

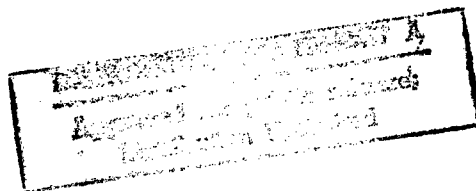
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11 July 1985

# China Report

ECONOMIC AFFAIRS



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11 July 1985

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SOUTHWEST ECONOMIC COORDINATION CONFERENCE CONCLUDES

HK290143 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 29 Apr 85

[Excerpts] The second economic coordination conference of Sichuan, Yunnan, Guizhou, Guangxi, and Chongqing concluded yesterday in the (Yuzhou) Guesthouse in Chongqing after 6 days in session. On the basis of summing up economic coordination between the five parties in the past year, the meeting went further in developing multilayer joint operations and cooperation, established long-term and stable economic cooperation ties for all-round coordinated development, and explored a new path for open-style and loose economic ties spanning different provinces and regions.

In view of the fact that the focus of the state's investment has not yet been placed on the Great Southwest, the meeting concentrated on discussing the guidelines for construction and development in the three provinces, one autonomous region, and one city. It held that these areas cannot sit and wait for the state to develop them; instead they should apply effort themselves and make full use of their existing resources, material foundation in resources, materials, and technology and their extensive markets. They should integrate overall with partial interests, defense with civilian production, and the superior features of the coastal regions with the superior features of the three provinces, one autonomous region, and one city, and thus speed up the development of the region, achieve common great improvement, and make greater contributions to the four modernizations drive of the whole country.

After full discussion and consultation, the conference revised a number of guiding principles for the economic coordination meetings, approved a draft of revisions, and decided on provisional methods for holding the meetings on economic and technological coordination, together with seven cooperation schemes for joint development of communications, posts and telecommunications, and so on. The meeting signed a total of 361 agreements on bilateral or multilateral cooperation. The meeting also agreed to strengthen economic ties and cooperation between Chengdu, Kunming, Guiyang, Nanning, and Chongqing, and decided to erect a five-party economic cooperation building in Chongqing.

The meeting held: The policy decision of the CPC Central Committee and State Council on opening up to the world and integrating the first and third lines is of major significance for promoting China's economic development. By

strengthening cooperation with the coastal regions, Sichuan, Yunnan, Guizhou, Guangxi, and Chongqing can use the superior features of those regions to make up for their own deficiencies and turn their own potential into tremendous support for the opening up and development of the coastal regions.

The representatives attending the meeting displayed great enthusiasm at this prospect. They prepared a total of 740 projects for cooperation with the coastal regions, and held initial talks on these with representatives from Shanghai, Tianjin, and Guangzhou.

The representatives attending the meeting also approved a report on the meeting's proceedings to be sent to the CPC Central Committee and State Council.

CSO: 4006/709

PROVINCIAL AFFAIRS

YUNNAN RADIO COMMENTS ON SOUTHWEST ECONOMIC MEETING

HK300059 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 29 Apr 85

[Station commentary: "A grand Meeting for Promoting Common Prosperity"]

[Excerpts] The second economic coordination meeting of Sichuan, Yunnan, Guizhou, Guangxi, and Chongqing victoriously concluded in Chongqing on 28 April. This was an important meeting, held under the earnest concern of the CPC Central Committee and State Council, for Sichuan, Yunnan, Guizhou, Guangxi, and Chongqing to further strengthen horizontal economic ties, speed up the economic development of the southwest and promote common prosperity.

Precisely 1 year has passed since the first economic coordination meeting held in Guiyang last April. During this period economic and technological cooperation between the five parties has shown extensive development. They have organized over 1,000 cooperation projects among themselves. Cooperation with other regions, and especially with the coastal regions, has also developed quite rapidly. Practice has proven that this mutually-beneficial economic coordination organization personally advocated by a leading central comrade, which has developed on the basis of consultations among the parties as equals, meets the demands of reforming China's economic structure and the needs of developing commodity economy. It indeed possesses tremendous vitality.

These three provinces, one autonomous region, and one city with a total population of over 200 million cover a wide area and are rich in resources. Their geographical location is very important. Due to historical factors, they are economically relatively underdeveloped. They are rather far from attaining a comfortably well-off standard, and must step up the pace of economic development. However, under present circumstances, when the state's investment focus cannot yet be shifted to the interior, we cannot sit down and wait for the state to develop us. Instead, we should organize joint efforts and cooperation between the five parties, make full use of the existing material and technology basis, act in the spirit of self-reliance and mutual benefit, and work together to build a number of nonferrous metals, energy, communications, and other projects that yield good results for little investment, and also to grasp the readjustment and transformation of third-line enterprises. We should strive to invigorate these enterprises and bring their role into full play.

At the same time, we should boldly import capital and technology from the coastal areas and from abroad, to speed up the technological transformation of the existing enterprises and also the exploitation of our resources.

In short, from now on we should rely on our joint forces and adopt a variety of methods and measures to carry out the necessary preparatory work for planned and large-scale state development of the economy of the southwest.

CSO: 4006/709

PROVINCIAL AFFAIRS

GUANGDONG COMMENTARY ON BALANCED ECONOMIC DEVELOPMENT

HK291505 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 29 Apr 85

[Station reporter's commentary: "We Should Carry Out Development Growth in Down-to-Earth Manner, the Proportional Relations in a Coordinated and Balanced Way"]

[Text] Following the 3d Plenary Session of the 11th CPC Central Committee, the province has developed an unprecedentedly good situation in the economic construction work. Its industrial and agricultural production have sharply increased in this year's first quarter following 6 successive years of development. Therefore, we must be sober-minded when analyzing the situation, and ensure a steady and coordinated growth in the national economy.

At present, some localities and departments of the province have developed the trend of blindly pursuing and concentrating on growth rate alone. Some localities neglect the limitations of objective conditions but strive to add more capital construction projects and imported projects. Consequently, they face the problem that the scale of fixed assets investment is too large.

Judging from the overall situation of the province, because of the rapid development of production, the province already faces a tight situation in terms of the conditions available and proportional relations in such areas as capital, energy resources, transportation and raw materials. Over the past 2 to 3 years, the province has not put any new generating units into operation. But some trades, particularly processing industry, have been rapidly developed and their power consumption has been on the increase. Therefore, the tense power supply situation is being aggravated. In some areas, the growth of motor cars has been so rapid that the number of cars has exceeded the capacity of highways. Such growth, which disregards the available conditions and develops too rapidly, no longer shows a down-to-earth manner. This is because it has deviated from the balance of basic conditions, and has violated the law of normal economic development. If we do not keep sober-minded and leave the situation unchecked, the outcome will be dislocation of proportion and consequently the need for large-scale readjustment. We must draw lessons from our bitter experience in this respect.

Presently, in order to continue to develop the good situation, we must appropriately control development speed, and basically maintain a balance between development speed and various proportional relations. We must also integrate it with social and economic results. Only such a development speed is practical, has reserve strength, and can promote the development of the national economy in a coordinate and steady way.

11 July 1985

## PROVINCIAL AFFAIRS

## SHAANXI PROVINCE TAKES STEPS TO HELP POOR AREAS

HK300225 Xian SHAANXI RIBAO in Chinese 17 Apr 85 p 1

[Report: "Various Party Organizations Conscientiously Implement the Spirit of the Provincial CPC Committee's Urgent Circular to Make Arrangements for the Livelihood of the Masses in Poor Areas"]

[Text] Since the provincial CPC committee issued its "Urgent Circular on Further Strengthening Work in Poor and Backward Mountainous Areas," party organizations in all localities and departments throughout the province have taken serious measures to implement the important instructions of the central leading comrades and of the provincial party committee.

Some provincial departments and the authorities in some prefectures and cities have allocated relief funds and granted material aid, including food grain, cotton, and cloth, to some poor areas. At the same time, they have also taken some long-term measures to help the poor areas develop their economies and develop ways to enrich themselves.

Shangluo Prefecture recently set up a fund for the development of poor villages. Each year a total of 1.8 million yuan will be allocated by the prefecture and various counties to this fund, which then will be used to offer interest-free loans to poor villages. The civil affairs department of Zizhou County has granted 50,000 yuan to help 1,000 poor households. Dingbian County has bought 1,200,000 tree saplings and gave them gratuitously to some poor households in mountainous areas with the offering of free technical guidance. Each household was given 1,250 saplings.

In light of the requirement of the provincial party committee's "Urgent Circular," various localities have sent work groups to poor areas. The Ankang Prefectural CPC Committee first sent work groups to Zhenping, Ziyang, and Langao counties and recently sent four more work groups to Hanyi and Xunyang counties. Yulin Prefecture has organized a 40-member work group headed by some responsible people of the prefectural party committee, and the group will go to all subordinate counties to ensure the implementation of the provincial party committee's "Urgent Circular." Headed by 4 prefectural leaders in Shangluo Prefecture, more than 50 cadres from various prefectural organs have gone to the countryside

to help arrange the livelihood and present production activities of the local people. More than 80 cadres from some 50 provincial departments have been assigned to form 10 work groups to help various prefectures and cities. They include 3 provincial leading cadres and 24 leaders of provincial departments. Cadres who have gone to grassroots units have conducted education in the party's principle, discipline, and fine traditions among grassroots cadres and have carried out the necessary rectification of grassroots party organizations so as to enhance the political consciousness of party members and cadres and make them play an exemplary role.

The work group headed by Provincial Party Committee Deputy Secretary Mou Lingsheng set off for Ankang Prefecture on 16 April. The work group will make investigations on economic construction in mountainous areas and help the prefecture work out its development plan and change the work style of cadres there, so as to abolish poverty there as soon as possible.

CSO: 4006/709

PROVINCIAL AFFAIRS

HEILONGJIANG 1ST QUARTER INDUSTRIAL OUTPUT REPORTED

SK311113 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 30 May 85

[Text] In the first 4 months of this year, our province saw continuous steady and coordinated progress in the national economy, and basically controlled the scale of capital construction. Markets were brisk, revenue was higher than expenditures, and withdrawal of currency from circulation was accelerated. The province achieved a sustained increase in the industrial production growth rate and further improvement in economic results.

