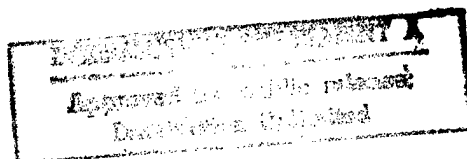


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China Report

ECONOMIC AFFAIRS

No. 281



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ECONOMIC MANAGEMENT

IMPROVEMENT OF ECONOMIC BENEFIT IN COMMERCIAL ENTERPRISES STRESSED

Chengdu SICHUAN RIBAO in Chinese 2 Sep 82 p 3

[Article by Ma Jungyang [7456 7586 7122]: "Vigorously Improve Economic Benefit of Commercial Enterprises"]

[Text] During the Fourth Session of the Fifth National People's Congress, Premier Zhao Ziyang announced the 10 principles for China's economic construction. The core problem is the improvement of economic benefit. Commerce is the branch of economics specializing in organizing commodity circulation. In the national economy, it is not only the bridge connecting the development of industrial and agricultural production but also the link between production and consumption. This important position and function determines the quality of the economic benefit of commerce. It bears on the major problem of whether or not social reproduction can move forward successfully and whether or not it can provide additional wealth to the state and material benefits to the people. For this reason, we must pay great attention to improving economic benefit in the domain of commodity circulation at the same time that we pay attention to improving economic benefit in the production domain.

Great potential exists in the commercial departments of our province for the improvement of economic benefit. Looking at the operating conditions of the first half of this year, profits attained were down by 19.5 percent compared with the same period last year. The level of expenditure was 8.07 percent, an increase of 1.17 percent over the corresponding period last year. And the turnover of capital was 1.08 times, 0.12 times slower when compared to the same period last year. The major reasons for these conditions were: poor sales of industrial products, increase of warehoused stocks, and slow turnover of capital. At the same time, unprecedented losses were incurred in some of the second-class [product] stations and third-class [product] wholesalers of industrial products. This phenomenon also directly affected the procurement of industrial products produced in the province and caused the appearance of a new contradiction between industry and commerce. For this reason, the vigorous improvement of the economic benefit of commercial enterprises dealing in industrial products has become an important task facing the current commercial work. This article will focus on this problem and discuss a number of viewpoints.

I. It is necessary to conduct a concrete study of the special characteristics of the economic benefit of commercial enterprises dealing in industrial products.

In order to improve the economic benefit of commercial enterprises dealing in industrial products, we must first understand that it has its own special characteristics which are different from those of the industrial and agricultural production departments and other commercial departments. First, the daily industrial products managed by these enterprises are the daily necessities of the consumers. Furthermore, they have the special characteristics of continuous changes in design and color and a wide range of selections. Therefore, the rate of their circulation is greatly affected by their supply and demand relationship and by whether or not a product is attractive and low in cost. Second, the enterprises represent socialist commerce. All operating activities proceed under the direction of the state plan. Over 70 percent of the circulation volume of products is under the control of the state plan. Thus, not only is its economic benefit restricted by production but it is also affected by the plan management work. Third, circulating funds of commercial enterprises account for over 80 percent of the total funds. The utilization efficiency and turnover rate of circulating funds represent an extremely important factor in determining the economic benefit. Fourth, not only is the socialist activity an economic activity but it is also a service activity. An extremely close relationship exists between economic benefit and quality of service. Fifth, the results and profits achieved by commercial operations are not entirely determined by their own factors. They are also affected to different degrees by price policies, operating boundaries, and transportation conditions.

Based on these special characteristics, we can see that the economic benefit of commerce includes the substance of both microeconomic benefit and macroeconomic benefit.

II. It is necessary to correctly handle the relationship between macroeconomic benefit and microeconomic benefit.

Microeconomic benefit refers to the economic benefit of a commercial enterprise. As a comparatively independent unit operating in commodities and practicing enterprise economic accounting, a commercial enterprise necessarily has its own economic benefit. Microeconomic benefit is the foundation of macroeconomic benefit. Macroeconomic benefit refers to the economic benefit of society. Serving as the middle link of social reproduction and regulating the economic activity of the entire society, the economic benefit of socialist commerce will necessarily be reflected from the entire society. This is the macroeconomic benefit of commerce. Macroeconomic benefit is the prerequisite of microeconomic benefit.

In order to emphasize and improve the economic benefit of commercial enterprises, we must correctly treat and handle the dialectical unity relationship between macro- and microeconomic benefits. We must have the macroeconomic benefit in mind while starting with the microeconomic benefit and stress the microeconomic benefit of the prerequisite that it is subordinate to macroeconomic benefit. What is worth our attention at present is to overcome and correct the one-sided ideological understanding of emphasizing the economic benefit of individual enterprises and neglecting the economic benefit of society. Commercial enterprises, especially those dealing in industrial

products, must be concerned not just with the partial benefit of their individual enterprises alone when handling products produced within the province and must not consider problems without starting with the overall situation of developing local industrial production and increasing fiscal revenue for the state.

In accordance with the regulations on [regional] price differences, commercial departments can, under normal conditions, gain an additional 2 to 3 percent in profits when trading similar industrial products from outside the province as compared to products produced in the province. Moreover, the variety and quality of some industrial products produced in our province lag in a rather large degree behind those produced by some provinces and municipalities. For these reasons, the ideology exists among many cadres in commerce of attaching importance to products from outside the province and looking down on products produced in the province. Following the development of industries producing daily necessities in the last 2 years and the daily increase of commodities on the market, this contradiction has become even more acute. Reflecting on the experience of the Chongqing General Merchandise Station, they purchased 1 million pairs of rubber shoes from outside the province in the first half of this year and based on normal pricing plus various favorable conditions, they can gain a profit of 300,000 yuan. Dealing in 1 million pairs of similar products from Chongqing with more than half-year of storage, they would lose 70,000 yuan. Currently, conditions of incoming commodities exceeding sales, an excessive stockpile of commodities, and deficit enterprise operations are appearing. This type of situation also exists from other products which are basically balanced between production and marketing. For these reasons, commercial departments always think of purchases from the outside in order to gain better economic benefit for the enterprises. This is a problem that requires conscientious study.

Based on statistics, in 1981 the in-province sources of supply of state-operated commerce for the seven major categories of daily industrial products of knitting, textiles, general merchandise, cultural goods, hardware, transportation and telecommunications, and chemicals accounted for only 54 percent of the total incoming commodities. Sources of supply outside the province accounted for 46 percent of the total. This shows that the degree of self-sufficiency of daily industrial products in our province does not reach 60 percent. However, looking at the fiscal revenue of our province, of the annual revenue of more than 3 billion yuan, industrial taxes and profits (primarily from the light and textiles industries) actually account for 70 percent of the total. Consequently, I believe that in order for Sichuan to become wealthy we must use every means to support the development of local industrial production of light and textile products and food products, based on the prerequisite of improving product quality and increasing designs and colors and variety. At the same time that we accelerate agricultural development, thereby effectively raising the social economic benefit. Within the limits of state policies and under the direction of macroscopic planning, commercial enterprises with comparative independence must tap every potential from within. We must establish the three major viewpoints and vigorously improve the economic benefit of enterprises on the foundation of pushing forward the development of industrial and agricultural production and satisfying the needs of the people.

III. The planned and proper organization of commodity circulation is the key to improving the economic benefit of commercial enterprises.

The national economy of our country is established on the foundation of public ownership of the means of production. It carries out the principle of relying mainly on the planned economy and supplementing it with regulation by market mechanism. Major commodities affecting the national economy and the livelihood of the people are arranged according to the state plan, from their production to their circulation. Currently, the economic benefit of our province's commercial enterprises is not high. In analyzing the reasons, we find problems of poor management and administration. The lack of scientific and accurate planning, and the inability to make a timely forecast of changes in market supply and demand and to carry out necessary readjustments in purchase and marketing are also some of the reasons. However, the more important reason still lies in the fact that some industrial and commercial enterprises do not carry out the state plan strictly. In some instances, there is even a tendency of departing from or weakening the state plan. For these reasons, the organization of planned commodity circulation is the key to improving the economic benefit of commerce right now. In order to organize planned commodity circulation, the following problems must be solved:

1. Persist with the planned economy as the primary basis and properly achieve a comprehensive balance of supply, production, and marketing. First, cadres in commerce and staff and workers must firmly establish the concept of a planned economy and strictly carry out the state plan. For commercial goods controlled by the state plan, production and procurement must be organized according to the state plan. Both aimless production and aimless management must be effectively prevented. Second, investigation and research must be strengthened and market forecasts properly conducted. A comprehensive balance must be achieved between the purchasing power of society and the availability of commodities and in the handling of the relationship of supply, production, and marketing. Third, planning work must be solidly improved and supervision of the plan must be strengthened. Planning must proceed from actual conditions. The scientific basis of planning must be strengthened. It should be united from top to bottom on a democratic basis. The plans for production, supply, and marketing must be coordinated. Only by this type of planning will there be a binding force in direction.

2. Promote the production of greater quantities of products by the industrial departments which cater to the market demand and rationally organize the import of commodities from outside the province. The major channel effect of state operated commerce must be fully developed. The industrial departments should be positively promoted and assisted to properly carry out the readjustment of the product mix. Variety and design and color should be vigorously expanded. Quality should be improved and production cost lowered. Larger quantities of products which cater to the market demand should be produced. The competitive capability of products produced in the province should be strengthened. At the same time, procurement should be properly organized for local products which meet the requirements of quality, design and color, and variety in order to improve the economic benefit of the entire society. In organizing sources of supply from outside the province, emphasis must be given

to economic reality. Planned commodities must be organized and imported according to the state plan. Imports should be organized in a planned way and based on market demand for commodities not produced in the province or for which the market demand cannot be met. Selective purchases of superior products should be made where only small quantities are needed to make up for design, color, or variety. Commodities produced in the province should be depended upon and their production and procurement organized locally whenever they can satisfy the demand and their quality and price are basically appropriate.

3. Reorganize the market and strengthen control. The problems of "everybody engages in business," wholesale by many, and confused prices in the domain of industrial product circulation have helped the growth of aimless management and duplication in keeping commodities in stock and seriously affected the improvement of economic benefit. Conscientious reorganization must be carried out. First, state operated commercial enterprises and supply and marketing cooperatives must operate within their authorized individual fields in accordance with the spheres of commodity management by various specialized companies as classified by the Ministry of Commerce. The practice of trade-by-authorized-units should include the entire major classes of commodities, so that in the wholesale channels, each will take its own place and each will carry out its functions fully, and unimpeded commodity circulation will really be achieved in a lively but not confused manner. At the same time, price control work must be strengthened. Planned prices are an important part of the planned economy. Without price control, there will not be a stable socialist market. The price control departments not only must pay attention to the management of retail prices in the market but, more importantly, they must also manage and supervise the conditions under which price policies are being carried out by the enterprises owned by the whole people [i.e., fully socialized enterprises], so that economic benefit will be vigorously improved under the principle of strict adherence to price policies.

4. Expand sales of commodities and accelerate the turnover of capital. To properly carry out the work of commodity sales is the condition for the realization of the value of commodities and the value of utilization. Properly organized commodity circulation has an extremely important significance for the smooth progress of social reproduction. It is also an important avenue for accelerating the turnover of capital and improving economic benefit. Looking at the conditions of our province, we must properly conduct the sale of industrial products and vigorously promote the sale of local industrial products. Industry and commerce must mutually support each other, coordinate with each other, allow each other profits, and expand sales by various ways--sales on commission, sales by proxy, joint promotion and sales, and joint management. At present, vigorously organizing the sale of industrial products in the rural areas to satisfy the needs of this large domestic market is extremely important in expanding the sale of commodities, supporting industrial production, and improving economic benefit. Accordingly, the industrial departments are required to manufacture more commodities suited to the needs of the peasantry. The state-operated commercial enterprises and the supply and marketing cooperatives must make concerted efforts to open up new urban and rural channels and develop multiple forms of purchases procurement and

marketing to push the sale of industrial products in the rural areas. Wholesale work must be conscientiously improved. The ideology of wholesale serving retail should be cultivated and the quality and attitude of service vigorously improved.

The period of time that commodities remain at the wholesale stage should be reduced to a rational limit. In addition to expanding sales, the problem of stockpiling of commodities must also be solved. The stockpiling of commodities is an absolutely necessary condition for commodity circulation. However, if the stockpiling of commodities increases because of stagnation in commodity circulation and exceeds its limit, a deduction, or loss, of value will result when the value of commodities is realized. Consequently, in both theory and practice, the boundary between rational stockpiling and overstocking must be clearly defined. Stockpiling norms should be established for different commodities. Commodities in stock should cater to the market demand. Their mix should be rational and varieties should be renewed. Overstocked old products should be continuously and regularly cleared off the shelves and their sales should be pushed, so that there will be flows both into and out of the "storage pond" and so that its storage is maintained at an appropriate level. If strategic stockpiling becomes necessary for important commodities affecting the national economy and the people's livelihood, the required funding and expenses should be computed and paid by the state alone. This will differentiate it from the normal turnover of warehouse storage by an enterprise and make it possible to accurately assess the economic benefit of the enterprise.

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CSO: 4006/653

ECONOMIC MANAGEMENT

TIANJIN CUTS RED TAPE IN SETTING UP SHOPS

OW210901 Beijing XINHUA Domestic Service in Chinese 0759 GMT 17 Oct 82

[Excerpts] Tianjin, 17 Oct (XINHUA)--Editor's Note: A number of news reports have invigorated the people's spirit and enhanced their confidence. Tianjin's practice shows that as long as the leading cadres dare to break the fetters of tedious formality, adopt clear-cut and reasonable policies, and resolutely and speedily carry them out, bureaucracy in government offices can be thoroughly eliminated and work efficiency enhanced. If everyone does his job in such a renovative spirit, the task put forth by the 12th CPC National Congress can certainly be achieved.

XINHUA reporter Meng Zijun reports: Breaking the fetters of tedious formality, the Tianjin Municipal CPC Committee and People's Government have boldly improved their work methods and opened up a new situation in establishing commercial outlets within the short period of 3 months.

According to statistics, from late June to late September this year a total of 594 collectively owned commercial outlets, representing various trades, were established at convenient locations throughout the municipality. They accommodated some 5,000 youths who had been waiting jobs. The number and speed in establishing the commercial outlets were unprecedented.

In the past, applications for establishing a new commercial outlet in Tianjin normally would have to go through 32 departments, including the planning, capital construction, zoning, public security, finance and trade, material supply, power, environmental sanitation and other departments and needed a total of 169 stamps and signatures. It took 6 months to obtain a license for the construction of an outlet and 8 to 9 months, even 1 year, before it was built and could start business.

Toward the end of June this year the Tianjin Municipal CPC Committee and People's government appointed Comrade Li Ruihuan, party secretary and acting mayor, to take personal charge of this matter. He invited responsible personnel of the departments that formerly were responsible for checking applications to attend an office meeting on three occasions, thereby unifying their thinking, policies and measures and solving problems on the spot.

Li Ruihuan also worked together with the departments concerned in formulating some flexible policies in good time. This was very helpful in establishing the outlets.

Under Comrade Li Ruihuan's leadership, the bureaucratic style and unhealthy practices of some departments on the question of establishing commercial outlets have been swiftly eliminated.

