983 level.

Addressing the "Hsien Nein Fan" or the year-end dinner of the Taipei American Chamber of Commerce at the Taipei Grand Hotel, the premier said that exports to the United States accounted for U.S. dollar 14.9 billion and our imports from the United States amounted to U.S. dollar 5.1 billion, resulting in a substantial trade surplus of U.S. dollar 9.8 billion in our favor."

The premier pointed out that approvals of direct U.S. investments here last year amounted to nearly U.S. dollar 250,000, a 150 percent increase over the 1983 figures.

He thanked U.S. businessmen here for their efforts "in promoting trade and friendship between the United States and the Republic of China" and their substantial contributions "towards the economic development of the country."

The year of the Rat, 1984, was one of the nation's best years in [word indistinct] and price stability, he noted. "Our gross national product gained by 10.9 percent in real terms. The employment rate was high."

Premier Yu also declared that according to U.S. informed sources [words indistinct] trade deficit has fallen from 12.3 percent in 1982 to 10.7 percent in 1983 and to 9 percent last year, as trade deficit with this country has moved up absolute terms.

The cabinet leader said that the ROC Government lowered import tariffs in January 1984 and again more drastically in January this year. "The method of calculating the duty value of imports has been under revision to become more favorable to imports."

He pointed out that the government here is stepping up efforts in lifting unnecessary controls and gradually eliminating protection enacting new customs tariffs, the value-added Tax Law and the Labor Standards Bill, designed for better economic development and greater social justice, as well as a more congenial atmosphere for progress.

The financier-turned premier also said that amendments to the Trademark Law and the Patent Law are in the works to offer greater protection against counterfeiting and infringement of legal rights.

"History indicates that the quality of life is best maintained under a system of free enterprise, nourished by individual initiative under a just and democratic political structure. Both your country and mine are committed to the defense of that system," Premier Yu stressed.

CSO: 4020/118

HONG KONG MEDIA ON CHINA

WEN WEI PO CARRIES PREMIER ZHAO'S INSPECTION REPORT

HK161330 Hong Kong WEN WEI PO in Chinese 15, 16 Jan 85

[15 Jan 85 p 2]

["Special Feature" by correspondent Lan Ching-chung [5663 7231 0022]: "Premier Zhao's Report on his Inspection of Guangdong and Jiangsu--Part 1"]

[Text] Premier Zhao Ziyang has submitted to the party Central Committee a report on questions concerning the economic development along the coastal areas after his recent inspection of the Zhu Jiang Delta and the Chang Jiang Delta. This was another important inspection following the inspection made by Hu, Deng and other leaders in Fujian and Guangdong last winter. The inspection by Hu and Deng has led to adoption of the important policy decision on opening the 14 coastal cities. And after his inspection, Zhao pointed out: We should make a proper appraisal of what has happened and changed after the coastal cities and areas have opened wider to the outside world and have carried out reforms. Thus we can adopt certain correct policies to deal with the new situation so as to speed up economic development in these areas.

China has pursued the open-door policy for 6 years. The decision on opening the 14 coastal cities last year has cast aside doubts of many foreigners about the continuity of this policy in China. However, many noted figures at home and abroad may not be able to predict the strategic steps and trends of China's open-door policy. At the outset of opening the 14 coastal cities, it was reported that in order to accumulate experiences China would not open other areas to the outside world. However, no one could have predicted that the Chinese policymakers had the daring to take new steps for opening to the outside world not only after making the decision on opening the 14 coastal cities. They have in fact mapped out new plans for invigorating the economy in areas with a population of 200 million after Premier Zhao and leaders of the departments concerned under the State Council made an inspection of the two larger deltas in the eastern and southern parts of China.

The report by Premier Zhao involves the principle of "absorbing foreign funds and technology and strengthening economic cooperation between the coastal areas and the interior," and some other problems such as accelerating construction of

power stations, attaining a balance in foreign exchange, changing the setup of agricultural production, providing experiences by the open cities to other parts of the country, opening the market of technology, and promoting boldly talented personnel.