In the first 4 months of this year, the province's total industrial output value reached 11.059 billion yuan, an increase of 11.3 percent over the corresponding period of last year. The speed of light industrial development continuously surpassed that of heavy industrial development. Sustained increases were registered in the output of such principal consumer goods as woolen fabrics, silk fabrics, television sets, tape recorders, cameras, and washing machines for household use. The income from sales of local industrial enterprises covered by the province's budget increased by 11.1 percent over the corresponding period of 1984. Profits and taxes realized by these enterprises increased by 29.5 percent, and profits and taxes handed over to the higher level by these enterprises increased by 19.9 percent. Among these enterprises, the number of enterprises losing money dropped from 39.3 percent in the first 4 months of last year to 31.5 percent, and the amount of deficits of these enterprises dropped 27 percent. The per capita labor productivity of state industrial enterprises increased by 8.9 percent over the corresponding period of last year. The scale of capital construction was controlled. In the first 4 months of this year, our province's investment in capital construction increased by 11.8 percent over the corresponding period of 1984, and was basically equal to that of the corresponding 1983 period. Returns on the investment were further improved. Since the beginning of this year, there has been an ample supply of commodities across the province. The volume of retail sales of commodities reached 5.467 billion yuan, an increase of 23.4 percent over the corresponding 1984 period. Of this, the volume of retail sales of consumer goods increased by 26.3 percent. In the first 4 months of this year, the total purchasing volume of export commodities in foreign trade reached 1.14 billion yuan, an increase of 29.3 percent over the same period last year. The volume of export in foreign trade reached \$140 million, an increase of 77 percent over the same 1984 period.

In the period January-April of this year, the province's revenue was higher than expenditures. The withdrawal of currency from circulation was accelerated. The net withdrawal of currency from circulation was 412 million yuan, an increase of 160 percent over the corresponding period of 1984, and setting a record in recent few years.

This year, the retail prices of markets registered increases by a large margin. In the first quarter of this year, the retail prices of markets increased by 6.9 percent. Management expenses in administrative undertakings and social institutional purchasing power increased rapidly. We should strengthen control over these increases.

CSO: 4006/709

PROVINCIAL AFFAIRS

TEXT OF SICHUAN PROVINCIAL GOVERNMENT WORK REPORT

HK121401 Chongqing CHONGQING RIBAO in Chinese 19 May 85 pp 1, 2

["The Government Work Report by Governor Yang Xizong at the Third Session of the Sixth Sichuan Provincial People's Congress on 6 May 1985"]

[Text] Fellow deputies:

On behalf of the provincial people's government, I now submit for examination and approval by the present session a report on the work of the government.

I

Since the Second Session of the Sixth Sichuan Provincial People's Congress in June 1984, under the leadership of the CPC Central Committee, the State Council, and the Sichuan Provincial CPC Committee, the provincial people's government has seriously implemented the resolutions adopted by the session, mobilized and organized the people of all nationalities throughout the province to courageously carry out reform and the open-door policy so as to boost the Sichuan economy, and given priority to two important tasks--the structural reforms and opening up to the outside world, thus promoting the development of socialist construction and modernization in our province. Things are improving on all fronts.

The year 1984 was a year in which this province scored great achievements in economic construction. The new situation is marked by sustained, stable, and coordinated economic growth in this province. The ratios between agriculture and industry, between light industry and heavy industry, and between accumulation and consumption have grown more balanced and reasonable. The economic growth rate has begun to be matched with the improvement of economic results. In 1984, the total industrial and agricultural output value of this province was 67.1 billion yuan, showing an increase of 13.1 percent over the previous year. Economic and social results have also improved. The output value, profits, and sales tax payments made by local state-owned industrial enterprises increased simultaneously. The average output value produced by each worker in the industrial enterprises owned by the whole people which conduct independent accounting exceeded 10,000 yuan. Circulation channels became smoother, and the markets became brisker. The total volume of retail sales reached 22.5 billion yuan, an

increase of 17.1 percent. The provincial government obtained revenue of 4.637 billion yuan, which marked an increase of 15 percent. Revenue and expenditure of the province were basically balanced with a slight surplus. The livelihood of the urban and rural people continued to improve. Some 250,000 people in towns and cities obtained jobs. According to sample surveys, the per capita net income of the peasants increased by 11 percent; and the per capita income of workers and office staff available for living expenses increased by 15.6 percent after allowing for price rises. The per capital savings of urban and rural residents reached 65.5 yuan, an increase of 40.3 percent. Consumer goods increased in variety and specifications and improved in quality. In the process of social reproduction, the links of production, circulation, and consumption were better coordinated, and the prospect of a benign cycle in economic development has been unfolding before us. All this shows that changes of far-reaching significance occurred last year in the overall economic development of this province.

In 1984, marked results were achieved in the explorations of reforming the urban economic structure. The focus of the economic structural reforms has been shifted from the countryside to the cities. The experience gained by Chongqing City in its reform experiments, with the exception of independent planning and management power equal to that of the provincial authorities, has all been adopted by other cities in this province. A series of policies and measures were adopted to invigorate enterprises, enliven the urban economy, and streamline the administrative structure. Some enterprises previously run by the provincial authorities were put under lower administrative levels, and greater decisionmaking power was given to all enterprises. The delivery of profits by the enterprises was replaced with payment of taxes. As a result, enterprises, especially small enterprises, have become more dynamic. They have enhanced their economic and technical efficiency and increased their ability to develop themselves. Trade centers of all descriptions have been set up, and a criss-cross circulation network with more channels and fewer intermediate links has been shaped. Banks have been acting as economic levers, and banking business has become more dynamic. The adoption of the system of subjecting counties to the leadership of cities has promoted the economic, technological, and cultural exchanges between cities and the countryside and promoted the development of both the urban and rural economies. Overall reform has been carried out in the construction industry and has enhanced the efficiency of investment. New experiments have also been made in reforming the planning system and have achieved certain results. A dynamic situation, not seen for many years, has emerged in the urban economy. In particular, since the 3d Plenary Session of the 12th CPC Central Committee adopted the decision on economic structural reform, the economic reforms with the focus on the cities have entered a new phase in this province.

In 1984, rural reform continued to develop in depth. The cooperation system based on the output contract responsibility system became sounder and more mature, specialized households, associations, and villages made further development, the readjustment of the rural economic structure advanced with greater strides, and the change in the internal structure of the planting industry has

promoted the development of the production of cash crops. Although less land was used to grow grain crops, because of the high unit yield, total grain output reached 81.59 billion jin, an increase of 1.4 billion jin. The output of cotton, hemp, tobacco, tea-leaves, sugar crops, and fruit increased substantially. The output value of various cash crops, silk, tea, and fruit accounted for 27 percent of the total output value of the planting industry against 24.7 percent in the previous year. In addition, rural enterprises have developed more rapidly, and there are now more than 750,000 rural enterprises throughout the province, which employ 3.43 million workers and produce a total output value of 8.88 billion yuan in 1984. The enterprises at the township and village levels alone produced 7.16 billion yuan of output value, showing an increase of 41.1 percent. The number of enterprises run by one or several peasant households has been increasing rapidly. Particularly in the suburban areas, plain areas, and hilly areas, more peasants have quit farming work and engaged in rural processing industry, commerce, transportation, construction, tourism, and other trades in the tertiary industry. They not only provide services for cities, but also bring wealth to the countryside. Meanwhile, some special measures have been taken to develop remote and mountainous areas and the areas inhabited by national minorities. Peasants there have been encouraged to develop forestry and animal husbandry, to build roads, small power stations, mines, and factories. This has thus helped the masses tap the great potential in developing commodity production and has also strengthened their confidence in overcoming poverty and becoming rich.

The year 1984 also witnessed the good beginning in economic and technical cooperation between this province and other provinces and between this province and foreign countries. The policy of opening up to the outside world has been seriously carried out. The rich resources, broad markets, and preferential terms in this province are all favorable conditions for domestic and foreign economic and technical cooperation. Through the holding of regular meetings, frequent contacts, mutual visits, exchanges of information, project negotiations, and other forms, units at all levels have opened up the situation in cooperation. Cooperation between units and between localities in this province has further developed and economic and technical cooperation between the four provinces and five regions has been strengthened. In addition, this province has strengthened economic ties with the economic special zones, the open cities, and the economically open regions, and the scope of cooperation is gradually widening from the economic and technical fields to the fields of education, culture, public health, and sports. In 1984, more than 1,300 cooperation agreements were concluded, involving total funds of some 430 million yuan. The goods involved in cooperation projects were valued at more than 560 million yuan. At present, this province has established economic and technical cooperative and trade relations with more than 80 countries and regions, and has established friendship ties with 10 provinces, states, prefectures, and cities in five countries. The foreign trade system has been reformed on a trial basis. Local companies can also play a role in the development of foreign trade and foreign economic cooperation. At the same time, foreign trade has been integrated with industrial and technological development, and import has been matched with export. The

structure of export goods has been readjusted to increase foreign exchange earnings. The cost per unit of foreign exchange income from exports has been lowered by 10.7 percent. The foreign trade units in this province purchased export goods valued at 1.08 billion yuan, or 21 percent more than the planned target. The volume of export handled by enterprises in this province on their own increased by 69 percent over the previous year. Recently, an international economic and technical cooperation and trade meeting held by this province achieved good results in promoting export and training foreign trade personnel. Transactions concluded at this meeting were valued at 810 million yuan, with some 120 million yuan of goods being exported.

In 1984, the undertakings of science, education, and culture made further progress. The serious implementation of the policy toward intellectuals and the popularization of the reform experiences of the electronics research institute in Zhuzhou and Chengdu cities have greatly aroused the initiative and creativity of scientific and technical personnel. Scientific and technical consulting services, academic exchanges, and technological development have all made new progress. The research projects in both natural and social sciences have scored some important achievements. In the field of general education, experiments have been carried out in running schools at different levels. The structure of education has been initially readjusted, with secondary technical and vocational education being strengthened. Greater decisionmaking power has been given to ordinary institutions of higher learning and the principal responsibility system has been adopted there in order to promote teaching, research, and production. The number of new students enrolled by universities and colleges in 1984 increased by 31.4 over the previous year, and the total number of university and college students increased by 17.9 percent. More forms of adult education have been established to enable people to acquire higher learning. The educational background of workers and peasants has become much better. New progress has also been made in sports, public health, environmental protection, and statistics. Good results have been achieved in family planning work, with the natural growth rate of the population dropping from 0.605 percent to 0.37 percent.

The building of socialist spiritual civilizations has been further advanced. The conduct of ideological education in patriotism, collectivism, socialism, and communism among the people and the development of the "five stresses, four beauties, and three loves" activities have given the people a stronger sense of responsibility as the masters of the state. The departments of literature and art, journalism, publication, radio broadcast, and television have done a great deal of work to enrich the cultural life of the people and to develop the socialist culture. A number of outstanding works which reflect the socialist modernization drive and the people's creative life have emerged. The work of building government organs, building the legal system, and building militia organizations has made progress, too. Actions have been taken to deal severe blows at criminal offenders who seriously endanger social order and at serious criminal activities, and changes for the better have been effected in law and order. The patriotic united front in this province has been further developed and strengthened and economic and cultural construction in minority areas has made new progress.

At present, the stable and united political situation in this province has been further consolidated. The people are in soaring spirits and are working hard to make progress, and their desire for reform has become stronger. Making contributions to the four modernizations has become the spirit of our times. The excellent situation is a result of the economic readjustments, reforms, the policy of opening up and enlivening the economy, and is also a result of the joint efforts made by the people of all nationalities throughout the province.