CSO: 4006/64

ECONOMIC MANAGEMENT

BRIEFS

SHAANXI ENTERPRISES--Since the beginning of the year, 1,437 financial and commercial enterprises have been straightened out in the province. Some have finished the work. The vast majority of the enterprises which have been straightened out have made considerable achievements in such fields as business management, quality of products and the raising of economic returns. Enterprises which have been straightened out account for 13 percent of all basic accounting units in the province's commercial supply and marketing cooperative, grain, foreign trade and financial enterprises. One of the prominent features in the straightening out is that importance is attached by leaders, and investigation groups have been dispatched by various departments concerned which are in charge of each trade. Remarkable changes have taken place in most of the enterprises which have been straightened out. [Xian Shaanxi Provincial Service in Mandarin 1130 GMT 13 Oct 82 HK]

CSO: 4006/63

FINANCE AND BANKING

INTERVIEW WITH BANK PRESIDENT ON CONCENTRATION OF FUNDS

HK200947 Changsha Hunan Provincial Service in Mandarin 1100 GMT 15 Oct 82

[Interview with Bai Xijin, provincial People's Bank president, by radio reporter; date and place not specified]

[Excerpts] In a recent interview with a local radio reporter, provincial People's Bank president (Bai Xijin) talked about the importance of the People's Bank in concentrating funds and its specific measures. Referring to the plan and measures for all-round organization and concentration of funds, he said: At present we should strive to achieve the following main points:

1. We should launch a big campaign to encourage saving; we should pay interest, in accordance with current deposits, to all deposit accounts opened by the units with the exception of funds allocated by the financial departments; we should strive to give services to the fixed deposits of the state and collective enterprises; we should speed up the building of branch offices; and we should increase more new deposit items and do a good job in deposit services.
2. We should enhance the role of the insurance services; absorb and concentrate the social potential and separate funds and bring them into line with the credit plan in order to guarantee factories and peoples' lives.
3. We should further strengthen fund administration and supervision; enable groups or enterprises to deposit their cash in time and concentrate more social potential and separate funds which are to be used for the development of production in order to speed up the construction of key projects.

Finally, referring to the question of how to use the funds well, he said: At present and in the future, in order to deal with the problems which the provincial enterprises are facing, such as a great amount of funds lying idle, the circulation of funds being slow and economic returns being unsatisfactory, we should stress the raising of funding returns, the speeding up of the circulation of funds, the strengthening of the bank's economic measures and the bringing into play of all credit funds through unified planning in line with the economic construction of the country.

CSO: 4006/64

FINANCE AND BANKING

CIRCULAR ON IMPLEMENTING CASH MANAGEMENT SYSTEM ISSUED IN SHAANXI

HK041236 Xian Shaanxi Provincial Service in Mandarin 0500 GMT 1 Oct 82

[Text] The provincial people's government recently issued a circular, demanding that units concerned throughout the province strictly implement the cash management system.

The circular definitely declared that from now on, all units which arbitrarily charge cash or illegally obtain cash will be fined a sum of from 50 to 300 yuan, and the bonus due to the leading people and the staff members concerned will be correspondingly blocked.

The circular urged units in various places to strengthen their overall point of view and their sense of abiding by discipline and the law, and conscientiously and strictly implementing the cash management system. The circular pointed out that as the cash management system is lax in quite a few places in the province at present, there exist loopholes which facilitate criminal activities in the economic field and encourage some units to arbitrarily spend money. Such phenomena may seriously jeopardize the national economy. For this reason, the cash supply kept by various departments and units must be restricted; cash must be used properly as specified; no unit is allowed to arbitrarily charge cash or illegally obtain cash from banks by various means; different units are not allowed to borrow a large amount of cash from one another; no unit is allowed to lend its own bank account to other units and charge the latter for the use of the bank account; and all banks are required to strictly abide by the regulations governing current account settling and cash payment facilities so as to ban criminal economic activities. All units and people concerned who have violated the cash management system must make self-criticism and pledge to correct their mistakes. Banks and credit cooperatives have the right to temporarily stop providing part of or all of the cash payment facilities (salary cash payments not included) to those units which have repeatedly violated the cash management system, or even block their current account and refuse their checks. Those extremely serious cases must even be reported to local governments and discipline inspection departments so as to conduct investigation and affix responsibility. These criminal cases must be handled according to the law.

CSO: 4006/64

FINANCE AND BANKING

BRIEFS

NEI MONGGOL BANK LOAN--Agricultural banks in Hulun Buir League, Nei Monggol Autonomous Region, have granted large loans to commune members to develop household sideline production. In the last 3 years, agricultural banks at all levels throughout the league totally granted a loan of 6.63 million yuan for 16,748 households to develop household sideline production. As a result, the amount of livestock raising in the league increased from over 240,000 head in 1978 to over 470,000 head in 1981. In the past 3 years, the livestock privately owned by commune members showed a 4-fold increase and the annual livestock output procurement value was over 40 million yuan. [SK080209 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 5 Oct 82 SK]

HEILONGJIANG MUNICIPAL TAXES--Yichun Municipality in Heilongjiang Province collected 74.15 million yuan of taxes from January to September, showing an increase of 16.2 percent over the same period of 1981. [SK170715 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 16 Oct 82 SK]

JILIN TREASURY BONDS--Jilin Province has overfulfilled the state assigned treasury bonds selling task. By the end of September, the province had turned over to the state 102.31 million yuan of cash from treasury bond sales, overfulfilling the state assigned task by 4.2 percent. [SK161228 Changchun Jilin Provincial Service in Mandarin 1100 GMT 15 Oct 82 SK]

TIANJIN TREASURY BONDS--By the end of September, Tianjin Municipality had bought 113.18 million yuan worth of treasury bonds, overfulfilling the state assigned task by 14 percent. [SK161221 Tianjin City Service in Mandarin 0030 GMT 16 Oct 82 SK]

CSO: 4600/64

MINERAL RESOURCES

BRIEFS

LIAONING MAGNESIUM ORE--Products of the Xiuyan Magnesium Ore Mine, Liaoning Province, have sold well in western and northern European markets since 1966 and export volume has increased year after year. Export volume increased from 505 tons in 1966 to 10,528 tons in 1981, an increase of 19 times. By the end of September this year, the Xiuyan Magnesium Ore Mine exported 11,743 tons of magnesium ore, overfulfilling the annual report target by 11.4 percent and increasing by 89 percent over the corresponding 1981 period. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 11 Oct 82 SK]

NEI MONGGOL GOLD PRODUCTION--Nei Monggol Autonomous Region has achieved good results in gold production. By the end of September, the region had prefulfilled the state-assigned gold production target 3 months ahead of schedule. Gold output increased 44 percent over the corresponding 1981 period, a record in the region's gold mining history. The regional gold company recently issued a circular urging gold administrative and production units at all levels to make proper preparations for ensuring safety in winter production. The circular notes that dealings in gold by individuals have increased recently thus disrupting the state organizations. The circular calls on various departments responsible for the work in gold-producing banners and counties to vigorously help departments concerned deal strict blows to gold smuggling activities. [Text] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 19 Oct 82 SK]

GANSU NICKEL MINE AREA--Lanzhou, 8 Oct (XINHUA)--China's nickel output is expected to double in 2 to 3 years with the recent completion of the first stage construction on the Jinchuan No 2 nickel mining area in Jinchang City, Gansu Province, according to Jinchuan Nonferrous Metals Company. The project, partially put into operation in late August, will provide more nickel and other nonferrous metals for the production of a greater variety of high quality steel. Construction has also started on the second stage of the No 2 nickel mining area. When completed in 1990, China's nickel output will be quadrupled, according to the company. Jinchang, China's leading nickel producer, ranks second in deposits of nickelous sulfide in the world after Canada. The company began production of electrolytic nickel in 1964, output of which has increased in the past 3 years. Mineral ores in Jinchang contain rich nickel, copper and cobalt as well as precious metals in the platinum family, such as osmium, palladium, iridium, rhodium and ruthenium. [Text] [OW262339 Beijing XINHUA in English 1507 GMT 8 Oct 82 OW]

INDUSTRY

BRIEFS

NEI MONGGOL LIGHT INDUSTRY--Nei Monggol Autonomous Region has overfulfilled its light industrial and textile production task for the first 9 months of this year. At the end of September, the region's light and textile industrial output value was 834.76 million yuan, 10.9 percent more than in the corresponding 1981 period. [Text] [SK040247 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 30 Sep 82 SK]

YUNNAN LIGHT, TEXTILE INDUSTRIES--The enterprises under the Yunnan Provincial Light Industry Department have developed some 500 new products and the textile enterprises have produced about 1,300 kinds of new designs and new specifications. According to incomplete statistics, the total light and textile industrial output value in the province in 1981 was 36.7 percent more than in 1978 and accounted for 49.3 percent of the total 1981 provincial industrial output value. Since liberation, after many years' efforts, the province has been able to satisfy only 30 percent of the needs in textile products in the province. Since the 3d Plenary Session of the 11th CPC Central Committee, the province has vigorously developed textile production. The province can now produce 100,000 sewing machines, about 120,000 bicycles and 50,000 watches per year. [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 3 Oct 82 HK]

DALIAN COLD STORAGE--Dalian, September 27 (XINHUA)--A controlled atmosphere coldroom complex project with a storage capacity of 5,000 tons, the largest of its kind in China, was inaugurated today in Dalian, Liaoning Province. The project was built jointly by the Dalian branch of the China National Cereals, Oils and Foodstuffs Import and Export Corporation and Austral Insulation Pty., Ltd. of Australia, as a compensation trade undertaking. The Australian company designed the coldroom. Australian technicians and Chinese workers installed the equipment. Construction began on 2 March and was completed in six months. The coldroom is equipped with an automated line for washing and packing fruits. Inspection and acceptance documents were signed at today's inauguration ceremony by Hu Guisen, manager of the Dalian Branch, and Brian Backshall, manager of the Australian company. Bruce Nicholls, commercial counselor of the Australian embassy in Beijing, also attended the ceremony. [Text] [OW051026 Beijing XINHUA in English 1026 GMT 27 Sep 82 OW]

CSO: 4010/8

CONSTRUCTION

LIGHT HOISTING MACHINERY QUALITY TESTING CENTER TO BEGIN WORK

Beijing QIZHONG YUNSHU JIXIE [HOISTS AND CONVEYANCES] in Chinese No 6, 1982
pp 50-53

[Article by Kong Xiao [1313 2556], Institute of Hoists and Conveyors, First Ministry of Machine Building: "First Ministry of Machine Building Light Hoist and Conveyor Quality Testing Center to Begin Work in 1982"]

[Text] Policy on scientific and technical work requires that the mechanical industry give attention to both domestic and foreign markets. In order to increase the competitiveness of machine products it will be necessary to make an energetic effort to develop varieties, conscientiously improve quality, and strive to decrease costs. In addition, expanding our export capabilities and standards must be made one of the yardsticks by which the mechanical industry's technical and management quality are evaluated and must serve as a key measure for maintaining a certain rate of expansion of the mechanical industry so as to make a greater contribution to our country's export trade.

All enterprises must continue to follow the guidelines of "quality first." The attitude of "quality for survival" must consistently and repeatedly be used in propaganda and education among all employees, and improving product reliability, durability, usability, maintainability and other inherent quality characteristics must be effectively made the central focus of efforts. In order to guarantee products quality we must speed up construction of the testing base and add to the testing activities conducted in key enterprises. We must issue production permits and export permits in planned, systematic fashion and conscientiously put an end to slipshod manufacture.

In keeping with the spirit of Joint Document No 17 of the First Ministry of Machine Building's General Office of Heavy Mining Machinery and the China Machinery and Equipment Import-Export Corporation (81), in April 1981 the Ministry's Research Institute of Hoists and Conveyors began work on the First Ministry of Machine Building Light Hoist and Conveyor Quality Testing Center. According to the plans for the center, over a period of time testing stands and stations will be constructed for 1-ton overhead hoists, manual and electric chain blocks, fork lifts, belt conveyor support rolls and other light products, as well as basic parts and assemblies.

Quality Inspection Results for 1-ton Overhead Hoists (1981, Third Quarter)

Table 1. National Member Plants

Manufacturer	Passing rate, %					Init. eval.	Rein-spec-tion	Model
	Main Cap.	Genl. Cap.	Key Comp.	Main Comp.	Genl. Comp.			
	%							
Shanghai Machine Manufacturing School	100	97	100	100	94	E 优	E 优	YQJ5B
Jingshan Machine Plant, Hubei	100	97	100	96.1	95.7	E 优	E 优	YQJ1.5
Changshu 1-ton Overhead Hoist Plant, Zhejiang	100	Certified product				E-previous		
Hangzhou 1-ton Overhead Hoist Plant, Zhejiang		98	100	100	98.3	E 优	E 优	YQJ5YC.8
Zhangjiakou 1-ton Ovhd. Hoist Plant, Hebei		96	100	96.3	93.2	E 优	E 优	YQJ3
Xinxiang Hoisting Equipment Plant, Henan		94	100	100	97.4	E 优	E 优	YQJ8
Changzhou Branch, Nanjing Automotive Works		98	100	100	94.8	E 优	E 优	YQJ5A
Xuzhou 1-ton Ovhd. Hoist Plant, Jiangsu		95	100	100	95.7	E 优	E 优	YQJ5A
Dongfeng Hydraulic Machinery Plant, Taiyuan		99	100	96.3	91.5	E 优	E 优	YQJ12.5
Yanzhou Hydraulic Machinery Plant, Shandong		95	100	98.15	98.3	E 优	E 优	YQJ5B
Shanghai Hoisting Equipment Plant		100	100	100	99.1	E 优	E 优	YQJ8
Mianyang Hydraulic Machinery Plant, Sichuan		95	100	96.3	98.3	E 优	E 优	YQJ8
Shenyang Engineering Hydraulic Components Plant		99	100	100	96.6	E 优	E 优	YQJ16
Hubei Automotive Equipment Plant		90	100	98.15	93.2	I-等	I-等	YQJ5A
Xiamen No 2 Mechanical Repair Plant, Fujian		88	100	94.4	89.7	I-等	P-year	YQJ5B
Xiangtan No 2 Machinery Plant, Hunan		83	100	100	93.2		P-rein	YQJ8
Xicheng 1-ton Ovhd. Hoist plant, Beijing		89	100	98.1	95.7		P-supp	YQJ5B
Automotive Tools Branch, Changchun Auto. Works	Not produced acc. to standard					blueprints		

Table 2. Member Plants from Northern District

Manufacturer	Main Cap.	Genl. Cap.	Key Comp.	Main Comp.	Genl. Comp.	Initial eval.	Rein-spec-tion	Model
	Passing rate %							
Beian Machinery Plant, Heilongjiang	100	99	100	90	94	I 一等	I 一等	YQ,5A
Shenyang 1-ton Ovhd. Hoist Plant	100	98	100	96.3	95.7	E 优	E 优	YQ,8
Fengcheng Machinery Plant, Liaoning	100	100	100	98	99	E 优	E 优	YQ,5B
Xilan 1-ton Ovhd. Hoist Plant	100	91	100	92.5	76.9	P 合格		YQ,5A
Chengde 1-ton Ovhd. Hoist Plant	100	93	100	100	95.7	P-suppl		YQ,3
Gongzhuling Hydraulic Machinery Plant	100	96	100	100	97.4	E 优	E 优	YQ,5B
Tianjin No 9 Machine Tool Plant								
Tiexi Machinery Plant, Shenyang	100	98	100	98	95.7	P-suppl		YQ,10
Urumchi 1-ton Ovhd. Hoist Plant	100	100	100	100	94	E 优	E 优	YQ,8

(Jilin)

Symbols as in Table 1.

The purpose of building this testing center is to successfully attack the key problem of quality. Testing will be carried out on the basis of unified quality standards and unified testing methods so as to assure product quality and maintain the prestige of Chinese products; in addition test data will be accumulated for scientific and technical purposes, product modernization will be accelerated, and our products' suitability for and competitiveness on world markets will be increased. It will also serve as good preparation for the provisional issuance of product quality certificates, production permits and export permits.

At its June 1981 conference in Shanghai, the 1-ton hydraulic overhead hoist industry concluded that establishing this center was a long-standing wish and request of all plants in the industry and met the needs of production development. This industry gave active support to plans for the center. As a result on 24 September 1981 the 1-ton Overhead Hoist Testing Center organized central testing for the industry. Some 32 plants, including the key enterprises in the industry throughout the country, specialized plants, and member plants from the northern district participated in this testing; a total of 108 items were tested. As a result of the comprehensive testing, 73 percent of the producing plants received quality ratings of Excellent or First Class (details in tables).

The testing center sent out test reports and product quality test records to the units whose products had been tested, but on this occasion it did not issue production quality certificates. The plant representatives indicated to the First Ministry's Research Institute of Hoists and Conveyors that they were satisfied with the attention that was given to testing during this centralized activity and with the unified testing methods, techniques and equipment that were used. The leadership of the ministry's General Office of Heavy Mining Machinery was present at the center and gave the comrades great encouragement.