In his report, Premier Zhao first pointed out: The coastal open areas should implement the principle of "absorbing foreign funds and technology and strengthening economic cooperation with the interior." This is an important tactics for promoting the economic development in line with actual conditions in China. Zhao noted: In developing China's economic construction, we must handle satisfactorily the relationship between absorbing foreign funds and technology and strengthening economic cooperation with the interior, and must combine the development of the coastal areas with the exploitation of the interior so as to truly solve the problem concerning the relationship between the east and west of our country. When they become prosperous ahead of others, the coastal areas should bring along the hinterland's economic development so that the whole national economy will be invigorated and the people of the whole country will become rich.

To this end, Zhao pointed out that we should open the Zhu Jiang Delta and the Chang Jiang Delta to the outside world first and the Liaodong Peninsula and Shandong Peninsula second. Thus a fan-shaped open economic region will be formed, ranging from Dalian in the north to Beihai City in the south. This will serve as a door for promoting our economic and trade relations with foreign countries and an important base of imports and exports. The major coastal cities, in particular Shanghai, Guangzhou and other large cities, will play a pivotal role in disseminating their influence to the outside and inside by absorbing foreign funds and technology and strengthening economic cooperation with the interior.

Zhao explained in his report: The special economic zones, the open cities and the open coastal areas are not isolated. In scattering their influences to the outside, they need even more cooperation and support from the interior. When the interior, which has good foundations in industry and a strong force of science and technology, and is rich in natural resources as well, is linked with the open coastal areas, it will change the situation of being poorly informed, outdated knowledge, and outmoded methods of management. The methods for cooperation adopted in "absorbing foreign funds and technology" are also applicable in "strengthening economic cooperation with the interior." The open coastal areas should be given more due powers in foreign trade so that they will be able to boldly compete for markets in the world. We should have the daring to build our coastal cities into places which can attract businessmen from all corners of the world. The implementation of this policy can offer foreign investors more areas for cooperation and more chances for making extensive use of natural resources and technology in the interior.

After undertaking investigation and study, Zhao pointed out: Two major problems now lie ahead of the coastal areas in economic development--that of a shortage of power and of imbalance in foreign exchange. Guangzhou, Shenzhen,

Zhuhai and other cities are now very tight concerning foreign exchange and black markets in foreign currencies are rampant there. This problem has arisen because they imported too much equipment and raw materials for producing products to sell on the domestic market. If we fail to solve the problem at an early date, it will certainly make us run short of ways in dealing with the situation and will affect the stability of the renminbi. Zhao continued: To produce "Western style goods" with imported equipment and raw materials for the domestic market is not the way to earn money. The happy days will not last long if we know only importing expensive goods with foreign exchange for profiteering on the domestic market. At present protectionism is gaining ground in the world and competition is acute. Therefore, the sweet dream of paying for foreign loans by means of selling imported goods on the domestic market is also short-lived. In attaining a balance of foreign exchange, we should rely on our efforts to earn foreign exchange by opening up new avenues for export.

One of the new avenues is to develop our traditional textile industry and other light industry and the newly emerged food industry. We can import advanced technology and equipment to shift the working procedures of the processing industry from abroad to the Chinese mainland, and in the first place to the special economic zones and the coastal areas. In developing the processing industry, we should improve quality and packaging of products and increase varieties, and should export these well-processed goods to the world market. The development of the textile and light and food industries will also bring along the development of the processing and machine-building industries in the coastal areas.

Zhao also stressed: With the development of computer technology, manufacture of software has become an important business. Experts predict that this industry may develop rapidly in our country because we have a number of people who are clever and [word indistinct]. He also noted in his report that we should accelerate the export of services and conscientiously formulate the relevant policies.

With the implementation of this strategy for development, we may see that China will also develop its role in a part of the world market when a part of our domestic market opens to foreign countries. This will help these areas achieve a balance of foreign exchange and a benign circle in economics. In 1983 China on its own initiative opened a part of the domestic market to those who have invested in China and adopted the relevant policies and measures to solve the problems of paying back foreign funds and attaining a balance of foreign exchange. Now we have managed to solve the problem of imbalance in foreign exchange once for all. This shows that our open-door policy is becoming more mature day by day.