However, we are still faced with difficulties and problems in the course of advance. There are still strains on energy and transport; some raw materials are still in short supply; many policies and measures for enlivening the economy have not been properly implemented; the state of affairs in some backward areas has been slow in changing; and the work of developing intellectual resources and training qualified personnel has not met the needs of economic development. What is more, an excessive amount of currency and loans was issued in the fourth quarter of last year, especially in December; the consumption funds increased too fast; the growth of the payroll exceeded the growth of industrial and agricultural production and the growth of productivity; the new unhealthy tendencies and the phenomenon of lax discipline also exist in this province to a varied degree. In some localities such problems are rather serious. Some of these problems cropped up because we failed to give adequate consideration beforehand; and other appeared because we relaxed control and supervision in the course of enlivening the economy. We should draw a lesson from these things. In view of these problems, the provincial government implemented the series of major policy decisions laid down by the party central leadership and the State Council by adopting many measures around the time of the Spring Festival, and making work arrangements at a meeting of mayors and prefectural administrators in late February. These measures are being carried out in various localities. Through efforts in the past few months, cadres and ordinary people have strengthened their overall viewpoint and the sense of discipline. The scale of credit and the supply of currency have been brought under control, and the unhealthy tendencies have been checked. The preparatory work of the wage reforms and measures for the price reforms are being carried out steadily in line with the unified arrangements of the state. Because of the adoption of various backup measures, prices on the markets have been prevented from fluctuating violently after the prices for grain and pigs were allowed to float freely according to market conditions. In general, the situation in the economic and social development of this province in the first months of this year was good.

According to the spirit of the recent Third Session of the Sixth NPC with consideration being given to the reality in this province, the main tasks for the provincial government this year are: Resolutely carry out the CPC Central Committee's Decision on Reform of the Economic Structure; continue to implement the policy of opening up to the outside world and enlivening the domestic economy; quicken the pace of reform; lose no time in taking a major step forward in reforming the price and wage systems; try in every possible way to invigorate large and medium-sized enterprises; promote technological progress; properly handle the second reform step in the countryside; ensure sustained, steady,

and coordinated economic develop under the premise of improving economic results; guide the reform of the education and scientific research systems; speed up the development of intellectual resources and the training of qualified personnel; continue to correct unhealthy tendencies; and strive for new successes in the building of socialist material and spiritual civilization.

Therefore, we must set aright our guideline and correctly understand the relationship between reform and the correction of unhealthy tendencies so that we will be steadfast in carrying forward reform and resolute in checking the unhealthy tendencies. In the name of reform, those people who indulge in evil practices wilfully pursue selfish gains at the expense of the interests of the public and of other people, in violation of laws and discipline. They have marred the reputation of reform and hindered the smooth development of reform. We must be resolute in curbing and correcting them. No one is allowed to continue to defy orders from the higher authorities or to line their pockets and engage in malpractices in violation of laws and discipline by taking advantage of the opportunity provided by reform. At the same time, a line of demarcation should be strictly drawn between mistakes committed because of lack of experience and malpractices, and a realistic attitude should be adopted to deal with problems appearing in the course of reform. The measures for enlivening the economy should be made sounder so as to ensure the smooth development of reform and to further arouse the people's enthusiasm for, and their confidence in reform.

## II

The year 1985 will be a year for overall reform of the economic structure with its focus in cities. We must be steadfast in regard to the goal and the orientation of the economic structural reform and advance in a positive way, but we must be prudent so far as the steps and measures for the reform are concerned in order to succeed in fighting the first battle. Measures for enlivening the economy should be integrated with measures for strengthening overall management; and economic growth should be matched with the improvement of economic results. Our economic growth rate should be solid and coordinated on the basis of continuously improved economic results and of increasing real benefit to the people. We should guard against blindly pursuing a higher rate of growth and vying with one another to this end, continue to carry out the principle of working hard and building the country through diligence and frugality and the principle of gradually improving the people's livelihood on the basis of developing production, strengthen the overall viewpoint, overcome selfish departmentalism, and remove various obstacles so as to ensure that the reforms will advanced along the correct course.

### 1. Further Streamline the Administrative Structure and Delegate Power to Lower Authorities so as to Invigorate Large and Medium-Sized Enterprises

Invigorating enterprises, especially those large and medium-sized ones owned by the whole people, is a key link in the urban economic structural reform. While continuing to enliven small enterprises, we should take the invigoration of large and medium-sized enterprises as an important task in our economic work.

The State Council and the provincial government have formulated a series of policies and measures for invigorating large and medium-sized enterprises. At present, our main efforts should be made to ensure the implementation of these policies and measures. The powers which have been specified by the state should be given to enterprises without reservation. Actions should be taken to examine and reorganize the companies which function as administrative institutions, with some of them being changed into business enterprises if they have the conditions for this or being changed into service companies which bear sole responsibility for their profits and losses. Those which cannot be reorganized should be disbanded. The municipal authorities in various cities and the economic management departments at all levels should continue to separate the functions of enterprises from those of administrative institutions, should strengthen overall economic management and departmental management, and should provide better services for the enterprises. The departments of planning, material supply, commerce, foreign trade, finance, taxation, price control, banking, personnel, and labor at all levels should all serve the central task of invigorating enterprises and should take corresponding reform steps.

Large and medium-sized enterprises should make full use of the powers granted by the state and should rely mainly on their own efforts to invigorate their production and business. They should really improve business management and should establish and perfect the economic responsibility system in various forms mainly through the signing of contracts. Large enterprises should give play to the initiative of their workshops, and some workshops may be changed into branch factories which conduct independent business accounting. Attention should be paid to the proper handling of technological transformation and to the introduction of advanced technologies and more efforts should be made to develop new products, raise quality, and lower costs. Attention should also be paid to market information and a good job should be done of making business decisions and providing services. In business operations, we should follow the principle of "diversifying one's business while engaging in one main trade." Economic barriers between localities and departments should be removed. Enterprises should diversify their products and provide varied services to meet the changing demands on the markets and to increase their adaptability, so more efforts should be made to develop tertiary industry. Enterprises should not only handle production, but should also do business and pioneering work. The production of spare parts and semi-finished products should be extended from large enterprises to smaller ones so as to develop horizontal economic cooperation in diverse forms and through diverse channels so as to link a number of smaller enterprises, including urban and rural collective enterprises, to a large backbone enterprise around the production of some major products. This is the experience of the Jialing motorcycle production complex in Chongqing and the engineering machine plant in Chengdu. This experience should be popularized throughout the province. With large enterprises supporting the smaller ones and the smaller enterprises supplementing the large ones, each can bring its advantages into play and the overall economic results will become better.

The key to the invigoration of large and medium-sized enterprises lies in the competence of enterprise leading bodies. Factory directors should be chosen correctly, enterprises should reestablish leading bodies which dare to do pioneering work, and talented people who have professional knowledge and creative

ability should be promoted to leading positions. Enterprises which have accomplished consolidation should adopt the director (manager) responsibility system. At the same time, party organizations in enterprises should guarantee and supervise the functions of the enterprises and ensure the workers' democratic management, but they should not interfere in the routine management of the enterprises. Moreover, they should support factory directors in exercising their functions of directing production and operation.

## 2. Develop Urban and Rural Collective Enterprises and Trades in Tertiary Industry so as to Make Urban and Rural Economies Prosper

Apart from invigorating large and medium-sized enterprises, another key point in our economic work is to develop urban and rural collective enterprises and tertiary industry. Collectives should be encouraged to run small processing and assembling plants, especially those processing farm produce and animal feeds, and to run small mines, power stations, building materials industries, and transport companies. Rural enterprises can be run by townships, villages, production teams, households, or run jointly by several households. Their business management should be improved so as to increase their competitiveness and economic results. The operation of urban and rural collective enterprises should be subject to the guidance of state policies and the plans of relevant industrial departments. These enterprises should be run independently by bearing responsibility for their profits and losses. They should be allowed to elect their managers, recruit workers, and set wage levels on their own. All this will make them more dynamic.

Along with economic development and the enhancement of the people's living standards, the development of tertiary industry has become more and more imperative. We must shake off the shackles of conventional ideas in this regard, and should arouse the initiative of all state-owned, collective, and individual enterprises in developing tertiary industry. At present, priority should be given to the building of more hotels and houses in towns and cities. Retail centers should be increased, so should other service shops, such as laundries, bathhouses, barber-shops, repair shops, and tailor shops. Efforts should be made to improve urban public utilities, posts, telecommunications, and transport facilities. Information, legal, and scientific consulting services should also be developed.

In the next few years, counties and townships should concentrate on developing collective enterprises and tertiary industry trades. The departments concerned should take this as their main task. Through the development of collective enterprises and tertiary industry, more jobs will be available for people living in towns and small cities. Diverse forms of horizontal economic ties between cities and the countryside, between different trades, and between enterprises under different ownership systems should be established and developed on the basis of voluntary participation and mutual benefit. Large cities should actively transfer more productive forces to their suburban areas so as to help these suburban areas become rich at an earlier date. State-owned enterprises

and research units should support collective enterprises through arranging production and technical cooperation, financial facilities, and material exchanges. The newly-established economic entities jointly owned by an enterprise owned by the whole people and a collective enterprise should in principle be treated as a collective enterprise. Apart from those items subject to state regulations, price control over products and services provided by collective enterprises should be relaxed step by step in an orderly way so that prices may in the main reflect the value of the goods and the relations between supply and demand. This will promote the development of the service industry.

### 3. The Scope of Market Regulation Should Be Expanded Under the Guidance of State Planning and the Readjustment of the Rural Industrial Structure Should Be Speeded Up

The state has decided to reform the purchase system of farm produce and expand the scope of market regulation under the guidance of state planning. This represents another important step for rural reform. We must resolutely implement central document No 1 of this year, rely mainly on economic means to arrange production in the light of market demand, promote the readjustment of the rural industrial structure, and raise the rural commodity economy to a new level.

The readjustment of the rural industrial structure should be based on the actual ability and possibilities of a locality. Measures should be taken to ensure the province's total grain output, which should increase steadily each year, and reasonable arrangements should be made for the production of cash crops and feed crops. Priority should be given to the development of animal husbandry, fruit production, and rural industry. Waters should be fully utilized to develop agriculture. Grain production is the foundation for ensuring the smooth readjustment of the rural industrial structure. At present, the relative overproduction of grain in some areas is a result of the low consumption level and the underdeveloped state of the processing, transport, and storage industries. Some sorts of grain are still in short supply. We must not rest content with the present state of affairs, but should continue to promote grain production. The production of cash crops should be readjusted and should become more intensive and be handled on a specialized basis. Animal husbandry has developed markedly in recent years, but greater efforts should be made in this regard. While continuing to develop the raising of pigs, we should also raise more poultry, rabbits, and other animals which eat grass. Forestry should be based on continuous tree planting. It is necessary to build more quick-growing, high-yield forests, to plant grass and flowers to beautify the appearance of cities, and to plant trees and grass on waste hills to help prevent soil erosion.