At the request of the ministry and the general office, starting in February 1982 the provisional issuance of 1-ton overhead hoist quality certificates and sales permits was begun. In active cooperation with this effort, the 1-ton overhead hoist industry meeting of November 1981 in Chongqing investigated preparations for selecting and sealing samples of 1982 products and sending them for testing in order to help the test center plan its work.

Product quality certificates and product sales permits will be issued for manual and electric chain blocks on a provisional basis starting in October 1982. The First Ministry's Research Institute of Hoists and Conveyors is now making active preparations for this undertaking. Preparations are underway for testing stands and stations for other light hoist and conveyor machinery.

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DOMESTIC TRADE

HEBEI'S GAO YANG STRESSES MARKET INTELLIGENCE

HK200225 Shijiazhuang Hebei Provincial Service in Mandarin 0400 GMT 13 Oct 82

[Summary] On 6 October, the Hebei provincial economic departments held a forum on strengthening market intelligence work, at which provincial CPC committee First Secretary Gao Yang stressed: "We must grasp market intelligence work as an important task. We must focus on organizational work, vigorously promote propaganda work, write articles and give reports. All economic departments and units must organize forums to debate the importance of intelligence work, so that everyone will pay attention to this work and take the initiative to collect, study and exchange this information."

Gao Yang stressed: "The production departments too must establish the market concept and attach importance to market intelligence. If they just bury their heads in production without looking to see where they are going and study the market situation, they will be like a blind man on a blind horse and only turn back when there is no way out. They will thus suffer great loss."

Leading comrades of the provincial CPC committee and government, Liu Bingyan, Guo Zhi, Yang Zejiang, Liu Ying, Yue Zongtai, Li Feng and Hong Yi, attended the forum together with responsible persons of the provincial economic departments.

The meeting decided to prepare to set up a Hebei Provincial Market Intelligence Center, to be located at the Provincial Commercial Bureau. The provincial, prefectural and county units concerned and large enterprises should set up corresponding organs, so as to form a provincewide market intelligence network. The current chief tasks in this intelligence work are as follows: 1) To study the balance between social purchasing power and availability of commodities; 2) To investigate the changes in production and requirement of main commodities and certain special commodities, and their development trends; 3) To ascertain the requirements of customers regarding product quality, variety, price, packaging and so on, and the development trends; and 4) To study the production, supply and marketing conditions of main products in markets outside the province.

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DOMESTIC TRADE

ECONOMIC COOPERATION AGREEMENT BETWEEN EAST COUNTIES SIGNED

OW150603 Beijing XINHUA Domestic Service in Chinese 0743 GMT 14 Oct 82

[Excerpts] Hefei, 14 Oct (XINHUA)--In order to create a new situation in all fields of socialist modernization and to invigorate the economy, Shanghai County, Shanghai Municipality, and Fengyang County, Anhui Province, recently signed an economic and technical cooperation agreement to help and complement each other and blaze a new way to develop the economy with greater real benefits.

Located in the suburbs of Shanghai Municipality, Shanghai County possesses a certain industrial foundation and technical and management level and can provide economic and technical support for Fengyang County. Fengyang County's industrial foundation is rather weak and its technical equipment and management level are not suited to economic development. However, it has rather great potentialities with its more abundant resources and grain output and can provide raw materials, grain, feed and other farm and sideline products for Shanghai. Active development of economic association and technical cooperation between the two counties is conducive to speeding up the exploitation and utilization of resources and expanding productive capacity, to improving enterprise management and raising the technical level, and to increasing economic results and insuring increased income with increased production.

The main contents of the agreement are as follows:

The guiding technology of the cooperation is: Under the guidance of the spirit of the 12th Party Congress and within limits permitted by state policies and decrees, to adhere to the principles of helping production, equality and mutual benefit, and reaching unanimity through consultation, establish a normal and stable long-term relationship of economic and technical cooperation, achieve mutual support and supply of each other's needs economically, technically and in materials and enhance the economic and technical development of both sides.

The general goals of the cooperation are: Through extensive technical and material support to expand, step by step, within 3 to 5 years the areas of cooperation from small-scale industrial production technical assistance to larger-scale joint production and marketing of industrial products, to pass on technical know-how geared to each other's needs and to expand trade in

farm and sideline products and jointly explore new areas of cooperation, taking advantage of farm and sideline products, mineral resources and market conditions. Through economic cooperation, Shanghai will help Fengyang County to develop two or three projects with better economic returns each year, so that Fengyang County will double its total industrial output value and markedly increase economic results before 1985. The grain and feed required by Shanghai County will mainly be supplied by Fengyang County, ranging from 20 million to 30 million jin annually in normal harvest years, so that Shanghai County will obtain equal economic benefits.

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DOMESTIC TRADE

'WEN HUI BAO' ON STATE SUBSIDIES TO SHANGHAI RESIDENTS

OW200602 Shanghai WEN HUI BAO in Chinese 16 Oct 82 p 1

[Excerpts] This reporter has learned from departments concerned that the state subsidies to the Shanghai residents' staple and auxiliary food items have amounted to 3 billion yuan in the past 3 years and will amount to 1.2 billion yuan in this year alone.

According to the statistics of food departments, the state subsidies of grain and oil for each resident average 100 yuan annually. Computing on the basis of grain volume sold in the municipality this year, the state subsidies will amount to 450 million yuan.

The state has also made large subsidies for pork, poultry, eggs and other nonstaple foodstuffs. The average per-jin price of pork procured by commercial departments is 1.2 yuan, but is sold for retail at 0.934 yuan. The state subsidies on the estimated sale of 440 million jin in pork this year will amount to 164 million yuan. The state subsidizes 0.38 yuan for every jin of poultry sold by commercial departments. According to the statistics of municipal departments concerned, the state subsidies on poultry and eggs will each amount to 19 million yuan this year.

The state has also made large subsidies for fruits and vegetables. To ensure a sufficient supply of vegetables to the residents, municipal departments concerned have adopted measures to promote the production of vegetables. The state purchase price for vegetables has gradually increased, but their sales prices have remained unchanged. The municipality's subsidies for vegetables amounted to 42 million yuan in the first 8 months of this year.

The state price subsidy policy has stabilized the commodity prices and satisfied the basic needs of the people. Since the State Planning Commission released the statistics on the subsidies to the urban residents throughout the country, municipal departments concerned have published more specific materials in this respect in order to help the residents understand the economic situation, realize the superiority of the socialist system and strive with one heart and one mind to create a new situation in all fields of socialist modernization.

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DOMESTIC TRADE

HEBEI ISSUES PROVISIONAL REGULATIONS ON COUNTRY FAIR TRADE MANAGEMENT

Shijiazhuang HEBEI RIBAO in Chinese 8 Aug 82 p 3

[Notice: "Hebei Province Provisional Regulations on Country Fair Trade Management"]

[Text] Chapter I: General Principles

Article 1. Country fair trade is a component of China's socialist unified market. It is a subsidiary and supplement to the socialist economy and is suitable to the current stage of development level of China's productive force. The development of country fair trade in the rural areas and the proper setting up of markets for farm and sideline products in the cities and towns facilitate the enlivening of the urban and rural economy; clear the channels of commodity circulation; push forward production development; and ease the livelihood of the masses. This is a long-range economic policy of our party and government.

Article 2. In order to protect lawful operations and prevent unlawful activities, it is necessary to adopt administrative, economic, and legal measures and strengthen the leadership and management of urban and rural country fair trade based on the principle of "ensuring flexible control and orderly and lively activity."

Article 3. In the management of country fair trade, it is necessary to conscientiously and thoroughly practice the principle of relying mainly on the planned economy and supplementing it with the regulation of market mechanism. Departments of commerce and food grains and supply and marketing cooperatives should adopt economic measures; positively develop procurement and marketing activities, the stockpiling and distribution of commodities, regulation of supply and demand, and stabilization of commodity prices; and fully demonstrate the effect of economic leadership.

Article 4. Industrial and commercial administrative management departments are the responsible organs for country fair trade. All units and individuals participating in country fair trade must obey the management of these departments.

Chapter II. Scope of Country Fair Trade

Article 5. For farm and sideline products produced by commune and brigade collectives, the production team is the [basic] unit. On the prerequisite that the tasks of state purchases on a requisition basis and by assigned quotas have been completed and procurement and sales contracts have been fulfilled, the sale of these products on the market is permitted. The sale of farm and sideline products, produced by individual commune members and subjected to the system of prescribed sales, in the market is permitted under the condition that the completion of such sales tasks must be guaranteed. The sale of cotton (including ginned cotton, cotton for wadding, short cotton velvet, handwoven cloth, and handloomed thread) on the market is not permitted whether it is produced by collectives or individuals.

Article 6. The sale on the market of farm and sideline products produced by state operated and collective farms, tree farms, grazing lands, and fisheries (excluding lumber from tree farms) is permitted on the prerequisite that the tasks of state purchases on a requisition basis and by assigned quotas have been completed and procurement and sales contracts have been fulfilled.

Article 7. For grinding mills, powder mills, oil mills, bean curd mills, fine dried noodle mills, vinegar and sauce mills, malt sugar mills, and catering trade operated by communes and brigades and individuals, the exchange of finished products for raw materials is permitted. Local purchase of raw materials is also permitted. Processed finished products may be sold locally. The resale of raw materials at a profit is not permitted. Long distance transport for sale is not permitted.

Article 8. Sales of industrial products produced by state operated enterprises at country fairs are permitted where approval has been given by the state for such sales and when holding a certificate from responsible departments. Sales of industrial products and handicrafts produced by collective enterprises at country fairs are permitted after the fulfillment of state procurement tasks and when holding a certificate from responsible departments. Small traders who have received approval and have been issued operating licenses are permitted to deal in industrial products for daily use in accordance with the approved operating limits. Sales by individual commune members of excess personal-use industrial products, promoted by the state at country fairs are permitted when holding a certificate.

Article 9. In centralized lumber producing areas, the sale of these materials on the market is not permitted whether they belong to collectives or individuals. The sale of lumber products from these areas on the market is permitted. In noncentralized lumber producing areas, the sale of both lumber materials and lumber products on the market is permitted.

Article 10. To guarantee the supply of vegetables in the cities and towns, vegetables produced by communes and brigades under the system of monopoly purchase and marketing of products may be sold to the state only. The sale of these vegetables on the market is not permitted. Sales to traders and allocation to commune members for sale are also not permitted. For vegetables not produced under the system of monopoly purchase and marketing of

products, sales on the market are permitted after the fulfillment of procurement orders of the state.

Article 11. Large domestic animals raised by production teams and individual commune members may be sold on the market and used for planned stock breeding. With the approval of industrial and commercial administrative management departments, production brigades may travel to outside areas to purchase large domestic animals and transport them back to their own areas for sale. When purchasing large domestic animals from centralized producing areas, approval must also be obtained from the industrial and commercial administrative management department and the responsible business department in the producing area. Buying and resale in the outside area are not permitted. Purchased livestock and fowl must go through quarantine.

Article 12. Except for enterprises specified by the state to trade in farm and sideline products, other government offices, public organizations, army units, schools, enterprises, and institutions, that want to go to a country fair or a village to purchase farm and sideline products must first obtain approval from the local industrial and commercial administrative management department. Permission must also be obtained from the responsible business department when purchasing first and second class farm and sideline products. [Deliberately] driving up prices followed by purchasing in a rush is strictly forbidden. Resale at a profit is not permitted.

Article 13. In addition to the establishment of various markets for farm and sideline products in country fair trade, special markets for daily industrial products, used goods, and flowers, birds, fish, and worms outside the plan may also be established in accordance with needs. The sale of bicycles and other valuable articles must be accompanied by a license and certification from the production brigade (urban neighborhood committee or work unit). Robbery, theft, and the sale of stolen goods must be strictly guarded against.

Article 14. State operated industrial and commercial enterprises and those operated by collectives and individual households are permitted to set up stalls and establish facilities at country fairs. For collective rural communes and brigades and for individuals to go into cities to operate catering, repair, and service trades, operator licenses may be issued after consultation and approval by both municipal and county industrial and commercial administrative management departments in accordance with market needs. With the agreement of concerned departments, the businesses may operate at assigned locations.

Article 15. Leftover second and third class farm and sideline products produced by rural commune and brigade collectives and neighboring communes and brigades may be transported for sale by these communes and brigades after state procurement tasks have been completed and procurement and sales contracts have been fulfilled and if the state has no further procurement plans. The sale of first class agricultural products is not permitted.

Article 16. With the agreement of the production team and approval from the industrial and commercial administrative management department, a commune member is issued an operator license and is permitted to engage in sales

activities in farm and sideline products within his abilities and specified limits. Except for easily decomposed fresh goods and local overstocked third class farm and sideline products which may be transported for sale by motorized vehicles and boats after approval, the use of motorized vehicles and boats by private individuals for transport and sales activities is not permitted.

Article 17. A craftsman on the job must carry an operator's license. No matter where he goes, he must abide by the management of the local industrial and commercial administrative management department.

Article 18. Collective commercial enterprises and individual traders with certificates may go to country fairs to purchase farm and sideline products in accordance with approved operating limits.

Article 19. Based on traditional practices, the interflow of commodities with adjacent regions outside the province is not restricted by administrative divisions.

Article 20. Trading on the market is not permitted for gold and silver, jewelry, antiques, cultural relics, scrap nonferrous metals, and other goods and articles banned for trading on the market by state regulations. When the sale of any these becomes necessary, they must be sold to the departments specified by the state.

Article 21. Buying and selling of negotiable food coupons and cloth coupons are not permitted. The exchange of negotiables which do not have a price value for commercial goods is not permitted.

The manufacture and sale of articles of superstition, banned articles, and gambling tools are not permitted. The activities of glyptomancy and fortune-telling are not permitted. Unlawful practice of medicine and sale of fake drugs are not permitted.

Buying and selling of reactionary, pornographic, and obscene publications, pictures, records and tapes, and video tapes are not permitted.

Article 22. In country fair trade activities, the practice of falsehood, replacement of quality products with seconds and genuine products with spurious ones, adulteration, and short change in measurements and weights are strictly forbidden. The use of nonstandard measuring and weighing tools is forbidden.

Cheating to control the market, hoarding and cornering, and driving up prices are strictly forbidden. Black market brokerage activities are strictly forbidden.

Chapter III. Service and Management

Article 23. Various municipal and county people's governments should include grounds for country fair trade in their unified city and town construction planning in accordance with the principle of providing convenience in procurement and marketing to the masses. No department may occupy at will grounds

already marked off for market use. Market construction should be positively and properly carried out. Simple marketing booths, sales counters, and permanent indoor markets should be constructed with planning and the condition of country fair trade should be gradually improved.

Article 24. The public order of the market should be properly maintained and service work should be properly carried out. Commodities to go on the market should be divided according to trade and market and should be properly managed. In the light of [specific] conditions, service projects (including accurate scales, drinking water, running water, medical kits, lavatories, information office, check-storage for leftover goods, and hotels for the farmers) should be gradually built or provided so that convenience will be provided to both sellers and buyers.

Article 25. The environmental sanitation of the country fair trade market should be properly taken care of and cleanliness of the market should be maintained. Foods for sale on the market must be fresh, clean, and nontoxic and nonharmful. Basic sanitation facilities to prevent dust and flies should be established. The sale of meat from diseased and poisoned livestock and fowl is not permitted. The sale of toxic and decomposed food is not permitted. Meats for sale must have gone through quarantine. Personnel engaged in the catering trade and the food processing trade in the market must meet health requirements. Industrial and commercial administrative management departments must positively coordinate with health departments to properly carry out health supervision and quarantine work in order to protect the health of the people.

Article 26. Transaction prices for farm and sideline products on the market are set through negotiation between the seller and the buyer. The market management department may list reference prices or publish recent quotations as guides for sellers and buyers. When selling industrial products on the market, state operated and collective enterprises and individual industrial and commercial traders must adhere to prices stipulated by the state.