Our lack of power is gravely hindering our efforts to create a favorable climate for investment. During his tour of the two deltas, Zhao was told that there has been a sharp increase in the processing industries, guest houses and electric home appliances, but the shortage of electricity is serious and many

factories were operating under capacity. In this connection, Zhao pointed out that the coastal areas should manage to increase the power supply by every possible means while the state is helping to build more major facilities for energy and transport. He suggested that we should boost the enthusiasm of all parties concerned in collecting funds for the development of the power industry. We can raise capital by floating shares to build more power stations. The state can make full use of the capital to speed up the development of the power industry. He also pointed out that since new progress had been made in the exploitation of natural gas in the South China Sea, Guangdong could raise funds to transport natural gas from Hainan Island to the mainland for the development of the power and chemical industries so as to accelerate its economic development.

[16 Jan 85 p 2]

["Special Feature" by correspondent Lan Ching-chung [5663 7231 0022]:
"Premier Zhao's Report on Inspection of Guangdong and Jiangsu--second and last part"]

[Text] China is now preparing reform of the setup of farm production in a deeper way after its economic restructuring has scored great achievements in the countryside. Early in the 1950's to 1960's when Premier Zhao Ziyang worked in Guangdong, he advocated a diversified economy in agriculture and scientific farming in a comprehensive way and encouraged the raising of the per-unit area yield (attaining a goal of gaining 3 yuan per square foot of land). When he recently visited the Zhu Jiang Delta again, he witnessed that after changing the setup of agricultural production, Xinhua County has attained the goal of gaining 6 yuan per square foot of land, and some places of Zhongshan County had gained 10 yuan per square foot of land. Zhao pointed out: In recent years the countryside in the coastal areas has embarked on the road of the commodity economy from the self-supporting or semi-self-supporting economy. With our door open wider to the outside world, we must go a step further with changing the setup of agricultural production in our country, and particularly in the Zhu Jiang Delta and Chang Jiang Delta. We should arrange production in a reverse order--from the order of agriculture-industry-trade to that of trade-industry-agriculture. That is to say, we should reform the setup of our agricultural production to meet the needs of exports and attain the goal of entering the world market. We should swiftly develop trade not only in the Zhu Jiang Delta but also in most parts of Guangdong. This will be a great change.

In readjusting the setup of agricultural production in the two deltas, we should place the stress on reducing the acreage of grain crops, resume planting traditional high-quality rice, growing more industrial crops for export, and developing fish farming. The Zhu Jiang Delta should primarily strive to meet all the demand for fresh and live commodities on the Hong Kong-Macao market.

In this connection, Zhao proposed some flexible measures. They are: Guangdong will export most of its fresh and live commodities directly to Hong Kong and Macao with the exception of one or two kinds which have to be exported by the interior; all counties and cities in the Zhu Jiang Delta can set up local

companies to take charge of business directly with Hong Kong and Macao; Guangdong and the Ministry of Foreign Economic Relations and Trade can plan to set up a provincial export association for the food industry to unify prices and distribution of quotas and encourage trading in the market by producing high-quality goods; Guangdong will replace the Ministry of Foreign Economic Relations and Trade in controlling the distribution of quotas for exports to Hong Kong; and after reducing the acreage of grain crops, Guangdong may satisfy its needs in grain by seeking help from neighboring provinces or by means of paying money instead of grain to the state, as the peasants in Foshan are now doing. At present the country has a surplus of grain. This is favorable to the implementation of this policy.

The reform of the setup in agricultural production will be carried out step by step from the Zhu Jiang Delta to the Chang Jiang Delta and then to the Liaodong Peninsula and other coastal areas. Zhao anticipates that this will yield marked results in a few years.

Premier Zhao pointed out: The general trend of opening to the outside world will be moving from the coastal areas to the interior of China. This will give rise to a series of profound reforms in the economic structure, the system of management, and the forms of business operation. This requires that we should not only sum up our historical experiences and study the present economic situation and its future development, but we should also absorb the mode and managerial methods of the socialized mass production of foreign countries, including the developed capitalist countries, and through the filter of the special economic zones and open cities we should eliminate the useless and retain the useful to push ahead with the development of the forces of production in line with actual conditions in socialist China.

Zhoa also pointed out: China's restructuring of the national economy will be gradually carried out through repeated exploration and practice, from the special economic zones to the open cities, the economic development zones, and then to the interior. He said that this will enable us to take one step forward and look around before taking another so that we can go about things steadily.