In the readjustment of the rural industrial structure, guidance should be given to different types of areas by placing stress on the development of different industries so as to bring the advantages of various areas into full play. For example, the suburban areas of large and medium-sized cities should adapt themselves better to urban economic construction and to the needs of opening up by continuing to develop the production of meat, poultry, eggs, milk, fish, and vegetables, develop commerce, service trades, and the tertiary industry as a

whole, and actively develop processing industries which are linked with large industries so as to establish a modern economy which is based on specialized commodity production, and which integrates industry with agriculture and integrates urban economic activities with rural economic activities. While continuing to ensure grain production, hilly areas should actively plant trees and build various forests. In particular, they should develop the production of fruit, hemp, oil crops, and other cash crops, develop sericulture, breeding industry, farm produce and grain processing industry, building material industry, transport industry, commerce, and various service trades. Mountainous areas should strengthen the capital construction of farm land so as to increase grain production. More land should be used to plant grass and be developed into pastureland so as to raise more cattle and goats. These areas should also run more small power stations, small mines, and transport industries. In the plateau areas in western Sichuan, forestry and animal husbandry are the two main economic pillars. Existing forests should be protected and renewed. New forests should be built more quickly. More forest products should be developed and better pastureland should be built. Fine animal breeds should be developed, animal diseases should be better prevented and cured, and more animal products should be supplied for markets. Wild life resources should be better protected and reasonably utilized and measures taken to protect precious rare animals and plants. The advantages of valuable herb medicine resources should be further tapped and efforts made to grow, gather, and process these medicinal herbs.

In readjusting the rural economic structure, we should particularly cherish and reasonably utilize land and should protect farm land. At present, some localities recklessly use farm land for other purposes, such as building houses. Henceforth, land management should be strengthened and the use of land for construction purposes should be subject to strict examination and approval by the authorities concerned. Urban construction should not use too much farm land. The construction of state highways should also economize on the use of farm land and local roads should not be widened unless this is necessary.

In order to promote the readjustment of the rural economic structure, this province has adopted some special policies and measures for the suburban areas and mountainous areas. Last year, the state allocated some materials to help the mountainous areas improve their transport conditions and build more small hydropower stations. This year, the state has decided to allocate a considerable quantity of grain to these areas for developing animal husbandry, forestry, aquiculture, and processing industries. All localities should seriously carry out these policies and measures and should properly utilize these materials. Governments in all localities and all departments concerned should pay special attention to the development of old revolutionary base areas, minority areas, and remote areas, where the level of production and the standards of living are still rather low, and should adopt special policies and measures to support the development of their production and to help them rapidly change the situation. Meanwhile, we should continue to support the development of specialized peasant households and should protect their legitimate rights and interests. While continuing to perfect the household output contract responsibility system, we should encourage the peasants to develop various forms of cooperation and joint operations on the basis of voluntary participation and mutual benefit, and should gradually strengthen the rural cooperative economy.

#### 4. Continue To Enliven Banking Business and Facilitate the Movement of Commodities

Banking work holds an important position and plays a major role in the development of the commodity economy. Industrial and agricultural production and the circulation of commodities must rely on financial regulation and the supply of funds handled by banks. At present, both strict and flexible measures should be taken to handle the issuance of credit funds within the framework of the state credit plan. Our banks should actively attract more deposits, retrieve loans due, tap the potential of the funds, withdraw the excessive currency from circulation, and raise the efficiency in the use of funds. All this should be regarded as the focus of our banking work. In respect to the use of credit funds, priority should be given to ensuring the normal production and operation of industrial and commercial enterprises, to ensuring the necessary funds for agricultural production and the purchase of farm produce, to supporting technological transformation projects, urban and rural collective enterprises, and the development of tertiary industry. At the same time, financial support should be given to the development of new industries. The scale of investment in fixed assets beyond state plans should be brought under control. The banks should maintain overall balance in their credit plans and should promptly regulate the use of funds. The horizontal movement of funds should be facilitated and rural finance business should be improved. The rural credit cooperative should be gradually converted to monetary organizations run by local peasants themselves. Peasants should be encouraged to develop collective monetary organizations within the limits prescribed by state laws, regulations, and policies. Leading comrades at all levels should take a personal interest in the handling of monetary and financial affairs. They should learn more monetary knowledge and should gradually master the skill of using such economic levers as banking, pricing, taxation, and wages so as to enhance efficiency in the use of funds.

We should further facilitate the circulation of commodities. When reforming the urban commercial system, we should separate the functions of enterprises from those of administrative institutions, strengthen overall commercial management, continue to streamline the administrative structure, run various trade centers and wholesale markets better, link production directly with marketing, and really turn enterprises into relatively independent economic entities. We should further perfect the [word indistinct] contract responsibility system in commercial enterprises and should actively change small state-owned shops into those run by collectives or individuals on a [word indistinct] basis. State-owned commerce should continue to play a leading role, and better play should be given to the role of collective and individual commercial enterprises and the role of rural fairs. Reform of the system of supply and marketing cooperatives should continue, and they should be turned into commercial organizations owned and run by local peasants. We must pay special attention to new problems appearing after price control over farm produce and sideline products is relaxed. On the one hand, the purchase tasks should be fulfilled through the signing of purchase contracts with peasants and through purchases on the markets, and peasants should

be encouraged to sell their products in cities by setting up some permanent stores and mobile stalls. On the other hand, the commercial units should actively supply more industrial goods for the countryside, improve the supply of production materials and articles for daily use, and perfect the circulation system between cities and the countryside. Besides, it is necessary to reform the system for material supply by gradually narrowing the scope of united distribution of materials and strengthening the overall management of social materials. Henceforth, materials distributed by the state should be used mainly to ensure the production of key products and to ensure the needs of key technological transformation projects and key construction projects. The need for materials in other fields should be satisfied through market regulation. In order to meet the needs in the reforms of the construction industry, the method of signing contracts for material supply can be adopted on a trial basis, and trade centers and markets for exchanging materials can be established in an orderly way. Surplus materials which are not subject to unified distribution under central planning can be put on the markets and the supply of these materials can be subject to regulation by price levers so that a united and open socialist market for the means of production can gradually take shape. In the reforms of the commodity circulation system, we must strengthen market management and require the personnel in commercial units to faithfully carry out state policies, observe trade ethics, abide by discipline, provide good service, and protect the interests of consumers.

#### 5. Adhere to the Open-Door Policy and Actively Develop Economic and Technical Cooperation With Other Provinces and With Foreign Countries

The strengthening of horizontal economic links is an inevitable trend in the development of the commodity economy. We must give full play to this province's advantages in natural resources, labor resources, the third-line enterprises, and the broad markets, in order to quicken the pace of our economic development. In particular, we should pay attention to the development of horizontal economic ties. We should widely open the door of this province by offering various preferential terms to attract outside cooperators. We should build various channels and use various forms to expand economic and technical cooperation and increase trade inside this province, between this province and other provinces, and between this province and foreign countries so as to create a new situation in this field.

Inside this province, we should further develop economic and technical cooperation between cities and rural areas, between military and civilian industries, and between economically developed areas and less developed areas. In particular, the technological and intellectual advantages in the third-line enterprises should be brought into full play, and their advanced technologies should be properly transferred to other enterprises, and especially be used to develop new technologies, new products, and quality products. That is, economic and technical cooperation between the third-line enterprises and other enterprises must be strengthened. Economic and technical support should continue to be given to the three minority autonomous prefectures and to other areas inhabited by national minorities. These areas should also make full use of their minority autonomous rights to develop their advantages in natural resources so as to promote social and economic development.

Economic and technical cooperation between Sichuan and other provinces, municipalities, and autonomous regions must be expanded. While consolidating and developing the economic ties between the four provinces and five areas in southwest China, we should go further to form cooperative relations between the eight provinces in the interior region of our country and to expand our cooperation with the economic special zones, the open coastal cities, and the economic open zones. Established agreements on economic cooperation must be seriously put into practice. Some new projects may be started. Efforts should be made to enhance the economic and social benefits of these cooperation projects. Through the establishment of "windows" and other cooperation patterns, we should promote the development of trade.

Greater efforts should be made to create a new situation in foreign economic and technical cooperation. The departments of foreign trade and economic relations, foreign affairs, Overseas Chinese affairs, and tourism should play a greater role in this regard. The existing cooperation channels should be fully utilized and new channels should be opened up so as to expand the scope of cooperation and to consolidate the results of cooperation. The provincial authorities and some cities have established friendly relations with some regions and cities in foreign countries. Henceforth, we will expand cooperation and increase exchanges in the economic, technological, cultural, and educational fields. In order to attract more foreign investors to run enterprises in this province, we will adopt more preferential methods within the limits allowed by state laws and policies. The main measures are to give priority to satisfying the needs of the enterprises involving foreign investments for resources, energy, raw materials, transportation, telecommunications, loans, land, and labor and to offer preferential taxation terms to them. All Chinese-foreign joint ventures, enterprises jointly run by Chinese and foreign companies on a cooperative basis, and enterprises solely owned and run by foreign companies in this province will enjoy the right to own, use and dispose of their property and make independent decisions on their business operations. The adoption of these policies and measures will help create a favorable investment environment for foreign businessmen and thus will promote the opening up in this province.

In developing foreign economic and technological cooperation and trade, we should both import and export products and strive to export more products to earn more foreign exchange. 1) All departments should cooperate well with each other, vigorously develop key products, gradually change the structure of products for export, and increase the foreign exchange rates of our exports; 2) we must combine industry with trade, combine technology with trade, combine import and export, and, through combinations with coastal provinces and cities, expand export business; 3) we must properly handle the relationship between "window" units and production units and goods-supply units, bring into full play the initiative of all parts in earning foreign exchange, and make joint efforts to fulfill the purchase and export targets in foreign trade; 4) there are abundant labor forces in the province's urban and rural areas. In view of a strong demand for labor in other provinces and other countries, there will be good future prospects for exporting labor. We must do our best to properly carry out this work so that more of the labor force in the province can be exported to other provinces and foreign countries and income from use of labor can increase greatly.

## 6. Properly Carry Out Wage Reform and Price Reform, Straighten Out Economic Relationships

The wage reform and price reform, which concern the overall situation of the national economy and the urgent interests of the people, are an issue to which the people should pay serious attention. As now is the best opportunity to carry out reforms, we must take an important step, because this will be of important significance to straightening out economic relationships and to consolidating and developing the current excellent situation.