Article 27. The measuring scales used in country fair trade should be regularly examined by the industrial and commercial administrative management department in coordination with the measurement department. Problems uncovered should be taken care of immediately.

Article 28. In order to strengthen the management of country fair trade, a market management committee should be organized under the leadership of the local people's government and with the industrial and commercial administrative management department as the major participant and participation by related departments to properly manage the market jointly.

Article 29. Units and individuals participating in the country fair trade must pay taxes according to state regulations.

Article 30. When a transaction in country fair trade is completed, market management fees should be paid according to regulations. The market management fees are computed according to the transacted volume. For the means of production, they cannot exceed 1 percent. For the means of subsistence, they

cannot exceed 2 percent. Transactions below 5 yuan are exempted. For state operated and collective industrial and commercial enterprises and individual industrial and commercial traders who enter the market to set up stalls and establish facilities, a small fixed management fee may be collected. The market management fees collected should be used for market construction and for expenses needed for the management of the market based on the principle of "what is taken from the market is used in the market" and should not be diverted to other uses.

Article 31. The various levels of the people's governments and industrial and commercial administrative management departments should strengthen the policy of education and business training of the market management personnel and continuously improve their level of policy and business understanding. The market management personnel should accept the supervision of the masses, observe disciplines and the law, and are not permitted to use their authority to engage in corruption and graft, malpractices for selfish ends, and extortion and blackmail. Violators will be strictly prosecuted. Commendations or rewards should be awarded to personnel and units making outstanding contributions to the management of the market.

Chapter IV. Handling of Violations of Regulations

Article 32. Violations of these provisional regulations will be handled on a unified basis by the industrial and commercial administrative management departments. The principle of placing education first and punishment second should be thoroughly carried out. Lawful transactions and unlawful practices should be differentiated. Unlawful practices and engagement in speculation and profiteering should be differentiated.

(1) For those who engage in the sale of large quantities of farm and sideline products before completing their prescribed sales tasks, a part of the amount or the entire amount in excess of the state's listed price is to be confiscated. In serious cases, fines may also be imposed.

(2) For those who purchase large quantities of farm and sideline products without approval, a part of or the entire amount of the purchased products is to be procured [by the government] at the state's listed price of fines may be imposed. For those who [deliberately] drive up prices and rush to purchase, heavier punishments are to be imposed.

(3) For those who resell negotiable securities [food and cloth coupons] at a profit and who sell fake drugs, articles of superstition, banned goods and gambling tools, the articles and goods are to be confiscated. In serious cases, fines are to be imposed. If serious consequences result from the sale of fake drugs, the case is to be referred to a judicial organ for investigating and affixing criminal responsibilities according to the law.

(4) For those who sell reactionary, pornographic, and obscene publications, pictures, records and tapes, and video tapes, all articles are to be confiscated. In serious cases, fines are to be imposed.

(5) For those who sell raw or cooked meat of livestock and fowl which have died of diseases and poison, meat with ellulosaes, and other poisoned and decomposed food, fines are to be imposed. In serious cases, operator licenses are to be revoked. Where serious consequences have been created, the case is to be referred to a judicial organ for investigating and affixing criminal responsibilities according to the law.

(6) Those who sell scrap nonferrous metals, gold and silver, jewelry, cultural relics, and other goods and articles banned for trading on the market by state regulations should be advised to go and sell them to state designated procurement units. If they refuse to accept advice, the articles are to be confiscated. Those who sell these articles for speculation are to be treated under the regulations covering speculation and profiteering.

(7) The use of measuring scales not meeting the standards should be prevented and the user ordered to have them repaired. For deliberate cheating, the scales are to be confiscated. In serious cases, fines are to be imposed.

(8) For those who practice falsehood; replace quality products with seconds and genuine products with spurious ones; adulterate; and practice short change in measurements and weights, fines are to be imposed according to the situation. Repeat offenders are to be handled on a harsh basis.

(9) Those who engage in the unlawful activities of glyphomancy, fortune-telling, and gambling are to be turned over to the public security organ for handling.

(10) Speculation and profiteering activities are to be handled according to related regulations of the State Council and the provincial people's government.

Cheating to control the market, hoarding and cornering, and driving up prices are to be handled in the same manner as speculation and profiteering.

(11) Other behaviors against market management regulations are to be handled according to circumstances and the degree of harmful impact.

Article 33. Those who assault industrial and commercial administrative management departments and surround and beat up market management personnel or pose as market management personnel to engage in extortion and defraud the masses of their funds and materials are to be punished according to the law.

Chapter V. Supplemental Articles

Article 34. For problems encountered during the implementation of these regulations, the industrial and commercial administrative management departments are responsible for interpretation.

Article 35. These regulations are effective from the date of promulgation. If any past regulations in the province related to country fair market trade management contravene these regulations, execution will be based on these regulations.

DOMESTIC TRADE

BRIEFS

LIAONING LIVING ALLOWANCES--The Liaoning Provincial People's Government totally allocated 817 million yuan to subsidize the deficits caused by the price fluctuation of grain, oil, meat, eggs, vegetables and coal to ensure the stability of commodity prices. The subsidy for the daily necessities of the people is expected to be 924 million yuan this year. [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 12 Oct 82 SK]

HEILONGJIANG SUBSIDIES FOR URBANITES--Over the past 3.5 years, the Harbin Municipal Financial Department, Heilongjiang Province, has appropriated over 385.78 million yuan of subsidies for the municipal people in an effort to make up the price fluctuation caused by the rise in prices set forth by the state for procurement and some daily commodities. The per capita benefit of these subsidies released by the municipality is over 142 yuan. [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 18 Oct 82 SK]

TIANJIN PRICE SUBSIDY--In the 3 years from 1979 to 1981, the state allocated 2.26 billion yuan to Tianjin to subsidize prices for basic daily necessities for the residents and to subsidize their labor insurance welfare funds. After the state raised the price of agricultural and sideline products in 1979, the state gave every person awaiting a job 5 yuan of foodstuff subsidy--280 million yuan in all--during these 3 years. In addition, 1.12 billion yuan subsidized enterprises in order to stabilize the prices of some commodities. Of them, some 100 million yuan went to grain and oil producing enterprises each year. At the same time, the state also issued 1.14 billion yuan to Tianjin to subsidize the labor insurance welfare funds. In these 3 years, each person enjoyed 47 yuan of state subsidy for free medical service each year. [Tianjin City Service in Mandarin 0030 GMT 18 Oct 82 SK]

HEILONGJIANG PRICE SUBSIDY--In the past 3 years, the state has issued 1.3 billion yuan to Heilongjiang Province to subsidize prices for staple and nonstaple food. This year the funds for this use will reach 500 million yuan. According to statistics, each urban resident enjoys 24 yuan of grain and oil subsidy annually. Calculated at the sales volume of grain, the state used 230 million yuan this year to subsidize the price for grain. This year some 400 million jin of pork will be marketed throughout the province. In this field alone, the state plans to spend 90 million yuan on price subsidies. In addition, the province will use 1.4 million yuan to subsidize poultry prices and 7 million yuan for fresh eggs. From January to September this year, the subsidy for vegetables totaled 18 million yuan. [SK240024 Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 22 Oct 82 SK]

GUANGXI GOODS SUPPLY CIRCULAR--The Guangxi Regional People's Government recently issued a circular on increasing the supply of industrial products to rural areas. The circular demands that all places further increase circulation channels and promote the sales of industrial products. The circular says that the circulation of commodities does not now suit their production and that the production of some industrial products is out of line with their sales. The amount of industrial products procured is larger than the amount of industrial products sold. Industrial products have been kept in stock for a long time in urban areas while they have been in short supply in rural areas. Wholesale units have goods on hand but retail enterprises lack their supplies. To solve these problems, the regional people's government has decided that country state-run companies must directly supply industrial products to rural markets and townships, grassroots supply and marketing cooperatives must actively promote their retail business and all places can, in the light of their requirements, establish shops in production teams and villages in a planned way. [HK131454 Nanning Guangxi Regional Service in Mandarin 1130 GMT 12 Oct 82 HK]

SUPPLY TO RURAL AREAS--To improve the supply of manufactured goods to rural areas, Li Feng, permanent vice governor of Hebei Province, personally led comrades of commercial departments to (Nanquema) production brigade of Luancheng County to hold an exhibition and sale of such goods. In doing so they learned about the peasants' needs and determined the requirements and measures for improving the supply of manufactured goods to rural areas. Along with comrades of the Provincial Financial and Trade Commission and the Provincial Bureau of Commerce, Comrade Li Feng recently inspected the warehouses of sundry goods, hardware and textile stations in Shijiazhuang and warehouses for keeping imported products and export commodities. Noticing the stockpiling of commodities, he led a team to (Nanquema) production brigade to hold the exhibition and sale. Taking part in this exhibition and sale were the sundry goods, hardware and textile stations of Shijiazhuang Municipality and the supply and marketing departments of Luancheng County. Over 3,000 different commodities were put on display. From the sale of the commodities, Comrade Li Feng came to learn that delivery of commodities to the commune members' homes is a good method of serving them. He asked all units concerned to follow and popularize this method in an effort to facilitate the flow of commodities as quickly as possible. [Text] [OW261201 Beijing Domestic Service in Mandarin 1200 GMT 26 Oct 82]

GUANGZHOU PRICE PROBLEMS--Guangzhou Municipality recently held a seminar on prices. The participants held: Maintaining basic price stability is possible and should be done. According to statistics, from January to September this year, the retail price index in Guangzhou rose by only 1.4 percent over the figure for the same period last year. Of course, there were still various latent factors for an increase of prices, because of short supplies of certain commodities. The meeting analyzed the price situation in Guangzhou in all aspects. It held that the outstanding problems in Guangzhou are: Compared with other cities, the proportion of fixed prices is low and that of negotiated prices is high in total value of retail commodities bought by residents, while the differences between fixed and negotiated prices are rather great; the increase of prices is mainly a result of large increases in non-staple food prices, which directly affects residents' living standards. The participants explored and discussed the question of how to maintain basic price stability and put forward many positive views and proposals. [Text] [HK210315 Guangzhou Guangdong Provincial Service in Mandarin 2350 GMT 20 Oct 82]

WUHAN COMMODITY MARKETS MEETING--A national on-the-spot meeting on markets handling small commodities opened in Wuhan on 16 October. Responsible persons of industry and commerce administrative bureaus and market control offices from all parts of the country and representatives of the departments concerned and research units such as the Academy of Social Science attended the meeting. Also present were Ren Zhonglin, director of the State Industry and Commerce Administrative Bureau; Hubei Acting Governor Huang Zhizhen and Vice Governor Tian Ying; and Wuhan Vice Mayor (Zhang Xuetao). In his opening speech, Ren Zhonglin said: "Convening this meeting is for the purpose of better implementing the principle of the 12th Party Congress on taking planned economy as the dominant factor and regulation by market mechanism as supplementary, enlivening and controlling the small commodity markets well, and further developing commodity economy. The Hanzheng street small commodity market in Wuhan has provided very good experiences in this respect. This market mostly comprises individual traders and hawkers who mainly sell batches of small commodities not covered by the state plans. It has linked producers in over 100 enterprises in 14 provinces, municipalities and autonomous regions with consumers in the rural areas around Wuhan, and has become a supplementary circulation channel linking production with consumption and the urban with the rural areas. This meeting should do well in popularizing the experiences of small commodity markets such as Hanzheng street." Comrade Tian Ying also spoke, welcoming the comrades from all parts of the country. (Jin Banghe), director of the Wuhan Municipal Industry and Commerce Administrative Bureau, introduced the experiences of the Hanzheng street market. [Summary] [HK170612 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 16 Oct 82]

XINJIANG FOODSTUFF, INDUSTRIAL PRODUCTS--Commercial departments in Xinjiang Region have done well in procuring and selling local foodstuffs and industrial products. The total amount of procurement in the region from January to September this year amounted to some 146 million yuan and was some 40 percent more than in the same period last year. Output of seven categories of products, namely sugar, wine, cigarettes, candy, cakes, milk powder and canned food, has increased. [Urunqi Xinjiang Regional Service in Mandarin 1300 GMT 20 Oct 82 HK]

SHANDONG CONSUMER GOODS PRODUCTION--Having conscientiously implemented the principle of readjustment, restructure, reorganization and upgrading, industrial enterprises in Shandong Province have made relatively rapid progress in consumer goods production. Comparing 1981 with 1978, the total output value of consumer goods increased by 47.25 percent. The number of consumer goods producing enterprises increased by 1,131. The proportion of consumer goods production in the industry as a whole increased from 45.13 to 56.31 percent. The production of the 36 major consumer goods including sewing machines, bicycles, wristwatches, television sets and plastic products showed an increase ranging from 150 percent to 16 times. The quality of most consumer goods improved greatly. Meanwhile, the daily-use consumer-goods-producing enterprises owned by the whole people increased their income by 51.19 percent. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 9 Oct 82 SK]

GUIYANG SMALL COMMODITY CONFERENCE--From 12-15 October, the Guiyang Municipal People's Government held a conference on the development of the production of small commodities. The conference held that it is essential to first develop the production of 155 small commodities, such as goods used by children, plastic products, knitwear, daily-use metalware, etc. All departments and all walks of life must support the production of small commodities. [Guiyang Guizhou Provincial Service in Mandarin 1100 GMT 18 Oct 82 HK]

FOREIGN TRADE

CHINA'S FOREIGN FINANCIAL WORK DISCUSSED

HK181031 Beijing SHIJIE JINGJI in Chinese No 8, 10 Aug 82 pp 17-21

[Article by Yao Yunfang [1202 5686 5364] of the Bank of China: "The World Financial Situation and China's Foreign Financial Work"]

[Text] Since the 1970's, as a result of the unbalanced state in the development of the capitalist economy and the large-scale raising of oil prices, economic crises have repeatedly erupted among the world's countries and become increasingly serious. A deep change has occurred in the comparative economic strength between the developed and the developing countries. Following the unrest in the international political and economic situations, certain great and momentous changes have likewise occurred in the international financial field. The principal developments are as follows:

1. Disintegration of the International Monetary System; Violent Fluctuations in the Financial Markets

Due to the continuous depreciation of the dollar and ever since the United States announced in 1971 the inconvertibility of the dollar into gold, currencies in the various countries of the world have one after another been placed on a free floating rate and the fixed exchange rate system has given way to the floating rate system. Since then, the currency exchange rate and the price of gold have evolved from relative stability to frequent and violent fluctuations. The world's principal currencies have exhibited a floating range of 40 to 50 percent. The price of an ounce of gold, after breaking the \$100 mark in 1973, broke the \$500 mark in 1979 and by January 1980 reached the unprecedented level of \$850. Since 1980, adoption by the United States of the policy of high interest rates has attracted the inflow of capital funds into the country and, as a result, currency inflation has been eased somewhat and an improvement has been seen in the situation of international balance of payments. The dollar reverted to a position of strength and a new situation of "hard currency" and "soft currency" reversing their position appeared. The price of gold also began to drop. In March this year, the per ounce price of gold fell below \$320.

The disintegration of the international monetary system is further seen in the computation of the exchange rate using diversified bases instead of being based on the dollar. In March 1973, a majority of the members of the European

Economic Community organized a united currency floating bloc and in March 1979 established the Eurodollar system. In July 1974, the International Monetary Fund organization abolished the liaison between the special withdrawal right and gold or the dollar. New valuation was made on the basis of 16 principal currencies. Beginning in 1981, this was simplified to five principal currencies being used as a valuation basis. The number of currencies of different countries pegged to the dollar floating has been significantly reduced; a number of currencies have adopted the unitary free floating system; a number of currencies have been pegged to the special withdrawal right or to other currencies; a small minority continue to be pegged to the French franc or the British pound. Evaluation of the official reserves and assets of the various countries also took diversified forms and the relative importance of the dollar dropped from 85 percent in 1973 to 73 percent in 1980. The relative strength of the West German deutschemark has more or less doubled, making up about 4 percent, while that of the Japanese yen is about 4 percent.