Through investigation, Zhao believes that after practicing reform for several years, Guangdong will have accumulated a great deal of successful experiences valuable to the interior. These include, first, reform of the pricing systems, a most puzzled problem in the current restructuring of the national economy. After opening to the outside world, Guangdong gradually loosened its control over prices. For example, after it opened free markets to fish and vegetables, their output has increased sharply and their prices became stable. The political and economic conditions in Guangdong are more favorable than those of other areas in adapting to the open-door policy. Guangdong started off before the others in reform of the pricing system in order to gain experiences and then disseminated them to other places. He is convinced that we will find a suitable way to reform the pricing system. The second is reform of the capital construction system by centering around efforts to shorten the building cycle. He said: In Guangdong I was deeply impressed by the short cycle for building key construction projects with a quick turnover of capital, thus achieving better economic results. For example, it took 11 months to build the Foshan woolen mill, and 17 months to build the Xinhui polyester fiber mill with a

capacity of producing 5,000 tons every year. Compared with factories of this kind, the investment in these two factories was 25 percent less and can be paid back only in 3 years. Moreover, it took only 8 months to build the first-phase project of the new harbor in Zhongshan, which has four deep-water berths and can handle up to 1 million tons of cargo a year. In the Zhu Jiang Delta, we have built the Guangzhou-Zhuhai and Guangzhou-Shenzhen highway bridges and will collect tolls as a means of paying back the loans.

Zhao also stressed the necessity of developing the technology industry to promote the transfer of technology. He praised the fact that many enterprises in the Zhu Jiang Delta know how to introduce advanced equipment for technical transformation. This is the secret of their success. Technology is also a kind of commodity. Transfer of technology to the interior should also be compensable.

Zhao particularly emphasized the need to attract more talented professionals to work in China, when pointing out the need to boldly give the reins to able and talented entrepreneurs and business pioneers and to resolutely reform the labor and personnel system. On this point, he quoted a saying he had heard in Guangdong: "Attention should not only be paid to the introduction of computers, but should also be paid to the introduction of 'human brains.'" That is to say, foreign experts and management groups can be invited to run some undertakings in light of the actual needs. For example, the Zhongguo Hotel in Guangzhou has hired a management group headed by a German expert, because the group has experience in running a high-level hotel. By appointing our personnel as assistant executives of the management groups, we may quickly master many useful management skills. Practice shows that training qualified management personnel group by group is a good method.

This trip impressed Zhao with the rapid development of economic construction in the Zhu Jiang Delta area, which is said to "be able to get the moonlight first as a waterfront pavilion." He expressed his appreciation of this point in his report and cited many examples to praise the achievements. He said that he saw brisk markets in both the urban and rural areas, which supplied a rich variety of commodities. In this area there are more than 530,000 individual industrial and commercial units which provide more than 700,000 jobs. This number amounts to 80 percent of state employees. In addition, some 100,000 people are engaged in long-distance transport and marketing, and their work has facilitated commodity circulation. He especially praised Guangdong for its leading position in the fair trade turnover (4.2 billion yuan), total retail sales, the output value of the tertiary industry, and the total savings of the urban and rural people (which amounts to 11.3 billion yuan). Changes have also occurred in the structure of employment. In Shunde, Dongguan, and other counties, the population engaged in farming has declined to the proportion of 1 to 1 against the population engaged in other trades. In some areas the ratio of farming population to the nonfarming population has been reduced to 4 to 6 or even 3 to 7. The gap between cities and the countryside and the gap between workers and peasants are being narrowed. People's economic incomes and their daily consumption are gradually developing to an intermediate level. He encouraged Guangdong to speed up the development of this excellent situation.

Zhao made his trip to Guangdong from late November to early December last year. Many of his opinions have rapidly turned into official policies. When giving a speech to the recent congress of the Writers' Association, Gu Mu revealed that China's open-door policy would soon develop into its third phase. The national rural work conference, which was held late last month, formulated a series of new rural policies. Recently, Liang Lingguang put forward a new plan to open the six cities and ten counties in the Zhu Jiang Delta area as the first step and then open 32 cities and counties of the province. New measures have been adopted to readjust the industrial structure of the coastal areas in Guangdong Province. All these signs show that the Chinese leaders, as well as the people in coastal areas, are enthusiastically greeting the new tide of reform, which is now surging ahead!