In this year's price reform the state will adopt a policy which combines relaxed control with readjustments and aims at progress in measured steps and will carry out the principle of raising the prices of some commodities while lowering those of others. The reform will focus on relaxing price controls on live pigs, on readjusting purchase and sale prices of grain in rural areas, on appropriately raising charges for short-distance railway transport, and on widening price differences for coal of different regions and different quality. According to the province's reality, the purchase prices for pigs should be fixed at a reasonable price lower than the national average price according to the principle of benefit to pig production and consumption and the principle of being tenable. State monopoly purchase and assigned purchase of grain should be abolished and purchase by contract should be instituted. The grain covered by the contracts should be purchased according to the general principle of 30 percent of grain at open prices and 70 percent at a fixed price. We should subject the grain not covered by purchase contracts to market regulation and its price may fluctuate freely. The current sale prices of the rationed grain and edible oil supplied to urban residents should remain unchanged.

This year's price reform is being carried out at a favorable time--when the general development of the national economy has been good for several consecutive years and the financial situation is improving step by step. After making comparison and serious calculation in many fields and taking into account the state's financial ability, the abilities of enterprises, and the abilities of the masses to take up financial burdens, we have formulated active and stable plans. In addition, in view of chain reactions following the increase of pig prices and the strict control on prices, the provincial authorities have taken measures to give reasonable subsidies to staff members and workers.

Resolutely halting the unhealthy trend of wantonly increasing prices is the key to stabilizing and protecting the interests of consumers. All localities and departments, leading comrades in particular, must act in strict accordance with the unified arrangement made by the central leadership on price reform and the province's plan and must not act at their own discretion. State-run and collective enterprises, administrative organs, and institutions must refrain from wantonly increasing prices to disrupt the market for their own interests and must strengthen price examination, and strengthen the role of pricing, auditing, finance, tax, banking, and industrial and commercial administration departments in supervising prices. Units which wantonly increase and drive up prices and illegally sell goods to make huge profits should be outlawed and should be punished legally, administratively, and economically according to different situations.

Price reform is an important issue which involves complicated situations. All localities and departments must prudently carry out the reform and give meticulous guidance and must not treat it lightly. Readjusting the policies and prices in purchasing grain and live pigs is an important reform in the purchase system of agricultural and sideline products. Cadres at all levels must adapt themselves to this great change in their ideology and work as soon as possible, and do serious and meticulous propaganda and organizational work. State-run commercial enterprises must actively take part in market regulation, control the source of goods, regulate supply and demand, and curb prices. Commercial departments must eliminate the idea of unwillingness to sell and actively supply goods to market. The retail business for important means of production and durable consumer goods in short supply can only be operated by state-run commercial departments, material supply departments, supply and marketing cooperatives, and the enterprises which manufacture the goods. No other units and individuals are allowed to operate the business. Industrial enterprises should do their best to expand the production of goods in short-supply and small commodities according to the requirement of the market so as to ease the contradiction between supply and demand.

This year's wage reform in state administrative organs and institutions is to be carried out according to the state's unified stipulations. If possible, the enterprises owned by whole people, after making full preparations, should gradually promote the method of linking the total wages of staff members and workers with economic efficiency of the enterprises. Those enterprises which do not have the necessary conditions this year should adopt the original method and improve it. In distributing after-tax profits of collective enterprises, we must pay attention to properly handling the relationship between accumulation and consuming and retain some necessary funds for developing production, and must not share out all the profits.

In the current wage reform we have done our utmost within the limit of our current financial power, and it is unrealistic and impracticable to demand too much. As a result of the rapid increase in consumption funds, goods supply cannot meet the requirement of the situation and prices will inevitably go up. This cannot increase the actual wage income but will cause chaos in economic life. In the future, along with the development of production, people's actual income will increase and their livelihood will be further improved. We must carry out ideological work among staff members and workers in a serious and meticulous manner, unify our understanding, and implement policies so that wage reform can achieve the purpose of unleashing people's initiative and promoting production.

### III

Developing science, technology, and education is an important strategic point in China's economic construction which was defined at the 12th CPC Congress. Vigorously rejuvenating science, technology, and education, attaching importance to intellectual exploitation, cultivating and employing a new generation of talented people who have a pioneering spirit and mastering modern science and technology and business management knowledge are the key to invigorating the economy and achieving the four modernizations. As a result of the overall

development of reform of the economic structure, reform of the science and technology system and reform of the education system have become a strategic task which should be resolved urgently. We must, according to the arrangements made by the CPC Central Committee and the State Council, firmly grasp reform of the science and technology system and the reform of the education system.

#### 1. Reform the Science and Technology System, Develop the Productive Forces of Science and Technology

In carrying out reform of the science and technology system, we must further implement the principle that economic construction should rely on science and technology and scientific and technological work should cater to economic construction. The reform should focus on reforming the system of allocating scientific and technological funds, on opening technological markets, on strengthening the abilities of enterprises in absorbing and developing technology, on extending the decisionmaking power of scientific research units, and on reforming the management system of scientific and technological personnel so that scientific and technological achievements can be swiftly transformed to real productive forces.

The reform of the system of allocating scientific and technological funds should be carried out according to different situations and step by step. Most scientific research institutions in our province mainly engage in exploiting, promoting, and applying technology. We must lay stress on promoting the technological contract system and, through such means as contracting for projects of the state plan, accepting instructions to do research, transferring technological achievements, selling new products, carrying out joint-venture exploitation, and developing technological coordination, obtain and accumulate funds in the process of creating economic results for society. Efforts should be made so that in 3 to 5 years the vast majority of these scientific research units can basically support themselves in administrative funds. As for basic research and some applied research projects, it is necessary to gradually experiment with the science foundation system and support them selectively. The funds contract system should be instituted in scientific research units engaged in public welfare causes, in institutions engaged in agricultural scientific research and technological promotion, and in units engaged in scientific and technological services and basic technological work so as to encourage those units which reach necessary requirements to support themselves in their administrative funds. Within a certain period in the future, the funds used in science and technology should be gradually increased at a growth rate higher than that in regular financial income. Banks should actively develop credit business in scientific and technological fields and supervise the use of scientific and technological funds.

In opening up technological markets, we must proceed from reality and refrain from demanding uniformity. We can do this in various forms, free from the restriction of different areas, departments, trades and ownerships. We may set up permanent scientific and technological markets and shops or arrange regular and temporary scientific and technological fairs, or establish

scientific and technological consultation service organs and technological development organs. The prices of technological commodities can be decided by both sides through negotiation and should be fair and reasonable. We must pay attention to giving full play to the superiority of cities in scientific and technological forces, organize the scientific and technological forces of different departments and units, cater to enterprises and rural areas, widely carry out various forms of technological trade and services, help solve technological difficulties in production, and promote economic development.

We must readjust the organizational structure of the science and technology departments and strengthen scientific and technological work at grassroots. We must encourage colleges and universities, scientific research and design institutions, national defense scientific research units and enterprises to develop diverse technological and economic coordination so as to promote the transference of scientific and technological achievements to production, the transference of military industrial technology to the joint use of military-civilian industries, and to actively help enterprises strengthen their abilities to absorb and exploit technology. Some of them can form education-scientific research-production combinations; some scientific research organs can also develop into scientific research-production type business operation units. While relying on social scientific and technological forces, enterprises must properly run factory-run scientific research institutions, speed up technological transformation of traditional industries, and properly solve technological and equipment problems in developing new products, in upgrading the quality of products, and in saving energy and reducing consumption, and continuously strengthen their own abilities to absorb and exploit technology. Rural scientific and technological work must meet the requirements of the readjustment of the rural production structure and conform to the characteristics of the province--a vast area and uneven rural economic development--and should serve thousands and thousands of people. We must proceed from reality, create and develop various forms of scientific and technological promotion service systems, and serve the promotion of the rural commodity economy. In doing rural scientific and technological work, we must strengthen the ties and combinations with town and township enterprises, with cooperative economic organizations, with specialized households, with scientific and technological achievements demonstration households, and with skillful craftsmen. We must actively carry out technological services in such fields as production, processing, stocking, transportation, and supply and marketing, and promote new technology. We must encourage urban scientific and technological personnel and organs to provide various technological services to rural areas.

It is necessary to extend the decisionmaking power of scientific research institutions so that they can gradually become independent research and development entities. Except for the compulsory research items assigned by the state and appointments of academy presidents and research institution directors, scientific research units have the right to decide by themselves such matters as scientific research plans, funds, personnel management, and internal structure

within the scope of state laws and policies. The president (director) responsibility system should be instituted. Units which can support themselves in administrative funds have the right to issue bonuses themselves and reform the wage system, as stipulated by the State Council.

Collectives and individuals are allowed to set up nonofficial scientific research institutions which engage in research, exploitation and technological promotion. Nonofficial scientific research institutions must be composed of unemployed scientific and technological personnel. They may also employ in-service scientific and technological personnel. Government at all levels must institute management on nonofficial scientific research institutions and give them guidance and assistance.

We must, through reform of the science and technology system, promote the application and use of natural science research and new technology and vigorously strengthen research of social sciences so that theory and practice can be integrated closely to serve the building of socialist modernization even better.

#### 1. Actively Do Well in the Education Structural Reform, Cultivate More Qualified Personnel for the Socialist Modernizations

At present, in educational work, we must emphatically do well in elementary education and teacher-training, expedite the development of vocational training, strive to develop higher education, and further do well in adult education. Therefore, various kinds of education at different levels will conform better to the development requirements of the socialist modernizations.

Investment in intelligence is a strategic one. From now on, governments at various levels should gradually increase the financial allocation for education at a growth rate higher than that of regular financial revenue. In addition, they should continue to develop in connection with the state's regulations various rational channels to raise funds for running education, and to promote its development.

General education is the foundation of the whole education undertaking. It also bears the arduous tasks of cultivating more qualified reserve labor forces for the socialist modernizations, as well as delivering qualified educational targets to universities, secondary schools and polytechnic schools. Therefore, governments at all levels, as well as society as a whole, must attach great importance to this. We must expedite the pace of developing universal and primary education. This year we should strive to help more counties (towns, districts) meet the requirements of universal education, and gradually make junior secondary education universal in counties (towns, districts) and cities which possess the conditions. In connection with the principle of running and supervising primary and secondary schools in different levels in the rural areas, we should, based on the experience of pilot projects, reform the supervision system of school leadership, so as to mobilize the initiative of villages in running schools. Also, we must pool efforts from various areas to greatly develop the nursery undertaking.

Teacher-training is a focal point of education development. Hence, it must be further strengthened. We must adopt diverse methods to expedite the development of kindergarten teacher-training. We must make rational arrangements for the intermediate teachers college. We should gradually improve the conditions for running intermediate teachers colleges and institutes of higher education for teachers, enlarge the scale of student recruitment, improve the quality of teaching, and do well in education research work. At the same time, we must continue to run the teachers colleges, schools for teachers' advanced studies, teachers correspondence schools and broadcasting schools well. We must also further do well in the development and improvement of secondary and primary school teachers.