II. Continuous Aggravation of World Currency Inflation; Great Rise in Level of Interest Rates

In the 1950's and the 1960's, the average currency inflation rate in various countries of the world was respectively 3.2 percent and 4.1 percent. By the 1970's, particularly following the outbreak of the first oil crisis at the end of 1973, the degree of the world's currency inflation rate increased vertically, like a kite which had broken off from its string attachment. The average was 15.3 percent in 1974 but in certain countries the currency inflation rate exceeded 20 percent. Following the second oil crisis, the highest record of 15.5 percent was registered in 1980. In the 1970's, the average was around 10 percent.

The level of interest rates in the Western countries was rather low in the 1950's and 1960's. The rediscount rate of their central banks was usually around 5 percent. After 1973, the economic policies of various countries had as their common objective the curbing of currency inflation and the level of interest rates was generally on the uptrend. In countries like Britain, the United States, Canada, Italy and others, their central bank's rediscount rate rose to double digits. In 1980, the preferential lending rate of commercial banks and interest rates in Eurodollars went as high as 20 percent. Following several years of control by means of high interest rates, after the second half of 1980, currency inflation gradually came under control. In 1981, currency inflation in the world averaged about 14.3 percent, while in the United States the rate went down to 8.9 percent. Since then, the interest rate has begun to fall gradually and the disparity in interest rates between the United States and other countries also has been reduced, though still staying at a high level.

[HK181033] III. World Currency Market Rapidly Developing; World Loan Market Continuously Expanding

Following the rise in oil prices, the enormous amounts of oil funds in the coffers of the oil exporting countries brought about a rapid development of the international currency market. According to statistics compiled by the

Morgan Trust Bank of the United States. At the end of 1979, the total volume of currency handled in the international currency market was as high as \$1,220,000,000,000 (of which 72 percent constituted Eurodollars). By the end of September 1981, the volume had increased to \$1,655,000,000,000 (of which 76 percent constituted Eurodollars). Compared with the \$110 billion in 1970 (of which 81 percent constituted Eurodollars), the increase was 1400 percent. The increase in the last 2 years was 36 percent.

Following the rapid development of the international currency market, the international loan market has also been continuously expanding.

In 1979, the volume of monetary credits and loans in Europe amounted to \$82,812,000,000 but was sharply increased to \$133,354,000,000 in 1981, an increase of 61 percent in 2 years; time. The volume of bond issue has also greatly increased. In 1970, the volume was only \$2,762,000,000. By 1979 it had grown to \$41 billion and in 1981 it was \$52,985,000,000, an increase of 29 percent in these 2 years. Of the total amount in 1981, debentures in Eurodollars constituted 60 percent. Previously, in 1979, the proportion had been only 31 percent.

These vast changes in international finance denoted the growth of finance and increased activities in capital transactions. At the same time, new sources of loan funds were created which helped in balancing international payments. Nonetheless, they caused unrest in the financial market and brought about instability in the exchange rate of currencies, to the ultimate detriment of international economic relations. Increasing disparity in interest rates between countries lends aid to speculative and arbitrage activities. Frequent movements of large amounts of funds necessarily means heavy inroads into the gold and foreign exchange markets. These tend to increase instability in the international gold and currency markets. High interest rates and high interest charges increase the debt burden of the developing countries; conversely, a policy of retrenchment impedes the development of the world's economy and causes the major industrial countries to fall into the irretrievable pit of stagflation.

An analysis of the current situation reveals that the world political situation in the 1980's has been a tense one. Nations in the world are still facing the challenge of Soviet hegemonism. The political situation in the Middle East, Southeast Asia, Eastern Europe and Latin America has been unstable. The least sign of disturbance in these areas will affect the world financial market. Economically, the period of high-speed growth in the Western industrial countries has passed. The state of stagflation will likely continue throughout the 1980's. At present, oil prices have been falling. Naturally, this helps in modulating the state of currency inflation and improving the condition of ordinary receipts and expenditures. But future developments in oil prices are still uncertain. Besides, stability in world currency and finance principally depends on the economic foundation basically turning for the better, but, insofar as this is concerned, there is scarcely any likelihood of a fundamental change in the 1980's. In our estimation, there will still be unrest and disturbance in the field of world finance. We may make the following estimates:

I. Continuance of the Floating Exchange Rate System

The new agreement reached in April 1978 by the International Monetary Fund definitely affirmed the continuance of the floating exchange rate system and at the same time stipulated that if world economic conditions permitted, transition would be made to a "stable but adjustable currency parity system." Is it possible in the 1980's to resume the fixed exchange rate system? We believe that in the 1980's conditions are still lacking for this development. This is because between the major countries, a rather large disparity still exists in regard to such phases as the degree of currency inflation, productivity rate, state of international balance of payments, economic structure, and so forth. Moreover, different countries maintain a certain fixed range in the exchange rates of their respective currencies. As for the reason for the establishment of the Eurodollar system (even after the establishment of this system, changes still have frequently occurred in the comparative prices of the currencies of various countries), it is because of the necessity to strengthen close cooperation among the European countries to achieve the ultimate aim of economic integration. Nevertheless, on a global basis, the possibility still does not exist. Hence, the existing diversified forms of units and bases for computing reserves and assets will continue to exist and the relative weight of the currency factor will change according to the comparative strength of the various currencies.

II. Possible Changes in the Strength and Weakness of Major Currencies

The factors affecting the strength or weakness of the exchange rate of a currency are many and varied and also complex and complicated. In the short run, the exchange rate of a currency is affected by interest rates and the international debt situation of the country concerned. Over a medium and prolonged period it is decided upon by the state of international balance of payments and the degree of currency inflation in the various countries. It is also sensitive to the internal and external political situation and, in particular, is easily affected by market speculation. [HK181035] For example, the exchange rate of the dollar is strong, principally because of the long-term maintenance of high interest rates, in addition to improvements made in foreign trade and in the state of the international balance of payments. For a time, the exchange rate of the British pound was rather strong, due to North Sea oil receipts, improvement in the international balance of payments and the maintenance of relatively high interest rates. However, since last year, the supply of oil in the international market has exceeded demand and oil prices are on the downturn. At the same time, interest rates in Britain began to fall. As a result, the British pound changed from a position of strength to one of weakness. As for the other currencies in Western Europe, aside from factors such as economic stagnation, poor conditions in international balance of payments, and interest rates being lower than in the United States and Britain and thus unfavorable to the absorption of idle funds, they have also suffered from the effects of the unstable political situation in Poland and in the Middle East and part of the funds of these countries has escaped abroad. In France, due to the effect of the nationalization policy, there has been an outflow of capital funds, with resultant unfavorable effects on the French franc.

In the next 2 to 3 years, oil prices can be expected to be basically stable. At the same time, in various countries the readjustment of the energy structure and the beneficial effects of an oil economy will help in lessening their dependence on oil imports and in this way they can improve the state of their international balance of payments. However, changes may occur to some of the factors. Quite obviously, the United States cannot maintain forever their policy of high interest rates. Assuming an improvement in the American economy and a rise in internal production and consumption levels, the demand for the importation of raw materials and finished products will naturally increase, the adverse balance in ordinary receipts and expenditures will be expanded and the dollar will not be able to maintain its present strong position. In the past 2 years, the exchange rate of the West German deutschemark and the Swiss franc dropped rather considerably due to the strong position of the dollar. The extent of currency inflation in these two countries has been far lower than that in the United States, and this should make the commodities of these two countries extremely competitive in the world market. From now on, the disparity in the interest rates between these two countries and Britain and the United States may likely become smaller. The exchange rate of the deutschemark and the Swiss franc may go up and in the 1980's, or at some other period, may eventually surpass the dollar. The Japanese yen has a fairly strong economic foundation. If the disparity in interest rates compared with other countries becomes smaller, it will tend to become gradually stronger. The British pound, French franc, Italian lire and other West European currencies, will continue to be rather weak due to such factors as the serious currency inflation in each country, the worsening position of their international balance of payments, political and social instability, and so forth.

It is really difficult to make a comparatively accurate forecast of the trend of currency movements. We must closely watch new developments in the international economic and political situations and, based on a regular study and analysis of the changes in exchange rates, periodically make new assessments.

III. Continuance of High Interest Rates

For some considerable time the capitalist economy can hardly extricate itself from the state of stagflation. The level of interest rates will follow the rise and fall in the degree of currency inflation. If currency inflation in the United States continues to slow down, then interest rates in the United States will fall. Interest rates in various European countries will fall in its wake. The level of interest rates in Europe will be lower than that of the United States but the disparity will become smaller. If the economy of the United States improves and rebounds and American enterprises vie with each other for funds while the American Government is obliged to greatly increase its borrowings in order to meet financial deficits, then interest rates in the United States will likewise go up.

IV. The Currency Role of Gold Cannot Be Entirely Eliminated

Following the announcement by the U.S. Government of the stopping of the conversion of the dollar to gold and the decision of the International Monetary Fund to remove the currency role of gold, the currency role of gold appeared

to have been somewhat lessened. But, in fact, the central banks of various countries have continued to maintain large gold reserves, partly for the sake of hoarding or storage and also as an ultimate measure to settle international payments. When the European currency system was formed in March 1979, for the purpose of setting up a currency fund the member countries were each required to pay into the fund 20 percent of their original gold and foreign exchange holdings as a reserve fund for the issuance of the "European currency unit." This had the significance of acknowledging the currency role of gold. At present, due to the strong position of the dollar and high interest rates, the price of gold has dropped to \$350 per ounce but this is still much higher than in 1977. Despite the American attempt to remove the currency role of gold, it may be expected that from now on gold prices will still be on a rising trend though still with fluctuations. Due to the fact that currency inflation in the world cannot fundamentally turn for the better, that gold production will continue to decline and that the general political situation will remain unstable, in the long run a rise in gold prices is a natural tendency.

[HK181037] Precisely at the time of disturbance in the international currency market, our country began to participate in and strengthen activities in the field of international currency and finance, and China's foreign financial work rapidly developed.

Since the smashing of the "gang of four" in October 1976, our country has announced the gigantic target of establishing a powerful socialist modernizing country. The 3d Plenary Session of the 11th CPC Central Committee which convened in December 1978 adopted a correct line for the establishment of such a powerful country. It formulated the eight-character policy of "readjusting, restructuring, reorganizing and upgrading" and pointed out that the implementation of the open-door economic policy and the active development of external economic cooperation and exchange of technology must be on the basis of independence, autonomy and self-reliance.

Development of our country's foreign financial work is principally in the following directions:

I. Vigor and Caution in Utilization of Foreign Capital and in Introduction of Advanced Technology

In order to speed up socialist modernization in our country, the long-term firm and irrevocable policy is the active, cautious and planned utilization of foreign capital and the selective introduction of advanced technology urgently needed in our country. Over the last 3 years, we have concluded loan agreements successively with Britain, France, Japan, Italy, West Germany, Sweden, Canada, Norway, Australia, Belgium and Argentina. Banking relations with the United States have also rapidly developed. Up to now a certain amount of foreign capital has already been utilized through such measures as intergovernmental loans at low interest rates or interest-free, export credits (including sellers' credits), direct bank loans, compensatory trade, joint-capital ventures, cooperative production, processing of imported materials, assembling of imported materials, rent and lease, and so forth.

In the utilization of foreign capital, our country firmly adheres to the following principles and methods: 1) The economic effect of the loan must be examined. All possible research work must be done. Definite arrangements must be made for coordinating the use of funds, use of technology and general management work. 2) Emphasis is laid on the acquisition of loans at low interest rates of interest-free and sellers' credit. 3) We employ various methods in common use among the nations and insist on the policy of regeneration and self-reliance, the principles of equality and mutual benefit, and the basis of no infringement on the sovereignty of our country. 4) We pay due consideration to the capacity to repay and "measure our strength before taking any action," but once action is taken, we respect contracts and honor our commitments.

II. Recovering Our Country's Right of Representation in the International Monetary Fund and the World Bank and Carrying Out Our Rights and Obligations in These Two Organizations

China is a chartered nation of the International Monetary Fund and the World Bank, but for 31 years, the PRC was unable to exercise its legitimate right of representation. In March and April 1980, we initiated negotiations with delegations from these two organizations for the recovery of our legitimate right of representation. Following efforts by both sides and with the warm support of many friendly countries, we speedily recovered our right of representation. We dispatched to these organs a director and an assistant director, smoothly solved the problem concerning our country's additional subscription to the capital and shares of these organs and, following an increase in the number of directors, named our executive director and assistant executive director to these organizations. In September 1980, a delegation from the PRC for the first time took part in the annual meeting of the International Monetary Fund and the World Bank. Since then we have carried out our own rights and obligations in accordance with the purposes and regulations of these two world organs.

III. Expanding and Establishing New International Financial Cooperation Relations

By the end of 1981, in the field of international financial cooperation, the Bank of China had established agency relations with 2,820 branch organs of 1,071 banks in 146 countries and regions. This was an increase of 643 branch organs, or 28 percent, compared with 1978. The People's Insurance Company of China has reinsurance relations with some 960 insurance companies and reinsurance companies in over 120 countries. The International Trust and Investment Company of China likewise has instituted business relations with financial organs of many countries. Our country's banks and American and Japanese banks have jointly organized two finance companies in Hong Kong. Our insurance companies and American insurance companies have jointly organized the Sino-American Insurance Company in Bermuda. Our banks also have participated in loans made by international finance groups and purchased debentures floated by the World Bank.

In order to facilitate and strengthen business liaison, since 1980, our country has sanctioned 23 banks from the 9 countries of Japan, the United States,

Britain, France, Canada, Italy, West Germany, Brazil, and Pakistan and from Hong Kong to establish agencies in Beijing. Eight British, Japanese and American insurance companies have set up liaison offices in Beijing.

[HK181039] In recent years, our activities in the field of international finance have been expanding. In 1981 alone, foreign financial circles specially dispatched 137 delegations, comprising 804 people, to our country. They took part in an extensive field of business discussions. On numerous occasions we also have organized report meetings and group discussions on problems of international finance. Our financial organizations, such as the Bank of China and others, have also sent various delegations to visit banking circles in the United States, Japan, Canada, Australia, New Zealand and countries in Southeast Asia and Latin America, to investigate banking business and methods of management. They have taken part in international discussions with a bearing on international economic and financial problems as well as Chinese economic problems. They have also organized, on various occasions, biparty activities for exchange of culture and experiences. The Bank of China also has specially dispatched students to banks in Britain, France, West Germany, Italy, Australia and the United States to study international finance. These activities have helped to promote the development of economic and trade intercourse as well as friendly cooperation relations between our country and other countries.

In order to facilitate the development of foreign financial work, our country has adopted a number of measures of an organizational nature to strengthen relevant work.

I. Implementing Structural Reform and Strengthening the Organizations' Leadership

In March and October 1979, the State Council sanctioned the establishment of the State Foreign Exchange Control Bureau and the International Trust and Investment Corporation of China. Both are directly subordinate to the State Council. In March 1979, the State Council sanctioned a change in the organizational structure of the Bank of China. It specified the bank as a socialist state-run enterprise, being the foreign exchange bank of the country and a direct subordinate organ of the State Council. At the same time, its capital was increased from 400 million yuan to 1 billion yuan. As of the end of 1981, the Bank of China operated 141 branch offices in the principal towns and municipalities of the country. Simultaneously, the branch offices abroad of the Bank of China have rapidly increased in number. The total number is now 231, of which 216 are in Hong Kong and Macao, 6 in Singapore and 3 in Britain. In addition to the branch offices in Hong Kong, London and Singapore, in the last 2 years, the Bank of China has set up a branch each in Luxembourg and New York and an agency each in Tokyo and Paris.

II. Gradually Perfecting Legislation Work To Protect the Country's National Interests and the Legitimate Rights of Foreign Investors

Following the expansion of foreign economic, trade and financial relations, the formulation of certain legislation was urgently needed to provide a legal

backing to international cooperation. Since July 1979, a number of legislation has been promulgated, including the "statute governing Chinese and foreign jointly-invested enterprises," "provisional regulations on foreign exchange control," "provisional regulations governing loans to Sino-foreign joint ventures," and a number of detailed regulations governing foreign exchange control. More relevant legislations will continue to be formulated and promulgated based on the principles of independence, autonomy, equality and mutual benefit.