CSO: 4006/396

HONG KONG MEDIA ON CHINA

JAPANESE COMPANY EXTENDS HONG KONG OPERATION TO SHENZHEN

HK020314 Hong Kong HONG KONG STANDARD in English 2 Feb 85 Business Standard p 1

[Text] A Japanese company manufacturing computer terminal printers is setting up a wholly-owned factory in the Shenzhen Special Economic Zone as an extension of the Hong Kong production base.

It is the first time the Shenzhen municipal authorities have permitted a 100-percent shareholding of Japanese capital.

The managing director of Epson, Mr Mitsuhiro Tsuchihashi, said the Shenzhen factory, Epson Engineering (Shenzhen), will make the labour intensive items at present being produced at their factory in Kwaichung. The Hong Kong factory will continue to manufacture other high-tech products.

Tsuchihashi said the production cost in Shenzhen is expected to be cut by about 40 percent because of lower costs of land and labour.

He disclosed that the Shenzhen municipal government approved the establishment of the company in the Special Economic Zone after three weeks of application.

"Epson has been proceeding with projects for the local production of terminal printers in the United States and France as the first step to establish its worldwide production bases.

"The Shenzhen project is one of such activities and we are planning to develop this project as our main production base in Southeast Asia along with Epson Engineering, one of our subsidiaries in Hong Kong," he said.

The acceptance to the setting up of the project by the Chinese Government, he said is a step towards the policy of opening China to foreign capital.

Tsuchihashi said the Shenzhen factory plans to start its operation of the assembly of miniprinters this July. First they will start with the assembling of liquid crystal displays. The total investment will be around \$30 million. Epson Engineering (Shenzhen) has been set up with a capital of \$2 million.

The factory will employ 500 people and the production capacity will be around 50,000 pieces of mini printers per month during this year. It will be doubled in 1986, he said.

HONG KONG ECONOMIC TRENDS

HONG KONG TEXTILE DELEGATION GEARING UP FOR GATT, U.S. TALKS

HK120351 Hong Kong SOUTH CHINA MORNING POST in English 12 Feb 85 Business Supplement p 1

[By Suzanne Sim]

[Text] The Trade Department will strengthen liaison work with its Washington, New York and Geneva offices to come up with new strategies in its ongoing battle against the U.S. on the country-of-origin rules.

Director of Trade Mr Hamish Macleod said yesterday after a special meeting of the Textile Advisory Board the department is gearing up for major tussles with the U.S. in Washington and Geneva soon.

The fourth round of talks with the U.S. is scheduled for the week beginning 11 March, while the next round of meetings of the General Agreement on Tariffs and Trade's (GATT) Textile Surveillance Body (TSB) is set from 25 to 28 February with another meeting next month.

But Mr Macleod said it is not yet known when discussion of the origin rules is likely to occur during the two rounds of TSB meetings. The decision lies with the board's officials.

New tactics were discussed at yesterday's meeting, but Mr Macleod would not elaborate.

Members of the textile board, chaired by Secretary for Trade and Industry Mr Eric Ho, discussed their frustration at the U.S.'s attitude during the last round of talks in Washington.

As requested by the TSB, Hong Kong and the U.S. must submit a report on the talks by 20 February.

But Mr Macleod said he did not expect the U.S. to respond to the proposals put forward by Hong Kong before 20 February.

Hong Kong has put forward two proposals to help alleviate the uncertainty facing local manufacturers and solve the problems created by the new rules.

--Mr Macleod and a Deputy Director of Trade, Mr Michael Sze, will visit Canton from 6 to 9 March to hold talks with the Deputy Director of the Guangdong Foreign Economic and Trade Commission, Mr Feng Xueyan.

A Trade Department spokesman said the aim of the visit is to exchange views on a variety of topics, including Hong Kong's trade licensing and the quota management system.

Mr Macleod said the origin rules will not be discussed.

Meanwhile, the imposition of the American country-of-origin rules--which has hurt Hong Kong's knitting industry--may prove a boon to the territory's spinners.

Since local knitters have been buying the majority of their yarn from China, South Korea and Taiwan, local spinners say the rules will mean the territory's mills will now start buying more Hong Kong-spun yarn.