Vocational education is a weak link which urgently needs to be strengthened. We must fully understand the significance of developing vocational education. We must discard the outworn concept of despising it. On the other hand, we should uphold the principle of simultaneous development, consolidation and improvement; and should run schools by adopting various levels, standards, and patterns. We must fully mobilize the initiative of departments, enterprises and institutions; and encourage them to run schools individually, jointly, or co-sponsored with the education departments. We must expedite the development of vocational education, and gradually establish a vocational education system which consists of levels from primary to advanced, gears to the needs of different trades, has a rational structure, and can coordinate with the general education. Various localities and departments concerned must give assistance in terms of solving issues concerning vocational education, such as funds, teachers, practical workshops, and the employment prospects of graduates. When recruiting staff, under the precondition of meeting the requirements, they should give priority to the graduates of vocational schools. The intermediate vocational schools must fully tap the internal potential, further expand the scale of running schools, gradually increase the number of recruited students, and train more qualified personnel at the intermediate level.

Higher education bears the heavy tasks of training senior, specialized qualified personnel and conducting scientific research work. We must expedite its reform pace, expand its decisionmaking power, and strengthen the vitality of its schools. We must extricate them from the "centralized" and "contract" system, help them take the road of developing the syllabus, and help them gear to the needs of economic construction and social development. We must further reform its internal structure, and put more weight on professional training. We should develop new courses while establishing the focal ones. We must reform the systems of recruitment and distribution of graduates. We should greatly popularize the practice of training by commissioning, and gradually make "supply meet demand." In the light of their conditions, various colleges and schools can run non-resident professional training classes which will not distribute any posts to students. They can recruit young students from towns and townships, adopt manifold ways to continue to train qualified personnel with special purposes for "old, newly developed, and remote" areas, and further develop ways of training qualified personnel. At the same time, we should firmly grasp the teaching reform.

We should continue to run adult education well. Through various methods, we must develop secondary and higher education for adults, and continue to run broadcasting and television universities, workers' universities, institutes for management cadres, and polytechnic schools for workers and cadres well. We should greatly grasp the training of all staff and strive to improve the political and ideological quality, as well as education and technical standards, of cadres and workers. We should gradually enlarge the scale of examination for students studying on their own, and adopt further measures to encourage them to become qualified personnel by studying on their own. In the rural areas, we should continue to eliminate illiteracy through education, to develop cultural and technical education among peasants, and help them attain prosperity by applying science.

### 3. Conscientiously Implement Policies Toward Intellectuals, Give Better Play to the Role of Being Qualified Personnel

The most important point for conducting the socialist modernizations is to respect knowledge and qualified personnel, and to promote a new generation of people. We must adopt effective measures to further implement the policies toward intellectuals, and to improve their social status. We should improve their working and living conditions; and resolutely correct the phenomenon of discriminating against, suppressing or even attacking intellectuals, which still exists in some areas. We must organize strength from different areas to examine once again the situation of implementing the policies toward intellectuals, and conscientiously solve the problems which have developed. We should advocate the practice of respecting teachers and attaching importance to teaching, and solve problems for teachers in a down-to-earth manner, particularly for secondary and primary school teachers. We should greet our first teachers' festival with real action. The provincial people's government has decided to hold a grand rally marking this year's teachers' festival, at which it will commend a number of outstanding teachers and advanced units that respect teachers and attach importance to teaching. In addition, at the rally it will present honorary certificates to teachers and workers who have been engaged in teaching for more than 30 years.

The most important point of implementing the policies toward intellectuals is to utilize them in a rational way, and to let them have opportunities to fully display their talent. We must take a relaxed attitude and appoint to important academic and technical posts a large number of middle-aged and young intellectuals who have high professional attainments and are full of vitality. Moreover, we should promote to various leading posts intellectuals who are capable of management, have the pioneering spirit, and are in the prime of life. We should also give them a free hand in their work. We should actively organize experts from different areas to take part in formulation of economic and technological policies, so as to give play to their role of being the scientific and technological think tank. Regarding intellectuals who are working at various posts, we should give them time for taking advanced studies, so that they can constantly update their knowledge.

We must reform the management system for qualified personnel, and promote a rational circulation of qualified personnel. At present, some areas, on the one hand lack qualified personnel; and on the other, some departments and units are overstaffed and let personnel lie idle. According to the principle of meeting the job's need, assigning them to the appropriate areas, and promoting rational circulation, we must help the scientific and technological personnel flow to the areas and units which have weak technical forces. We must encourage them to go to middle-sized and small towns, remote areas, minority nationaltiy areas, town and villages; and to work on the first front of production. We must integrate the import of qualified personnel with the training and rational use of our present qualified personnel. We must integrate the rational circulation of qualified personnel with the practice of maintaining a relative stable contingent of scientific and technological personnel. We should manage to let go those people who should be transferred, and retain those people who should remain at their posts. On problems which develop in the course of circulating qualified personnel, we must make the best use of the situation and promptly take measures to avoid blind circulation and to guard against free circulation. Since secondary and primary school teachers are not recruitment targets, we must not arbitrarily transfer cadres and teachers in schools, so as to maintain stability in the contingent of teachers.

Our tasks in 1985 are very arduous. Our reform, no matter whether it is carried out in the rural areas or urban areas, is a great undertaking that develops socialism. In order to ensure a smooth progress in various reforms, the governments at all levels must really strengthen their leadership, further improve their ideology and work style, uphold the ideological line of seeking truth from facts, go down to realities to investigate, formulate careful plans and guidance, constantly study new situations, solve new problems and conform to the new situation. The leading comrades of governments at various levels, as well as the departments concerned, must personally handle the reform work of the grass-roots unit. With the practical experience gained, they should promote the work at the upper levels. They must uphold the four basic principles; and oppose the capitalist, feudalist, and other corrupt thinking. They should greatly strengthen the building of socialist spiritual civilization, uphold the ethics drive of "the five stresses, four beauties and three loves," and continue to launch the activities of building civilized units and "five-good families." We should further enliven the socialist cultural undertaking. Among all the cadres and the masses, we should strengthen the education on ideals and discipline, and kindle their enthusiasm for the socialist practice of making more contrbitutions for enlivening the economy and realizing the "four modernizations." We should strive to develop the new socialist relations among comrades, regions, and departments. We should continue to grasp well family planning, sports activities, environmental protection and the protection of laborers. We should further perfect socialist democracy and the socialist legal system, conduct large-scale legal system propaganda focusing on popularizing general legal knowledge, and strengthen and consolidate the social order. We should do all-round supervision well, and uphold the practice of seriously hitting at serious economic criminals

and criminals. We should safeguard the socialist economic order, ensure smooth progress in the economic structural reform, and strive to create a good social environment which is stable, united, and observes discipline.

Dear representatives:

After the implementation of the basic national policy of opening to both the inside and outside under the leadership of the CPC Central Committee, the State Council, and the Sichuan Provincial CPC Committee, the province now has a live national economy, and has constantly made progress in the socialist undertaking. There is no denying the fact that so long as we conscientiously implement the party's line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee, we shall win victory after victory in our undertaking. We strongly believe that so long as we move in the direction indicated by the 3d Plenary Session of the 11th CPC Central Committee; and so long as the minority nationalities and patriotic people from all walks of life unite together, make concerted efforts, are bold and innovative, work in a down-to-earth manner and observe discipline, we shall certainly win the preliminary victory in our reform! We shall also make new achievements in building the material civilization and the socialist spiritual civilization! We shall also enliven the province's economy, and realize the goal of making people rich and improving the province's economic status!

CSO: 4006/709

11 July 1985

## PROVINCIAL AFFAIRS

## HEILONGJIANG GOVERNMENT WORK REPORT

SK151501 Harbin HEILONGJIANG RIBAO in Chinese 24 May 85 pp 1, 3, 4

[Text] Fellow deputies: Now I, on behalf of the provincial People's Government, will present a government work report for examination.

## 1. On the Situation of the National Economy in 1984

In 1984, our province realized an overall increase in the national economy. It was the best year in which we created an excellent situation of steady, stable, and harmonious development in overall economic work. The province realized 52.5 billion yuan in terms of annual value of total social product, an 8.9-percent increase over the 1983 figure. Of this annual value, the figure representing agricultural and industrial value reached 43.77 billion yuan, a 9.8-percent increase over the 1983 figure. The national income reached 26.48 billion yuan, an 8.5-percent increase over the 1983 figure. The province prefulfilled the Sixth 5-Year Plan by 1 year in these major targets and did better in fulfilling its tasks in other fields.

The province reaped a bumper harvest in agriculture and achieved new development in the undertakings of forestry, animal husbandry, sideline production, and fisheries. In terms of total grain output for 1984, the province broke the record of 35 billion jin, surpassing the previous peak, and an increase of more than 4 billion jin over the 1983 figure. The province realized 12.15 billion yuan in total agricultural output value, a 10.3-percent increase over the 1983 figure. The gross total output value of forestry, animal husbandry, sideline production, and fisheries reached 3.4 billion yuan, a 13-percent increase over the 1983 figure. The total output value of the township- and town-run enterprises reached 2.76 billion yuan, a 41.5-percent increase over the 1983 figure. The speed of developing these enterprises was very fast.

The province achieved steady and stable development in industrial production and scored a simultaneous increase of total output value, sales, and profits submitted to the state. In 1984, the province realized 31.62 billion yuan in annual total

industrial output value, a 9.6-percent increase over the 1983 figure. The extent of the increase is the highest of those scored during the past few years. The industrial enterprises covered by the local budget achieved a 15-percent increase in total output value over the 1983 figure and a 14.3-percent increase in sale income over the 1983 figure, and a 34-percent increase in profits submitted to the state over the 1983 figure. Of this total output value, the output of 30 major industrial products prefulfilled the targets set forth by the Sixth 5-Year Plan by 1 year. The province also achieved obvious improvement in industrial product quality and won 4 gold and 27 silver medals in national product appraisal. The 80 products were commended as fine quality. Thus, the province was ranked seventh in this regard.

The province better fulfilled the plan for investment in fixed assets and made rapid progress in building key projects. In 1984, the province invested 7.03 billion yuan in the state-owned fixed assets, a 10.7-percent increase over the 1983 figure. Of this investment, the rate of investment in 43 major projects surpassed the province's average by 1.2 percent. The province completed and put into production 5 large- and medium-sized items involving building and expansion and 17 large- and medium-sized items of specific production items, which were all covered by the state plan, including the No 2 Fulaerji power plant, the Yichun power plant, the Heilongjiang dairy product plant, the Mudanjiang cement plant, and the Jiamusi paper mill. The province also completed construction on and put into production on the given date the Ande woolen mill designed by the provincial Planning Commission. All of this plays an active role in relieving the province's strained situation in power supply, bringing into play the province's strong points of material resources, readjusting industrial structure, and promoting production development.