As a result of the implementation of the open-door policy, over the past 3 years much work has been done in the banking sector and banking business has rapidly developed. The Bank of China's 1981 Statement of Assets and Liabilities speaks eloquently of this achievement. Compared with the 1978 statement, several principal items in the 1981 statement showed a growth of 88 percent, deposits increased by 165 percent, loans and investments increased roughly by 200 percent, receipts and commissions from bonding, trust and collection for others' accounts increased by 580 percent and net profits rose by 330 percent.

At present, our national economy is in the stage of readjustment. Hence, our foreign financial work must be oriented to the service of readjustment. The policy of the utilization of foreign capital will not be changed. The important point is that the key points and direction in the utilization of foreign capital must be beneficial to the readjustment work and must serve the following: energy production and production of the so-called in "short supply," export expansion, tapping potentials, renovation and rebuilding of old enterprises, and elevation of the people's standard of living. A close watch must be kept on economic effects. Having gone through a rather lengthy period of 3 years of readjustment work, at present our national economy has begun to get on the right track to stable growth and development. The prospects of economic construction are indeed bright. Naturally, our country's cooperative relations with other countries will be continuously expanding.

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FOREIGN TRADE

'SHIJIE JINGJI' ON USE OF FOREIGN CAPITAL, TECHNOLOGY

HK180750 Beijing SHIJIE JINGJI in Chinese No 8, 10 Aug 82 pp 21-25

[Article by Li Hao [2621 3493] of the State Economic Commission: "Prospects for China's Utilization of Foreign Capital and Import of Technology"]

[Text]

I

Opening the door to foreign intercourse and strengthening economic cooperation (including financial and technological cooperation and interflow) with foreign countries constitute a basic policy adopted in China's socialist modernization program.

As early as over 100 years ago, Marx pointed out: Following the formation of the world market, mutual contact and mutual dependence in the economic field among peoples of the various countries has gradually replaced the original state of closing the door and self-sufficiency. People can see that this is the general tendency in historical development.

China is a developing socialist country. We pay great attention to the development of external economic relations. On the eve of the establishment of the PRC, Chairman Mao Zedong already solemnly announced our willingness, under the logical premise of independence, autonomy, equality and mutual benefit, to develop economic and trade relations with all countries and pointed out the guideline of taking "self-reliance as the main factor and seeking foreign aid as a supporting factor." He further called on the whole country to learn the superior and good points from all races and countries. All this should doubtlessly form the guideline which we must follow in developing our foreign economic relations.

In recalling the past 30 years since the founding of the PRC, there were some untoward developments in our foreign economic relations due to the historical reasons of the time and other reasons well-known to everybody. During a certain period, we actually found ourselves in the unusual circumstances of being "behind locked doors." But since the smashing of the "gang of four," and particularly since the holding of the 3d Plenary Session of the 11th CPC Central Committee, a fundamental change has taken place in this situation. Following the bringing forth and implementation of the open-door policy, in more recent years our government has taken many important steps with the aim of promoting our foreign economic and trade relations, including the development of such

lines of work as the utilization of foreign capital, import of technology and so forth. For example, beginning in 1979, we have successively formulated and promulgated a series of statutes, rules and detailed regulations such as "statute governing Sino-foreign joint investment enterprises," "income tax law for individuals," "income tax law governing joint investment enterprises," "provisional regulations on foreign exchange control" and others. Credit and loan cooperation relations were resumed or established in succession with certain foreign governments and international financial organizations. We also began to accept foreign loans and to absorb direct investments from foreign merchants. Certain reforms were experimentally made to the foreign trade control structure. In the two provinces of Guangdong and Fujian, "special measures and flexible measures" were in operation. "Special economic zones" were experimentally set up in the three municipalities of Shenzhen, Zhuhai and Shanton of Guangdong Province and in Xiamen of Fujian Province. In the case of the three municipalities of Shanghai, Beijing and Tianjin and the coastal provinces of Shandong, Zhejiang, Liaoning and Jiangsu, the limits of their power of control were suitably expanded so that they may have a definite mobile power of their own in their external economic activities. Simultaneously, in actual practice we have continuously summed up past experiences and lessons and, in particular, have made timely rectification of the errors made in 1978 when the scale of our import of complete-set equipment was excessively large and we were too hasty in our demands. On the other hand, we have gradually formed a complete set of guidelines, policies and methods which are more in line with reality and have thus enabled our work of utilizing foreign capital and importing technology to get on the right track toward healthy development.

In recent years, we have made rapid progress in our financial and technological cooperation with foreign countries and have achieved outstanding successes in this regard. At present, we have already established economic and trade relations with over 170 countries and areas of the world. In the last 3 years, the volume of our export trade has increased 115 percent, averaging an annual growth rate of 29 percent. Loan agreements involving a total sum of \$17.6 billion have been signed by our government with foreign governments, world financial organizations and the Export and Import Bank of Japan. This amount included sellers' credits amounting to \$13 billion arranged and signed by the Bank of China with 10 foreign governments, including Britain and France. Additionally, we have sanctioned the establishment of 40 Sino-foreign joint investment undertakings, over 800 projects involving Sino-foreign cooperation and some \$1 billion in medium and small compensatory trade projects and contracts involving investments and supply of equipment from foreign merchants. Good prospects have already been shown in our offshore oil exploration and development work, which has been attracting much attention. At the same time, a number of large-scale engineering projects financed by foreign loans are progressing smoothly, while those Sino-foreign jointly financed undertakings already in operation are running briskly. Moreover, in the last 3 years, our enterprises have signed with many foreign enterprises nearly 200 "license trade" agreements and other technical cooperation agreements. Although all the foregoing represented only the beginning and were far from being sufficient both in depth and breadth, it may still be said without exaggeration that we have definitely had a good beginning.

China not only has had a good beginning in the utilization of foreign capital and the import of technology, but has also envisaged great prospects for their development. This is because China is a big country with a large population but comparatively backward economically; hence, in order to speed up its economic development, it needs cooperation with friendly countries in the fields of finance and technology. Moreover, China has plentiful natural resources, its internal markets have immense potential while the wage level is low and, at the same time, its political situation is stable. Therefore, it is an ideal place for investment. At the present moment, China's foreign indebtedness is not large but its foreign exchange earnings in the trade and non-trade sectors have been increasing at a rapid pace, and in this regard it has a relatively good capacity for repayment of indebtedness. China's financial and commercial reputation is also a good one. Looking at world conditions, it may be said that in the 1980's, the world situation will still have much unrest and many changes, economic growth of the various countries will be at a slow pace, international trade will be developed at a rather low level and the industrially developed countries will meet with relatively difficult problems in finding an outlet for their surplus funds and commodities. On the other hand, the Chinese economy, following readjustment and reorganization, will enjoy a solid and stable development and can absorb and digest even more foreign funds and technology.

Nevertheless, we can readily see that the utilization of foreign capital and the import of technology pose a rather complex problem. Money borrowed must be repaid. If everything goes well, economic development and prosperity will follow. If all is not well, then endless trouble will ensue and the country may fall into a pit of indebtedness. Even worse, the stability of its political situation may be affected. Such good and poor developments have not been rare in the international scene. In particular, when experience is insufficient or when the conditions are still inappropriate, taking rash steps forward may bring unexpectedly awkward consequences. For this reason, both in the utilization of foreign capital and the introduction of technology, China has been adopting a positive and safe policy.

But what do the words "positive" and "safe" indicate? In short, they mean, first, dare to use and, second, use well. Concretely, I may summarize the points as follows:

1. There must be a workable plan. We must insist on proceeding from few to more and advancing gradually and in an orderly manner. The scale on which a country can make use of foreign capital and import technology is governed by many factors, such as the country's internal capacity to provide the necessary ancillary or supporting facilities, its absorptive capacity, its management level and capacity to make the requisite foreign exchange payments, conditions in the international arena and so forth. It is not a matter which can answer your subjective wishes, whether they are demanding more or rapidity. Therefore, we must pay due attention to grasping a rational limit, formulate a workable plan, and must not lose control; otherwise, we may fall into the pit of relying wholly on foreign capital. Generally speaking, during the

initial period, the lack of sufficient experience makes it necessary to exercise a more rigid control over the use of foreign capital. Speaking of China alone, the trend in the net inflow of foreign capital may take the shape of a parabola, that is to say, very little in the beginning, then an increase from little to more, then the climax is reached and eventually gradually diminishing. Naturally, right now China is still at the initial stage. The upsurge is still far in the distance.

2. We must strive for economic effect. The purpose of utilizing foreign capital and importing technology is to promote economic development in the country. If we do not strive for economic effect, then not only can this objective not be realized but there will also be a lack of money to repay the loans. The question is how we are to achieve a relatively ideal economic effect. Viewed from the standpoint of macroeconomics, the utilization of foreign capital and the import of technology must be in line with the rationalization of our industrial and production structure. We must grasp well the direction of foreign investments and utilize them on those departments and projects urgently needed by the national economy. Achieving an overall balance in the national economy should be an important consideration. Viewed from the standpoint of microeconomics, the feasibility of each project must be first studied and studied well, energy sources and raw material supplies as well as facilities for communications and transportation must be sufficiently ensured, the products must be marketable and profits must be provided for the enterprises. In a word, we should watch closely not only the benefits to the project itself but also its benefits to society.

3. We must selectively absorb foreign capital and technology. In the world market, the sources of capital funds are many. Some are procurable on rather preferential terms, whereas others are, on the contrary, either harsh in terms or carry high interest rates. Needless to say, from among this dissimilar array of sources of funds, we must make our choice selectively and use the funds for a definite and set purpose. In the case of such a developing country as China, at the initial stage it is absolutely necessary to seek certain middle- or long-term loans at low interest rates and maintain the rational structure of the foreign funds. [HK180754] As for the selective introduction of advanced technology from foreign countries, we must also insist on taking into consideration, and starting from the actual conditions of the country's economy and technology and import more of the type of advanced technology which is suitable and can play a decisive role in changing the backward condition of our country's technology and accelerating our modernization and construction. By no means should we onesidedly strive for the newest and the most advanced technology, which may not be suitable to our actual needs.

4. Utilization of foreign capital and introduction of technology must work together, in unison. If funds and technology are compared, then technology is what the developing nations, including China, lack most and need most urgently. Hence, we should not take utilization of foreign capital as the sole means of increasing production capacity. From now on, China will continue to exercise rigid control over the import of large-size complete-set equipment, and convert to stressing the importation of specialized technology, which we lack, and the necessary key equipment. As for direct investments

from abroad, we shall welcome those projects which have a close bearing on the import of advanced technology and scientific methods of management. The reason is simple enough. We expect to buy a hen that can lay eggs and wish to learn the knowhow of catching fish.

5. We must continuously raise the management level. Our objective should be to build a highly efficient management system. We have already promulgated, and are still formulating, relevant rules, regulations and procedures. We shall carry out the united responsibility system of borrowing, using and repaying and, in the absorption of foreign capital, we shall repay the principal and make the interest payments strictly according to schedule. The utilization of foreign capital and the import of technology will be incorporated into the national economic plan, and there will be assurances concerning the provision and supply from within the country of the necessary supporting funds, equipment and materials. We shall strive hard to remove the bureaucratic workstyle of being dilatory and requiring tedious and awesome procedures. At the same time, we shall strengthen the training of cadres and specialized personnel, build up a contingent of specialists who are good in ideology, possess a correct workstyle and are talented in business dealings. By means of these methods, we shall bring about the upgrading of the management level and economic benefits.

In short, I am of the firm belief that only in the implementation of this positive and reliable guideline can the utilization of foreign capital and the import of technology get us on the road to healthy development, and only in this way can the development of our economy be speeded up, the capacity for self-reliance and regeneration be raised and both parties to the cooperation be benefitted.

IV [sic]

At present, the country is engaged in the compilation of the Sixth Five-Year Plan (1981-1985) and the 10-year (1981-1990) plan for the development of the national economy. We shall, in accordance with these plans, formulate our 5-year and 10-year plans for the utilization of foreign capital and the import of technology. How large is the volume of foreign capital that China can utilize in the next 10 years? Our foreign friends are extremely concerned over this problem and have made certain estimates. Some believe that if China can control the absorption of foreign capital to within 10 percent of the fund accumulations within the country and also control the debt repayment rate (DSR) to within 20 percent, then it will be possible in the 1980's to absorb an accumulated amount of \$40 to \$50 billion in foreign capital. Naturally, whether or not such an enormous sum can be utilized will still have to depend on many concrete conditions within the country. In my opinion, if we take into account factors such as the current readjustment of the economy and the state of energy supply and general transportation capacity, we should not fix too high a target in our planning. Rather, we should leave some room for eventually exceeding the target in actual implementation.

For a considerable period from now on, the focal points in our utilization of foreign capital will be principally confined to the development of energy resources, construction of such basic facilities as seaports, communication

lines, telecommunication lines and so on, and to opening up mining resources, production of building materials and overall development projects of a local nature. The objective is to strengthen the weak links in the national economy and have in readiness sustaining power for future development. Our offshore oil exploration and development projects have very bright prospects. Shanxi and Guizhou Provinces and other localities have plentiful coal deposits. Our government has decided to utilize foreign capital and advanced foreign techniques to speed up the development of offshore oil resources and coal deposits. At present, our offshore oil exploration and development work has already begun and our cooperation with certain foreign countries has been progressing satisfactorily. Not very long ago, we sent out our first batch, and the first round, of tender invitations to various foreign companies.

Based on the actual conditions in our country, for several years from now our utilization of foreign capital and the import of technology will mainly center on the technical rebuilding of the existing enterprises. According to statistics, there are now roughly 400,000 enterprises of various sorts in our country. A rather large proportion of them have antiquated equipment and rather backward production techniques. There is thus before us a very heavy and complex burden of technically rebuilding these enterprises. [HK180756] At the same time, although our machine-building industry has a rather large production capacity, yet its technology is still backward and the industry itself needs the introduction of advanced technology for its support and restructuring. On this score, there is a great possibility of our cooperation with foreign countries. Here, I may as well touch on one point, and this is that some foreigners have expressed the view that since the patent system is still not in force in China, they are skeptical on whether there is any protection for the technology imported to China. As a matter of fact, China all along has scrupulously adhered to the internationally-accepted principle of according protection to the technological rights of owners of foreign technology. This is a principle for coming relevant legislation in our country.

Concerning the form of our utilization of foreign capital and the import of technology, we shall, based on the actual conditions, choose the best from whatever forms that are in common use in the world. Indeed, we are willing to look into any form that may be suggested, such as joint investment undertakings, cooperation enterprises, cooperation mining or developing, cooperation production, compensatory trade, rental or lease of equipment and so on. We shall encourage and welcome any one of the above. At present, some of our statutes and regulations may not be encompassing enough, but the necessary terms may be incorporated into the text of the agreement. Once sanctioned by the government, the agreements have the necessary legal backing. Among the various types of loans, we hope to procure more of the middle- or long-term ones with low interest rates, although we still want to make use of ordinary commercial loans as the occasion arises. We are also willing to employ various ways and means to increase our mutual understanding and to promote mutual cooperation, such as convening international conferences, mutual dispatch of specialists, forming advisors' groups, arranging academic and technological interchange sessions and so on. In June this year, we and the industrial development organization of the United Nations will jointly convene a "China Investment Promotion Conference." At this conference, we plan to bring up

some 130 industrial projects for discussion with investors from various countries concerning the feasibility of cooperation. This will be a good attempt to find out in advance the reaction of foreign investors.

We hope that from now on, our partners in cooperation can embrace a much wider circle. All along we have put cooperation with Third World countries in the most important position but, at the same time, have paid great attention to strengthening cooperation with Western industrially developed countries.

China is an important constituent of the current world. China's utilization of foreign capital and import of technology constitute a part of the international flow of capital and the transfer of technology. Whether or not we can push this cooperation work smoothly forward depends to a very large extent on whether or not there exists a good international environment. Hence, in discussing the prospects for China's utilization of foreign capital and import of technology, we cannot but touch on certain problems that can cause anxiety in international economic relations.