Taiwan, South Korea and China supply about 70 percent of all grey cloth and checked fabric in Hong Kong, with the bulk coming from China.

Cheaper fabric from China has seriously affected the sales of local spinners, with the number of weaving machines falling 30 percent over the past 10 years.

One local weaver, who asked not to be named, said the "rules will ensure we are not forced out of the market by China."

Since the rules came into effect on 7 September, the knitwear industry has been in the front line in the battle to have them scrapped or significantly altered.

The dyeing and finished industry has also been active because the rules also affect printed cloth exports to the U.S. Most cloth printed in Hong Kong comes from China.

Although local weavers stand to gain from the rules, they have remained quiet on the issue.

CSO: 4020/116

HONG KONG ECONOMIC TRENDS

TRADE DIRECTOR SAYS U.S. 'UNREASONABLE' IN TEXTILE TALKS

HK080559 Hong Kong HONG KONG STANDARD in English 8 Feb 85 Business Standard
Supplement p 1

[Text] Three days in inconclusive talks which ended yesterday in Washington has all but smothered the glimmer of hope for a solution to the U.S. rules-of-origin row on textiles.

Mr Hamish Macleod, the director of trade, described the negotiations as not very satisfactory and noted that the U.S. had made no proposals during the talks.

In the absence of any U.S. proposals, the Hong Kong delegation had put two proposals on the table for its U.S. counterpart to consider, but the U.S. had failed to respond to these proposals and the two sides agreed to meet again, possibly in the week of 11 March.

Macleod said the talks had focussed on the findings of the Geneva-based Textiles Surveillance Body (TSB) and the two proposals addressed the immediate problems of uncertainty facing Hong Kong manufacturers and exporters, and suggested a solution to the overall problem of the new rules.

He described the absence of any U.S. attempts to address the TSB findings and its steadfastness to discuss possible solutions as "unreasonable and unhelpful" and could not be regarded as an adequate response to the TSB recommendations. [sentence as published]

Leading industrialists in the local textile industry contacted by BUSINESS STANDARD said that the U.S. had displayed no sincerity whatsoever in the negotiations and that its reputation as the self-proclaimed promulgator of free trade has been tarnished beyond repair.

Macleod said that he has stressed to the American delegation that the regulations were continuing to cause serious disruption to the knitwear industry.

He added that he had pointed out possible side-effects of the new rules which would be unwelcome to the U.S.

For example, it was clear that the new rules, if unchanged, would in future permit Hong Kong to export sweaters free of quota if certain knitting processes were carried out in the EEC or other quota free countries.

In short, Macleod was saying that the regulations could lead to a proliferation of just the sort of problems which they were supposedly designed to prevent.

The new "country of origin" rules on textiles was slapped on Hong Kong and other developing economies in October last year by the U.S. in an attempt to end a practice known as "transshipping" which American textile manufacturers contend subverts quota regulations and undermines the domestic knitwear industry.

Local knitwear manufacturers, whose exports to the U.S. are normally worth more than U.S. \$250 million annually, are jittery, claiming that order books for the U.S. market were down 55 percent last December from December 1983.

More than 30,000 people are directly employed by Hong Kong's knitwear industry and many jobs could be in jeopardy if the rules are not rescinded soon, government sources said.

Under the old U.S. rules, when a textile-making country is near the limit of its exports to the U.S., it often sends garments to a neighbouring country for final assembly and labelling, thus taking advantage of that country's unused quotas.

Hong Kong used to send parts of sweaters to China to be assembled and finished there and entered the U.S. under Hong Kong's quotas. [sentence as published]

But the Reagan administration has redefined the rules to mean that a garment being sent to the U.S. is legally from the last country in which "substantial transformation took place" and therefore many sweaters from Hong Kong are considered made in China.

The Hong Kong Government estimates that more than 70 percent of Hong Kong's sweater exports to the U.S. are assembled from panels knitted in China and therefore run afoul of the rules.

Trade officials here insist that the rules disrupt an accepted practice in the textile industry which used to take advantage of the relatively cheap labour in China to keep costs down.

"There is nothing unusual about the international division of labour. The United States, for example, does it in the case of electronics," Macleod said before he left for Washington.

No mention was made by the Trade Department in its statement about the three shipments recently banned from entry into the U.S. which the U.S. authorities claimed violated the new rules.