The circulation channel became more smooth, and the urban and rural markets became brisker. Last year, the total volume of commodities purchased by the state-run cooperative commercial departments across the province was 12.73 billion yuan, a 17.6-percent increase over the previous year. The total volume of retail sales was 14.49 billion yuan, a 16.8-percent increase over the previous year. The sales volume of major commodities, expensive commodities, and durable consumer goods in particular, increased substantially over the previous year. The number of rural and urban markets increased from 819 in the previous year to 1,270. The transaction volume of country fair trade reached 810 million yuan, a 55.8-percent increase over the previous year. The circulation sphere was flourishing as never before, thus promoting the development of commodity production and ensuring the people's daily demands.

Foreign trade was expanded further, and new progress was made in economic and technological cooperations. Last year, the provincial total volume of commodities purchased for export amounted to 2.75 billion yuan, a 22.5-percent increase over the previous year. The total volume of exported commodities was \$339 million, a 24-percent increase over the previous year. A breakthrough was made in the border trade with the Soviet Union. The total value of export and import reached 27.4 million Swiss francs, a 72-percent increase over the previous year. New progress was made in utilizing foreign capital, importing advanced technologies

and equipment, and organizing economic and technological cooperation with foreign countries. Last year, a total of 1,145 foreign traders from 19 countries and regions were invited to the province to discuss organizing economic and technological cooperations and import and export trade. In this regard, a total of 56 agreements were reached, with a total transaction volume of \$326 million. Along with the development of economic and technological cooperations with foreign countries, and with the constant strengthening of friendly contacts with them, the friendship between the province and foreign countries was further strengthened.

The situation in implementing the financial budget was fine, and revenue and expenditure were balanced with a little surplus. The 1984 provincial revenue totaled 4.375 billion yuan (including the fixed amount of subsidies and allocations from the central authorities). Of this, the revenue organized locally was 2.191 billion yuan, a 24.9-percent increase over the previous year. The total expenditure was 3.612 billion yuan, a 17.6-percent increase over the previous year. After deducting the revenue from the depreciation funds to be delivered to the state, the revenue from increasing the tax rate for crude oil and the expenditure on the funds, which should be turned over to and continually used in the next year in line with the state stipulations, revenue and expenditure were balanced, with a surplus of 51 million yuan. The province also overfulfilled the state-assigned target on collecting the funds for building key energy and communications projects and the target on selling treasury bonds. To meet the needs of reform, opening to the outside world and enlivening the economy, banking departments at all levels played their roles as economic levers in strengthening the credit management, controlling the currency issuance, and stabilizing the banking markets, thus promoting the development of production.

New development and improvement were made in scientific, technological, cultural, and educational undertakings. Last year, the province scored 400 scientific and technological achievements of various kinds, of which, 7 approached international levels, 93 reached state levels, 195 filled the provincial gaps in science and technology, and 7 were major scientific and technological inventions. Regular institutions of higher learning across the province enrolled 19,000 students, a 26.2-percent increase over the previous year, and surpassing the target fixed by the Sixth 5-Year Plan. The rate of two-shift system among primary and middle schools dropped from 4.9 percent in the previous year to 3.3 percent. New progress was made in adult education. A total of 113,000 people entered television, radio, correspondence, and sparetime universities. Continuous progress was made in public health work. The planned parenthood work was done more solidly and population growth was further controlled. The natural population growth rate reduced from 12 per thousand in the previous year to 9.7 per thousand. Gratifying achievements were made in sports undertakings. New progress was made in cultural, art, press, publication, and cultural relics work.

On the basis of sustained development of production, the livelihood of urban and rural people was continuously improved. The income of urban and rural people and the people's consumption level increased by a large margin because of the great increase in purchasing prices of agricultural and sideline products, the

expansion of employment in urban areas, and the increasing in the wages and bonuses of the staff members and workers. In 1984, the per capita income of the peasants reached 416 yuan, an increase of 46 yuan over the previous year. The per capita income for living expenses of urban staff members and workers was 549.8 yuan, an increase of 12.8 percent over the previous year. The savings deposits of the province's urban and rural people reached 5.34 billion yuan, an increase of 33.4 percent over the previous year. The investment in the construction of the houses for workers and staff members exceeded 794 million yuan and this helped solve the housing problems for 100,000 resident households. The urban and rural environmental protection work was further strengthened. Public facilities and collective welfare undertakings were improved continuously.

Our achievements in economic work in 1984 were made through the conscientious implementing of the line, principles and policies formulated by the CPC Central Committee and the State Council, through the implementing of the economic development principle of "conducting system reform and technological transformation and opening to other provinces and countries, and making the country strong and the people wealthy"; and through the hard labor and concerted efforts of the people of the whole province. On behalf of the provincial People's Government, I extend lofty respects to the workers, peasants, intellectuals, cadres, and commanders and fighters of the PLA units, all democratic parties, mass organizations, and returned overseas Chinese, and also extend heartfelt thanks for their trust and support for the government work.

Last year, the development and changes in our province's economic situation were not only the result of the work in 1984 but also an overall reflection of the persistent attending to both material and spiritual civilizations during the past few years. The provincial government principally attended to the following few tasks:

- 1) We persistently emancipated our minds and corrected the guiding principle of economic work. Since the 3d Plenum of the 11th CPC Central Committee, along with the shift in the stress of the work, we have taken the emancipation of minds and the elimination of "leftist" and old ideas as a motive force of the reforms and the economic development. On the basis of summing up experience, we ceaselessly corrected the guiding principle of economic work. While implementing the principle of readjusting, restructuring, consolidating, and improving the national economy in 1980, we set forth a principle of starting or stopping some projects and generally making progress in the course of readjustment and a guiding ideology of "taking the whole situation into consideration, sharing difficulties, putting into play our advantages and making more contributions" to ensure the building of province into "five bases." Under the situation in which our economy gradually entered the stage of coordinated development in 1982, we set forth such requirements for economic development as "letting agriculture promote industry and industry lead agriculture; letting light industry promote heavy industry and heavy industry lead light industry;

letting circulation promote production and production lead circulation; and letting production promote science and technology and science and technology lead production." In 1983, we also regarded it as the guiding ideology for our province's economic work to "emancipate our mind, relax policy restrictions, enliven the economy, raise economic results, and create a new situation."

Over the past few years, we have put forward on many occasions the principle of shifting the self-supporting and semi-self-supporting economy to that of a large-scale commodity in order to meet the development of commodity production; shifting the industrial practice of opening new plants and building new factories to making technical progress and conducting reconstruction and expansion among enterprises; shifting the commercial practice of organizing commodity circulation in line with the administrative districts to the set-up of open, multiple function, and commodity circulation network in line with the division of economic zones and with the key cities as its centers; shifting the scientific and technological management from specific items to over all items in line with macroguidance; and shifting the foreign economic and trade work from a close-up economy to that of an open one. Thanks to the shifting of the economies in these five fields, economic activities have gradually met the objective demand of developing commodity production. In particular, since the Second Session of the Sixth NPC, held in June 1984, and in line with Premier Zhao Ziyang's "Government Work Report" that set forth the demand of "grasping well the two major tasks of conducting systematic reforms and enforcing the open-door policy in the days to come," the provincial CPC committee and the provincial People's Government have again put forward the principle of "conducting the two-opens and two-reforms to make the country and the people wealthy" in order to develop the economy, which has an important significance to achieving steady, stable, and harmonious development in the province's economy.

Thanks to the evermore obvious guiding ideology in economic work, the measures for readjusting the national economy have become more and more practical. Thus, the proportion relationship among agriculture, light and heavy industries; among inner sectors of agriculture and industry; and between accumulation and consumption have gradually become harmonious. The national economy as a whole has mounted the track of steady and stable development. Practice has shown that emancipating minds, eliminating the "leftist" influence, and doing away with the old are the strong force that can push us forward in various fields. Without mental emancipation of the masses, it is to achieve healthy development among economic work.

2) We upheld the principle of conducting reforms among economic systems and concentrating our efforts on enlivening the economy. In conducting reforms among economic systems, our province has experienced a process of changing production and management style from top to bottom in both urban and rural areas in line with the task of developing the diversified economy and of achieving steady and deep-going development of comprehensive reforms in line with the reform in specific items from the economic basis to the superstructure. In particular, since the announcement of the "Decision of the CPC Central Committee" with regard to conducting reforms among economic systems, the pace

of reforms has been further accelerated. Since 1984, in line with the general demand of enforcing the open-door policy to enliven the domestic economy, the provincial People's Government has successively formulated and issued more than 20 regulated documents that have played an active role in accelerating the pace of reforms.

In rural areas, in line with the central task of establishing and improving the responsibility systems related to output with the foundation of household-run business, we have implemented in an overall way the party's policies on the economy. In the basis of conducting pilot work, the state farms have greatly increased their economic returns by adopting an overall measure for opening household-run farms and enforcing various contract systems. The forestry front has changed the long-standing people ownership and unitary management by generally adopting the business style of "enforcing contract systems among inner units and setting up economic coordination with outside places." Therefore, the rural economy as a whole has begun to develop toward specialization, commercialization, and socialization.

In urban areas, all state-run small industrial and commercial enterprises were given a free hand in management, and all state-run large and medium-sized enterprises were allowed to simplify the administrative procedures and expand their decision-making powers, thus relaxing controls over production, supply, marketing, manpower, financial resources, and material resources, and giving greater autonomy to enterprises. Among enterprises, the system of plant directors (managers) assuming overall responsibility was introduced on a trial basis, and various types of the economic responsibility system were popularized, thus strengthening the vitality of enterprises and initially solving the problem of eating from the same big pot prevailing in the relations between the enterprises and the state and between the workers and staff members and their enterprises.

In the field of circulation, proceeding from the reform of the wholesale system, we built trade centers and wholesale markets of various kinds and different scales in large and medium-sized cities. In counties and towns, we initiated trade markets, relaxed control over grain and oil markets, and changed the government-run supply and marketing cooperatives into people-run cooperatives. The province now has formed an open and multi-channel circulation network with fewer intermediate links, enlivened the markets, caused the economy to flourish.

The province also did much work and scored achievements in reforming tax, credit, scientific and technological, educational, pricing, labor, and wage systems and in reforming the management systems of the construction trade. All these have laid a good foundation for promoting the in-depth development of the economic structure reform focusing on the urban areas.

3) We opened to the outside world, and actively developed foreign trade and organized economic and technological cooperation with foreign countries. After the 3d Plenary Session of the 11th CPC Central Committee, and during the past 1 or 2 years in particular, our province's foreign trade and economic relations with foreign countries entered a new developmental stage in which the past

situation of simply providing goods for export was changed to one of independently managing import and export trade. In addition, the channels of opening to the outside world have become more plentiful, the scale wider and wider, the form increasingly flexible, and the efficiency better and better. As a result, the economic and technological cooperation with foreign countries and the import and export trade have been promoted.