I would like to stress the following points:

1. The developed countries should change their trade protectionist policy. As we all know, a developing country which is in need of enlarging the scope and extent of its utilization of foreign capital and import of technology must continuously expand its export trade in order to strengthen its capacity to meet foreign exchange commitments: otherwise, this country will not be unable to repay its indebtedness. Unfortunately, in more recent years, the exports, particularly of finished products, of many developing countries have suffered from an increasing number of restrictions. This daily rising trade protectionism is naturally alarming to many people. Indeed, we do not mean to voice our opposition in a blanket manner against all countries, particularly countries of the Third World, providing the necessary protection to their own national industries, but the protectionist policy of the industrially developed countries at present is quite another matter. This type of protectionism actually exercises a two-fold function. It is likened to a blow which, though struck at the opponent, likewise has an equal impact on the protectionist party itself. If this type of protectionism is allowed to continue and the exporters of the developing countries are continuously curbed or restricted, then their capacity to meet foreign exchange commitments will be weakened. In turn, their demand for international funds, technology, equipment and other materials will naturally shrink. In the end the flow of international funds and technology will be stifled. The result is that the developed countries will reap the "bitter fruits" of a shrunken international market. Therefore, adoption on the part of Western nations of multifarious means to restrict imports is extremely shortsighted.

2. Developed countries should carry out their obligation of extending external aid. People can readily see that at present the structure of foreign capital now being used by the developing countries is extremely irrational. The loans have harsh terms and carry high interest rates, the volume of loan funds available for international aid is very small and world financial organs are facing great difficulties in soliciting subscriptions to enlarge their loan capacity. The principal problem lies in that certain developed countries

have not seriously carried out their external aid obligations. For example, as everybody knows, with the exception of only a few countries, the external aid rendered by the great majority of the developed countries has been below the minimum limit of 0.7 percent of the value of their gross national product. It is indeed a matter of deep regret that promises made have not been kept for a prolonged period of time.

[HK180758] 3. In international economic cooperation, the principles of equality and mutual benefit must be strictly observed. Be it trading in technology or in general commodities, be it visible or invisible trade, be it transaction of international funds or dealing in the bond market, all parties concerned should enjoy a status of equality. None of the parties should be allowed to take advantage of its own certain superior conditions to obtain improper benefits. However, people can without difficulty find that international trade at present, particularly trading in technology, is frequently carried on in a manner disadvantageous to the importing party. Certain countries have religiously followed the theory of "flying dart effects," that is to say, they are willing to part with the usual run of technology and equipment but are unwilling to provide relatively advanced technology and equipment. They may even go so far as to grant old technology at a relatively higher price to the recipient party and zealously block the export of certain new technology. Phenomena of this kind should not be allowed to continue. In our opinion, the principle of equality and mutual benefit should be observed in all the fields of international economic cooperation. We shall devote untiring efforts to achieve this objective.

CSO: 4006/62

FOREIGN TRADE

HEILONGJIANG GOVERNOR DISCUSSES FOREIGN TRADE

HK260102 Beijing CHINA DAILY in English 26 Oct 82 p 2

["Economics and Finance" column by Chen Lei, governor of Heilongjiang Province: "Foreign Trade Boom in Heilongjiang"]

[Text] Foreign trade is one of the essential aspects of national economy. It is closely linked with our four modernization programme and presents itself as a strategic challenge. The party's 12th congress commissioned us with the historical task of opening up new horizons for foreign trade.

Heilongjiang, a province with an immense area of highly fertile and productive soil, lies on the northeast border of China. Following in the wake of industrial development in the province, our foreign trade has expanded continuously. After the party's 3d Plenary Session of the 11th Central Committee, in particular, the policy to open up the economy to the outside world and activate the domestic economy along lines set by the party has been implemented. It involved support and direct instruction from various organs of the state foreign trade bodies.

Heilongjiang, which was once a province which could do no more than supply commodities to some exporting ports, is step by step establishing itself as a province independently conducting import and export trade. In 1981, foreign trade purchases were 27 percent above those of 1978. Exports had increased nearly 200 percent. For 1982 exports are projected to increase by 40 percent above last year's level.

About 315 different commodities were exported and the quality of exported goods also improved significantly. Along with flax, honey, Chinese medicines and other traditional products main exports like timber, light industrial goods and textiles have expanded greatly in recent years.

In 1981, textile exports were worth more than 14 times those of 1980. The "Red Peony" brand of washed cotton yarn has reached a high quality and has become a well-known brand throughout China's export markets. In volume terms, "Red Peony" accounted for one-third of China's textile exports.

The use of foreign capital has ushered in new technologies and skills and technological cooperation has progressed rapidly. Foreign capital used in 1981 was more than twice that of the two previous years.

This year, contracts include electrical machinery industries, and rubber, flax, and dairy product industries. A total of 35 new ventures are under negotiation, including the production of middle density fibre sheets, shavings and sheeting equipment and equipment for soya bean processing.

For the coming year, a total of 25 projects are expected to be negotiated using foreign capital and technological cooperation. It is valued at about \$130 million.

Up to now we have established trading relations with 120 countries. Over the past 22 months we have held two foreign trade meetings at Harbin, with 1,200 traders attending. The two meetings resulted in export contracts worth about \$100 million.

New horizons present themselves as is suggested by the poem "Trade With Five Continents, Friends From Four Seas."

Hu Yaobang, making his report at the party's 12th congress, called on the whole party and all the people to open up new horizons for our socialist construction and the four modernizations. The people of Heilongjiang are determined to do their best in tapping the province's potential and in building up the five bases of agriculture, petroleum and chemical industries, light industry, afforestation, and heavy industry. They are opening up new horizons for China's foreign trade and are struggling to achieve the strategic goal set by the party's Central Committee.

CSO: 4020/16

FOREIGN TRADE

TIANJIN TO USE FOREIGN FUNDS TO UPGRADE INDUSTRY

OW170638 Beijing XINHUA in English 0701 GMT 15 Oct 82

[Text] Beijing, October 15 (XINHUA)--Tianjin, a major industrial city of China, expects to use close to 100 million U.S. dollars in 1982 from both bank loans and direct foreign investment mainly to upgrade its existing enterprises.

The sum is almost equivalent to the total for the three years 1979-1981 since use of foreign capital started, said Wang Zhenguo, deputy director of the Tianjin Import and Export Affairs Commission, to a XINHUA reporter today at a meeting of the Ministry of Foreign Economic Relations and Trade here.

The funds are used mostly to import equipment and technology for the light and textile industries which account for over half of the city's total industrial output value.

The use of foreign funds is an integral part of Tianjin's plan for economic development and also fits in with the state's current five-year plan, according to the commission. In the next few years foreign funds will be used to technically improve and expand the electronics, building materials and machine building industries in addition to the light and textile departments and also to build some key projects.

Over the last three years, 123 projects were involved in the form of joint ventures, coproduction and compensatory trade. All have gone into operation except for eight which are still under construction. As a result many departments have enlarged production capacity, raised technical level and improved variety and quality of products. Energy and raw material consumption has also been lowered.

The projects are concentrated in the cotton, woolen, knitting, printing and dyeing and garment industries. Between 1979 and 1981, more than 1,600 machines including wide cloth looms, woolen spinning frames, knitting machines and finishing process equipment were imported to replace outdated ones.

The new woolen looms have trebled or even quadrupled the efficiency, and the knitting, dyeing and printing machines have at least doubled the efficiency. Cotton mills in Tianjin have in the last three years added 100,000 new spindles, which equal about 66 percent of the number added in the previous 29 years. Woolen mills have added 14,000 spindles in the period.

In the garment industry, which accounts for 12 percent of Tianjin's export trade, 80 percent of the factories have been revamped with 6,400 new imported machines. With the improvement in quality and better design the export volume of ready-to-wear more than doubled in 1981, compared with 1978.

According to the Tianjin Import and Export Affairs Commission, all enterprises using foreign investment are doing well. Two of Tianjin's four joint ventures which are among the 43 approved by the state have gone into operation.

The Sino-French Wine Corporation, a joint venture between the Tianjin Vineyard and Remy Martin (Far East) received high marks for its product at an international wine fair held in France in 1981 after one year of production. The winery which sells 90 percent of its wine outside China plans to double output to 200,000 bottles this year.

A Sino-West German joint cosmetics plant producing cold creams and shampoos will be completed next year, and a Sino-Japanese joint venture making bottles for infusion is now being built.

At present, more than 30 projects including pharmaceuticals, chemicals, electronics and prawn raising are being discussed with firms from Britain, Japan, the United States, France, Switzerland, Australia and the Hong Kong region, according to the commission.

CSO: 4020/16

FOREIGN TRADE

GUANGDONG OFFICIAL VIEWS FOREIGN ECONOMIC TIES

OW131450 Beijing XINHUA in English 1257 GMT 13 Oct 82

[Text] Guangzhou, October 13 (XINHUA)--Guangdong Province, now pioneering the policy of opening to the world, has decided to set up a corporation of international economic and technical cooperation in an effort to contract for more construction projects abroad and to increase its overseas labor service.

The announcement was made by Vice-Governor Zeng Dingshi at a recent meeting on undertaking compensation trade and processing with supplied materials from overseas clients. The province has since 1980 earned 3.4 million U.S. dollars by completing ten of the 22 overseas projects for which it has contracted. The 1,400 technical personnel and workers it has sent abroad are expected to earn a total of 5.7 million U.S. dollars, Zeng Dingshi added.

The corporation of international economic and technical cooperation to be set up is expected to streamline the work to make more contracts for overseas construction projects and labor services, he said.

Guangdong Province--the first in China to have designated Special Economic Zones to attract foreign, Hong Kong and Macao capital--has in the past three years signed 185 compensation trade contracts and nearly 600 contracts for starting coproduction and joint projects. The current policy of attracting overseas and Hong Kong and Macao capital will be still more flexible, he said.

CSO: 4020/16

FOREIGN TRADE

SHENZHEN OFFERS TAX RELIEF FOR EXPORTERS

HK130145 Beijing CHINA DAILY in English 13 Oct 82 p 2

[Text] The authorities in the Shenzhen Special Economic Zone have listed preferential tax regulations which give extensive relief to export-oriented projects and those using advanced technology. They also revealed that at the end of June, 1,396 investment agreements with overseas firms had been concluded in Shenzhen. The capital absorbed by these ventures amounts to U.S. \$1.27 billion, of which foreign investment accounts for 200 million.

The new tax regulations specify that all essential equipment, parts and components, raw materials and means of transport are exempted from consolidated tax.

Income tax is set at 15 percent, compared with 30 percent for enterprises outside the zone. Larger projects, or those using advanced technology, have been granted further cuts varying from 20 to 50 percent. Some will have a grace period of one to three years.

Officials said that a further 58 projects have been concluded. These include light industry, chemicals, electronic, food, beverages, machines and hardware. About 40 will be new enterprises, while the remainder will involve expansion of existing ventures.

The latest enterprises involve more advanced forms of equity and cooperative arrangement than earlier agreements. These include three-way ventures between mainland Chinese, people in the Special Economic Zone, and overseas interests. They also include ventures financed exclusively from overseas sources.

The projects agreed upon have for the most part been confined to smaller undertakings involving processing materials supplied from abroad or compensatory trade. The latest projects are all exempt from 10 percent local surtax.

CSO: 4020/16

FOREIGN TRADE

GUANGDONG FORUM ON EXPORTS, COMPENSATION TRADE

HK150756 Guangzhou Guangdong Provincial Service in Mandarin 2350 GMT 14 Oct 82

[Text] On 11 October the Guangdong Provincial Conference for exchanging experience in carrying out processing of foreign goods and compensation trade closed in Dongguan County. The conference decided that we should consolidate and develop through reorganization the undertaking of the processing and assembling of foreign goods that have been carried out in a widespread manner in many enterprises. We should vigorously develop a compensation trade which we have not yet created. We should strengthen our leadership and be bold in creating a new situation in utilizing foreign capital.

The development of the processing of foreign goods and compensation trade is very quick in our province. Now 67 of the total 109 counties and municipalities in our province have started to develop this undertaking. Since the beginning of this year, this undertaking has continued to relatively vigorously develop, though it is undergoing reorganization and consolidation. During the first 8 months of this year, 4,677 new contracts for the processing of foreign goods were signed throughout the province. This was a 31 percent increase over the same period last year, the total income from this undertaking in this period was \$94.85 million, which was 22 percent more than that in the same period last year.

The standard of management and technology of those enterprises that have undertaken the processing and assembling of foreign goods has also increased. In the 3 years since our province began to carry out the processing of foreign goods and compensation trade, some comrades have held various worries. For example, some worried over the reduction in exports that may be caused by the development of this undertaking, and others feared that they might be cheated and defrauded by foreigners. At the conference, many facts were cited to prove that the development of this undertaking promoted the development of agriculture and industry and the development of the national economy and opened up a new channel for foreign trade. Moreover, this undertaking is an important means for giving full play to our province's favorable factors, drawing in foreign capital and increasing our capability for self-reliance. This has helped many comrades to overcome their worries and heighten their confidence.

Recently Vice Governor Zhang Dingshi gave a speech at the provincial conference for exchanging experience in carrying out the processing of foreign goods and compensation trade. He said: We should continue everywhere to eliminate the influence of leftism, remove all obstacles, bravely draw in foreign capital and introduce into our country advanced and applicable equipment in order to promote the technical renovation and renewal of equipment in our existing enterprises and strive to create a new situation in utilizing foreign capital in our province. He said that in utilizing foreign capital we should center on satisfactorily solving the key problems in the fields of agriculture, energy, transportation, education and science. We should make efforts to introduce various kinds of advanced and applicable equipment and promote the technical renovation and the renewal of equipment in our existing enterprises so as to increase our country's capability for self-reliance. He pointed out that leftism still has some impact on our province's work of utilizing foreign capital. There are still a few people who are apprehensive about cooperating with foreign businessmen. We should continue everywhere to eliminate the influence of leftism, unify our understanding and remove all obstacles. Only by so doing can we create a new situation in utilizing foreign capital in Guangdong. He said that there should be more appropriate flexibility in our policy related to the utilization of foreign capital and that the power of examining and approving this kind of project should be appropriately transferred to the proper low-level organs and great efforts should be made to simplify the procedures for examining and approving these projects. We should speed up the process of bringing about economic returns in these projects and formulate preferential policies in order to facilitate the investment of foreign businessmen.

CSO: 4006/64

FOREIGN TRADE

'TA KUNG PAO' ON SHENZHEN INDUSTRIAL PROJECTS

HK070659 Hong Kong TA KUNG PAO in English 7 Oct 82 p 4

[Text] Fifty-eight industrial projects in the Special Economic Zone (SEZ) of Shenzhen have been proposed for outside investment, according to the SHENZHEN HERALD, Monday.

The package follows a large-scale investment promotion meeting held in Guangzhou in June at which 130 projects were offered to Hong Kong and foreign businessmen. Total investment at the meeting was set at U.S. \$1.65 billion of which U.S. \$900 million was to be financed by outside investors. Half of the projects were located in coastal provinces, the other in the interior. Only 5 were newly-established enterprises; the remaining 125 were aimed at revamping or expanding existing ones.

The recent Shenzhen package differs from its predecessor in that the majority of the proposed projects, numbering 40, will be new, while only 18 are revamping propositions. The mode of cooperation also takes the more advanced forms of equity and cooperative ventures, a three-way combination of interior, the Shenzhen special economic zone and outside investments, and enterprises financed and operated exclusively by overseas firms.

It is known that a large portion of cooperative efforts in the SEZ had assumed the simpler forms of processing materials supplied and compensation trade.

The SHENZHEN HERALD did not give the required investment of each of the proposed 58 projects. The range of the projects, however, was described as being covering light industry, chemical industry, electronics, food and beverage, machine and hardware, art and garments, etc.

The announcement came with details of the zone's regulations on taxation, land use, the leasing of industrial space, wages and preferential treatments granted to overseas investors.

All essential equipment, parts and components, raw material and means of transportation are exempt from import tariffs. Exemption of consolidated tax may be applied for products for export to Hong Kong, Macao and foreign countries. The rate of income tax is set at 15 percent, but advanced technology and large-scale enterprise are granted a further cut of 20-40 percent or a grace period of 1-3 years.

On land use, large industrial projects will enjoy a 20-40 percent reduction on top of the most favoured rate (RMB 10 per sq metre per year) for land allotted for industrial use. A grace period of 1-3 years will be granted to the use of hilly or marsh land. Land royalties are subject to chance once every 3 years, but the extent of the adjustment shall be kept within 30 percent.

The monthly rent for factory floor space is RMB 3-5 per sq metre.

The hiring of staff and workers will be executed according to labour contracts. Wages may take the form of piecework, or hour, daily or monthly work as the enterprise deems fit. For the same type of work, the wage level of the SEZ, will be about 50 percent of standards in Hong Kong, i.e. between HK\$600-800.

Other preferential rights pertain to payment in RMB for wage, taxes, water and electricity fees, insurances and other costs, and the procurement of a special card for multi-entry/exit between Hong Kong and Shenzhen.

All property and management rights and rights to remitting profits abroad have the legal protection as provided by the Guangdong Special Economic Zone regulations, the announcement says.

According to the NANFANG RIBAO (South China daily), the absorption of outside investment in Shenzhen has taken a sharp upward swing since July. Relying for the most part on Hong Kong business circles in the past, the zone received a marked increase in investments from the United States, Japan and Southeast Asia in the summer that has just passed. A new industrial sector, a container wharf and a tourist centre have been financed by a group of Japanese, Southeast Asian, Arabian and African firms. Another tourist centre has successfully attracted capital investment from U.S., Canadian and Australian businessmen. Illustrating the accelerated pace of development, the paper mentions the Shenzhen Golf Club, a proposition considered in 1979; the contract signed formally in July calls for a capitalist investment of HK\$170 million.

CSO: 4020/15

FOREIGN TRADE

BRIEFS

SHANDONG EXPORT COMMODITIES TRADE FAIR--Qingdao, September 29 (XINHUA)--A week-long export commodities sales exhibition and trade discussion ended here today, with the volume of transactions close to 70 million U.S. dollars, according to trade fair officials. Participating were 500 trade representatives from Japan, the United States, Britain, Italy, France, West Germany, Switzerland and the Philippines and Hong Kong region. Talks were also held on a dozen economic and technical cooperation projects, according to the officials. The meeting was held in Qingdao between September 23 and 29 at the newly built Shandong Foreign Trade Center, which has a four-story exhibition building and a 50 meeting room trade talks center. On display in the exhibition building were more than 1,600 kinds of export commodities. Shandong is one of China's major foreign trade outlets well-known for its peanuts, drawn work, cloth goods and prawns. Its light industrial goods, petroleum and mineral products are also popular among foreign customers. In recent years, the province has set up four multi-product and 20 single-product export production centres. Its export volume last year was 1,890 million U.S. dollars, 3.3 times that in 1977. [Text] [Beijing XINHUA in English 1221 GMT 29 Sep 82 OW]

GUANGZHOU EXPORT COMMODITIES FAIR--Guangzhou, October 15 (XINHUA)--The 1982 autumn session of the Guangzhou Export Commodities Fair, which opened here this morning, is expected to attract 25,000 business people and visitors from all over the world, officials told XINHUA. The current fair, the 52nd since the first in 1957, will last 20 days. All products for sale except machinery and some others are displayed just outside the negotiation rooms to facilitate business talks. The old practice was to display commodities in a specially designated exhibition area. Attending the session are 12 Chinese delegations representing different trade corporations including grain, oil and food, textiles, animal and native products, light industrial products, metals and minerals, chemical products, instruments, machinery and silks. [Text] [OW152128 Beijing XINHUA in English 1253 GMT 15 Oct 82]

GUANGDONG FOREIGN FUNDS UPGRADE--Guangdong Province plans to use foreign funds more effectively and to introduce advanced and suitable technology to upgrade equipment and factories throughout the province, Zeng Dingshi, vice-governor of Guangdong, said in Guangzhou recently. He said the province has in the past three years signed 185 agreements on compensation trade, and about 500 on joint ventures and cooperative management. As a result, some advanced technology has been imported and a group of old enterprises have

undertaken innovation and upgrading of equipment. He emphasized that measures will be taken to get rid of the obstacles to using foreign funds in Guangdong. Restrictions on exploiting foreign funds will be relaxed, more power over joint ventures will be passed to the grassroots, red tape be abolished, and economic laws and preferential regulations will be expedited. [Text]
[HK200133 Beijing CHINA DAILY in English 20 Oct 82 p 2]

FUJIAN PORTS--Fuzhou, October 24 (XINHUA)--Fujian Province has opened two more ports--the Xiuyu and Dongshan in the Meizhou Bay--as points of export delivery, according to provincial port authorities. These ports handle only outgoing goods owing to the limitations of present conditions, the port authorities said. There would be no fuel, water or food supplies for foreign ships and their crews would not be allowed to land, except in special circumstances. The port authorities said that the first foreign ship, 3,000-ton "Andromeda" belonging to Singapore, called at Xiuyu harbour on October 18 and left with 2,500 tons of salt for the United States. The two ports are expected to relieve some pressure on Fuzhou and Xiamen ports, which were opened to foreign trade earlier, and reduce the province's land transport volume and transportation fees for export goods. [Text] [OW240848 Beijing XINHUA in English 0702 GMT 24 Oct 82]

GUANGZHOU FAIR--On the eve of the opening of the 1982 Guangzhou autumn fair, interviewed by a reporter of the Guangdong Provincial Broadcasting Station, (Zheng Shaokang), deputy director of the Chinese Export Commodity Fair, said that this fair will be further improved. Apart from grain, oil, foodstuffs, textile products, native products, light industrial products, handicrafts, minerals, chemicals, machinery and equipment, silk will also be on display. The great majority of products will not be merely exhibited but will be displayed as samples for the negotiation of business. [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 12 Oct 82 HK]

SHANDONG QINGDAO PORT--As of 11 October, Shandong Province's Qingdao port, an important foreign trade port of China, overfulfilled the annual cargo handling target 81 days ahead of schedule. Since the beginning of 1982, the quantity of foreign trade ships berthed at the Qingdao port has increased greatly. About 40 ships berth at the port and more than 300,000 tons of cargo are loaded and unloaded every day. [SK141004 Tianjin City Service in Mandarin 0030 GMT 13 Oct 82 SK]

QINGHAI FOREIGN TRADE--The Qinghai Provincial Foreign Trade Department overfulfilled by 12 percent its 1982 quota for the procurement of exported goods 80 days ahead of schedule. The amount of exported goods procured in this period was 34.3 percent more than in the corresponding period last year. [Xining Qinghai Provincial Service in Mandarin 1100 GMT 21 Oct 82 HK]

CSO: 4006/63

TRANSPORTATION

JINAN HUANGHE HIGHWAY BRIDGE COMPLETED

Jinan DAZHONG RIBAO in Chinese 15 July 82 p 1

[Article by Fan Zhengjin [5400 2973 6855], Zhang Xianzhong [1728 2009 0022], Zhu Huizheng [2612 1920 3791]: "A Stayed-cable Bridge With Largest Span, Designed and Constructed by Ourselves, the Jinan Huanghe Highway Bridge Was Completed and Opened to Traffic, Yesterday, a Bridge Opening Ceremony Was Held, the Provincial Committee Secretary and Provincial Governor Su Yiran [5685 3015 3544] Cut the Ribbon for the Opening of the Bridge"]

[Text] A prestressed reinforced concrete stayed-cable bridge with the largest span across our nation's Huanghe at present--the Jinan Huanghe Highway Bridge--has been completed victoriously after 3-1/2 years of intense construction. On the morning of 14 July, a grand opening ceremony was held. Responsible comrades from the provincial committee, the standing committee of the provincial people's congress, the provincial government, the provincial political consultative conference, the Jinan troops, the provincial military district, the Jinan city committee, the city government, the Dezhou Prefecture committee and the administrative office, related departments of the province and the city, the country, ward, commune, brigade where the bridge is situated, and workers participating in the construction, totaling over 1,500 people, attended the opening ceremony. Deputy Governor Song Yimin [1345 0001 3046] spoke. Vice Minister of Transportation Wang Zhanyi [3769 1455 1942] participated in the opening ceremony and spoke. Provincial committee secretary and provincial governor Su Yiran [5685 3015 3544] cut the ribbon to open the bridge to traffic.

The magnificent Jinan Huanghe Highway Bridge was designed and constructed by our own province. The whole length of the bridge is 2,023.44 meters. The main bridge is 488 meters long. The maximum span of the main surface is 220 meters. The width of the bridge surface is 19.5 meters, the traffic lanes are 15 meters wide. Four Liberation brand vehicles can travel across the bridge in parallel, and 218-ton platform tractors can also cross the bridge. The reinforced concrete stayed-cable bridge design is a new bridge structure the first developed in the world. Its span is large, it uses less materials, its structure is economical and rational, construction techniques are advanced, maintenance is easy and simple, and it is suited to a broad range of uses. The completion and the opening to traffic of the Jinan Huanghe Highway Bridge have an important significance in facilitating traffic between the south and the north across Huanghe, in promoting the economy of towns and villages, in supporting industrial and agricultural buildup, in strengthening national defense and in hastening the buildup of the four modernizations.

This bridge is another new highway bridge spanning Huanghe following the completion of the Pingying and Beizhen highway bridges in our province. The provincial traffic planning and designing academy that was in charge of designing the bridge only used slightly over 9 months to complete the preliminary design and was given the "national outstanding design award for the 1970's." The engineering brigade of the provincial traffic department built and installed the bridge. On 15 December 1978, the ground breaking ceremony for construction of the bridge was held. The broad numbers of cadres, workers and engineers and technical personnel who participated in the construction spent over 1,000 days and nights, overcame the hot summer heat and bitter cold which made it difficult to work outdoors. They overcame the threats to construction work brought about by floodwaters, ice floes, spring floods, blowing loess sand on the ground, and underwater currents that caused silting; they used natural laws, summarized experience, and continued to hasten the progress of construction. Building the two 68.4-meter tall cable towers of the main bridge as the main body of the bridge was the key project. Their reinforced components were dense, precision was high, quality was strict, slanting was not allowed. This had not been seen before in our nation's bridge building history. Construction was carried out in winter. Wind on the river was strong. The temperature on the tower frames frequently was 10 degrees below zero. To complete successfully this key project, the leading cadres personally went to the frontline to command. Technicians held onto their posts separately and cooperated fully. The broad number of workers struggled in a united way and worked carefully. After 8 months of struggles day and night, the two giant bridge towers were successfully completed. This paved the way for the smooth construction of the entire bridge building project.

While building the bridge, the broad number of workers and engineering and technical personnel learned to catch up with advances, exerted efforts to use new technology, new techniques, new methods and guaranteed the high quality of the entire project. In the past, when they built underwater foundations, they always used concrete to seal the bottom to prevent underground water from rising. In the underwater construction of this bridge, they conducted detailed surveys and studies, made analyses and comparisons in many aspects, used well drainage, and solved the difficulty of underwater construction of buttresses in deep water for the main bridge. This major change in underwater construction not only shortened the construction period, hastened the progress of the project, it also conserved cement, wood, sand and rock equivalent to over 150,000 yuan, and created the precedent of underwater operation in Huanghe.

Before this bridge officially opened to traffic, the provincial government organized a bridge project inspection and delivery committee. After actual inspection and approval of each part of the construction project, it determined that the project was a superior project and gave its approval for its use.

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CSO: 4006/598

TRANSPORTATION

SUGGESTIONS FOR IMPROVING RAILWAY TRANSPORTATION NOTED

Beijing RENMIN RIBAO in Chinese 2 Aug 82 p 2

[Article by Zou Kegin [6760 0344 0530] of the Transportation Research Institute of the Science Academy of the Ministry of Railroads: "Suggestions To Improve Railroad Transportation"]

[Text] At present, railroad transportation cannot satisfy the needs in national economic development and people's lives. How can we improve railroad transportation? After repeated consideration, I have several suggestions for the leaders of the railroad departments.

I. We should emphasize transportation safety and strengthen scientific research in railroad safety.

Safety and efficiency are two inseparable aspects. In a certain sense, safety is efficiency. In recent years, many malicious and serious accidents have occurred in railroad transportation. Railway cars have been destroyed and people have died. Transportation has been interrupted, and losses have been heavy. There are many lessons in blood. It is now time conscientiously to concentrate on transportation safety. The urgent task is immediately to make sound various safety regulations and systems. In particular, safety regulations and systems related to operation should be inspected immediately. There should be a sound safety responsibility system. An effective safety supervision system should be formed by the Ministry of Railroads and the safety police agencies at each level of each station and road section. Safety management personnel should be given training in safety techniques. Experienced personnel should be transferred to places to supplement the shortage of safety personnel. In operational groups, a joint prevention system for safety can be implemented to exercise mutual supervision, strengthen the sense of responsibility, and prevent accidents.

Whether in the current view or in the long-term view, necessary investment in transportation safety must be made. Simple analysis of accidents and sorting out the responsibility are only one aspect of strengthening safety work. If the monetary loss in transportation accidents each year were used as investment in safety work, you can imagine, safety would be greatly improved.

The time has come to strengthen, without delay, scientific research in railroad safety. Up to the present, no units from the transportation research institute of the Railroad Sciences Academy to the scientific research institutes of each railroad bureau and no topics of discussion are engaged in or involved in the

study of transportation safety. The higher authorities also have not assigned tasks to study safety. This cannot be understood. Imagine, how can safety work progress without scientific research work as a backup?

II. We must emphasize balanced transportation and stabilize the order of transportation. The railroad is like a linked machine. One of its characteristics is that the transportation processes are tightly linked rings, the capabilities cannot be stored. This characteristic establishes the principle that the railroad must realize balanced transportation. Because railroad transportation is affected by an imbalance in the production of products by other productive departments, it is not possible to realize absolutely balanced transportation. We can only strive to reach greater limits in balance. For a long time, some of the internal problems of the railroad departments have not been solved, and they have artificially increased the imbalance in transportation. Each railroad bureau loads the railroad cars at 1800 hours every day and the trains intersect each other at the borders. As a result, nobody benefits and an imbalance in transportation is the result, the transportation and transportation safety. Unilaterally pursuing the completion of key goals involves ideological problems as well as problems in the standard of management. Take the efforts to grasp the goal of loading a fixed number of cars a day on the whole line, the number of cars loaded has been superficially completed, but problems with unloading cars of the administrative bureaus [as published], unloading short haul cars, not completely unloading the cars and not fully loading the cars have occurred. The tasks were substantial and this forced the subordinates to write up false reports for the number of cars loaded. This reduced the efficiency in use of the cars, and artificially caused an imbalance in transportation. This method of grasping single goals to lead the effort to complete the transportation task is unfavorable for the overall view.

Therefore, it is suggested that the railroad departments strictly follow the schedule in running the cars for transportation, strictly regulate the number of runs of trains and routes, realize balanced transportation, and stabilize the transportation order. This is an effective measure to develop the potential in transportation.

III. Grasp modern management and improve the level of management.

Realizing modernized management of railroad transportation is the necessary trend in the development of railroad transportation. Modernized management, as I personally understand it, should be the sum of scientific management of railroad transportation and modernization of technology and equipment. Foremost is to realize scientific management, and continue to improve the level of scientific management of managerial cadres. We must make all levels of managerial cadres involved in transportation understand the science of organization in railroad transportation (management science for railroads, also systems engineering in railroad management), and understand the use of various types of advanced technologies in railroads to realize economic benefits.

IV. Emphasize scientific research in transportation so that it can serve to improve transportation capabilities.

The Transportation Research Institute of the Scientific Research Academy of the Railroad Ministry, certain higher educational institutions in railroad sciences, and transportation scientific research agencies of the railroad bureaus have for a long time been plagued by an unclear direction in scientific research in transportation, and research achievements were not evaluated. Research in the science of transportation was not launched satisfactorily, and it lags far behind transportation production. For this, it is suggested that the Railroad Ministry emphasize research in the science of transportation. The direction of research involves, first, the study of the science of safety in railroads, and second, research in the science of modernized management of railroads.

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