During the past few years, the province has established economic and trade relations with more than 1,700 firms of more than 100 countries and regions in Japan, Southeast Asia, the Near and Middle East, Europe, America, and the Soviet Union. Meanwhile, the province signed 531 agreements with foreign countries on developing new projects, expansion projects, renovation of old enterprises, and technological imports, and utilized more than \$420 million of foreign capital and domestic loans for foreign exchange. By 1984, the province established the "Longfeng Import and Export Company," in Hong Kong, and initiated, with the joint investment of the province and Hong Kong, the "Bingang Advisory Development Corporation," and the "Longguang Industrial Company." Meanwhile, the province established the "Pacific Group Development Corporation" in Guam; the Heilongjiang Commodity Department at the Chinese Trade Center in New York; and agencies and trade buildings in Shenzhen and Dalian, and began to build the local aviation company in Harbin. These have created favorable conditions for developing international economic and technological cooperation and expanding the import and export trade.

In line with the principles of taking advantage of favorable conditions and avoiding weaknesses, and promoting common development on the basis of mutual benefits, the province vigorously developed economic and technological cooperation between different localities in the province and between the province and other provinces. The province has now established economic cooperative relations with 20 fraternal provinces, cities, and districts and with more than 130 areas, signed more than 1,500 agreements on economic and technological cooperation and material exchanges, and imported more than 80 million yuan of funds from other provinces. Along with the development of foreign trade and economic relations with foreign countries, the province is now under the new situation in which the work of opening to the outside world leads the work of enlivening the province's economy, and the work of enlivening the province's economy promotes the work of opening to the outside world.

4) We firmly attended to economic results and promoted a sustained and steady development of the national economy. We regarded the improvement of economic results as the basic starting point and the central link of guiding and organizing the economic work and adopted various effective measures to go all out to successfully turn deficits into profits. In 1984, the total per capita labor productivity was 2,396 yuan, an increase of 2.4 percent over the previous year. The per capita income was 798 yuan, an increase of 7.7 percent over the previous year. The number of money-losing locally budgeted industrial enterprises was reduced by 10.6 percent and the amount of deficits was reduced by 42.1 percent from the previous year. On the basis of turning deficits into profits, the commercial enterprises earned 103 million yuan in profits in 1983, registering a national advanced growth rate.

With regard to improving economic results, we principally persisted in the unity in three fields: First, we persistently united speed with results. Through summing up previous experiences and lessons gained from blindly pursuing high targets and high speed, we shifted the stress of our economic work from simply grasping speed, as in the past, to paying attention to results. Through stressing "having proper ways to make and spend money, attending to developing financial resources, and increasing income and reducing expenses, we increased our economic results. We changed the stress of work from adding equipment, factories, and labor force that were attended to in the past to applying new science and technology, opening new production and technological fields, tapping the potentials of the enterprises, and upgrading the labor productivity. Through attending to reconstruction, expansion, and technological transformation, we made efforts to improve returns on investment in capital construction. We "gave pressure and provided opportunity to" the large enterprises that exerted great influence over revenue and the enterprises were aroused with enthusiasm. Through comprehensively conducting enterprise consolidation in groups and in a step-by-step manner and making efforts to improve the quality of the enterprises, the organizational structure of the existing enterprises was rationalized. We strengthened the readjustment of all professions and trades, proceeding from the principle of rationalizing the economy to organize specialized cooperation and to develop lateral economic cooperation. New preliminary ways to substantially develop the economy which suit our province's reality and ensure the realization of better economic results were explored. Second, we persistently united production with circulation. We changed the past situation of paying attention to production to the neglect of circulation, attended to production and circulation simultaneously, persistently organized production and circulation in line with social demands, conscientiously applied the law of market supply and demand to expand or reduce the production of some commodities, and made the enterprises develop their products in the direction of new varieties, specifications, colors, and designs to eliminate the contradictions between supplies and demands of products. Third, we persistently united microeconomic flourishing with macroeconomic management. While we were improving the enterprises' quality and strengthening the management of professions and trades, the departments in charge of overall economic work and those in charge of professional and trade work were encouraged to take the whole situation into consideration, to link current economic results with long-range economic results and the enterprises economic results with the social economic results, and to make correct macroeconomic policy decisions in line with the new situation in economic and social development in order to achieve a turn for the better in the financial and economic situation and the social economic results year by year.

4) We strengthened government work in order to bring into full play the role of the state administrative organs. During the past few years, the provincial People's Government has greatly strengthened and improved its work under the leadership of the provincial CPC committee and the supervision of the provincial People's Congress Standing Committee. While concentrating our efforts on economic construction, we have vigorously grasped the construction of socialist

democracy and legal systems and socialist spiritual civilization and the self-improvement of the government organs. Thanks to the education on socialist democracy and legal systems centering on ways to implement the Constitution, the people's sense and awareness of legal systems has been generally enhanced and socialist democracy and legal systems have been steadily improved or perfected. Thanks to the strict blows dealt to crimes, particularly serious economic crimes; the elimination of mental pollution; and the comprehensive consolidation of public security, a turn for the better has been achieved in social order and peace. We have gradually oriented economic work to the track by which law becomes the [word indistinct] mainstay by enhancing the work of economic legislation and judication, and successively formulating some local economic regulations and rules in line with the provisions of the law and demand of conducting reforms among economic systems. We have strengthened the construction of political power at grassroots levels by completing the work of separating party work from government work. By launching in-depth "five stress, four beauty, and three ardent love" activities, we have further upgraded the people's political and ideological consciousness and their standard of communist morality, resulting in a profound change in social morale.

In line with the principle of separating government work from enterprise management, simplifying administration, and delegating power, we have conducted reforms among the government organs at all levels, readjusted or reinforced the leading bodies of the governments and departments at all levels, defined the ranges of responsibilities established or improved responsibility systems and various regulations and rules at all levels, and reformed leadership methods and workstyle. Thus, the work of the government organs is being shifted toward serving production development, the enterprises and units at grassroots levels, and the program of making the country prosperous and the people wealthy and happy. We have earnestly implemented the policies on intellectuals, religions, overseas Chinese affairs, affairs dealing with Taiwan, nationalities, and industrialists and businessmen; brought into full play the role of the CPPCC Committee and the democratic parties; united with all forces that could be united with; and brought into play all contributing factors to serve the program of building the four modernizations. Both urban and rural areas throughout the province have also extensively carried out the activities of supporting the army and giving preferential treatment to servicemen's families; actively and properly arranged jobs for retired and demobilized army men; further enhanced unity between the army and the government and between the army and the people; and brought into full play the role of the people's armed forces in supporting local economic construction and safeguarding the program of building the four modernizations.

Fellow deputies: Although we scored great achievements in various works in 1984, there are still many problems which cannot be neglected. The supply of our energy resources and raw materials and transport and traffic facilities are still insufficient. Although the economic results of enterprises have been somewhat raised, there are still many money-losing enterprises and much amounts of deficits. The industrial structure and product mix are not good enough. The growth rate of town and township enterprises and the tertiary industry is slow. Enterprises' management and technological levels are relatively backward. The

problems of high-price and poor-quality products and the overstocking of products have not been solved thoroughly. In rural areas, there are still some impoverished areas and households which even have difficulties in their production and livelihood. The circulation of goods is not smooth in some areas. The difficult situation in selling and buying products has emerged frequently. These problems have reflected the irrational economic relations in the province and the lack of reserve strength to develop the provincial economy. What merits our attention is that because we lacked understanding and conducted insufficient investigations and studies of the new situations emerged in carrying out reforms, opening to the outside world, and enlivening the economy, we made some mistakes in our work. In the second half, the fourth quarter in particular, of last year, our province witnessed new problems such as the excessive issuance of loans, the excessive amount of currency put into circulation, the sharp increase of expenditure, and the rapid growth of consumption funds. In some localities and departments, there are such unhealthy trends of using the reform as a pretext for random price increases, wanton issuance of bonuses, and unreasonable collection of fees. To solve these new situations and problems emerged in the economic work, in line with the unified planning of the central authorities, the province held a meeting of city mayors and county heads early this year to adopt effective measures to solve these problems. Through the efforts in a short period of time, we have already scored remarkable achievements in this regard.

## 2. On the Major Tasks for 1985

The year 1985 is the last year for comprehensively fulfilling the Sixth 5-Year Plan. To promote the province's socialist modernization drive and to consolidate and develop the excellent economic situation, the major tasks for the economic work are: Conscientiously implement the guidelines of the 3d Plenary Session of the 12th CPC Central Committee and the Third Session of the Sixth NPC, continually adhere to the economic development principles of "carrying out economic reforms and technological transformations and opening the province to the outside world and to other provinces in our country" and the principle of "making our country and our people prosperous," strive to make a new stride in reforming the economic structure, strive to make new progress in the work of opening to the outside world, make efforts to create a new situation in enlivening the domestic economy, maintain a sustained, stable, and harmonious development of our economy on the premise of increasing the economic results, and lay a solid foundation for fulfilling the Seventh 5-Year Plan.

- 1) We should do a good job in conducting reforms in economic systems in order to achieve steady development in the economy.

The first important task for consolidating or developing the excellent situation throughout the province is to push forward economic construction. In agriculture, efforts should be made to totally fulfill the production tasks of spring farming, and to actively develop a diversified economy in order to achieve an overall bumper harvest in agriculture. In industry, efforts should be made to upgrade the quality of enterprises and to accelerate the pace of technical

progress in order to achieve a great increase in economic results. In commodity circulation, efforts should be made to further unclog circulating channels and to open more markets in order to enliven the economy in both urban and rural areas. In financial affairs, efforts should be made to vigorously organize incomes and to bring into play the enthusiasm of various fronts in increasing output and practicing economy and in increasing incomes and curtailing expenditures. In 1985, our province will strive to score a 6.8-percent increase in the value of the gross national product over the 1984 figure, a 6.7-percent increase in the total output value of agriculture and industry over the 1984 figure, and a 6.3-percent increase in national incomes over the 1984 figure. The province will also strive to enable the speed of financial revenue increase to surpass that of economic growth. While building material civilization, we should exert efforts to build socialist civilization in order to achieve proper development and improvement in the work education, science and technology, public security, culture, public health, and physical culture and sports, as well as steady improvement of the people's livelihood.

To push forward economic work this year, it is imperative to follow the principle of the CPC Central Committee and the State Council with regard to "being steadfast, prudent in fighting the first battle, and sure to win," and, under the state unified arrangement, to do a good job in conducting reforms of economic systems step by step and in a timely and planned manner.

We should earnestly do a good job in conducting reforms of price and wage systems. In 1985, conducting reforms of price and wage systems has a vital bearing on success in conducting reforms among economic systems and achieving the virtuous circulation of the national economy, deals with the interest of every individual, and is a big event drawing the attention of a vast number of the people. To be successful in these two reforms, it is imperative to unify thinking and action, to strengthen leadership over them, and to carefully organize work in order to ensure an important step in these reforms.

The people's attention to the reform of price systems will be centered on the issue of how to stabilize commodity prices. In conducting reforms of price systems, we will readjust the structure of prices, refrain from raising all prices, and will raise or lower what should be in order to make the relationship among the economic sectors contribute to the harmonious development of the national economy. In conducting reforms of price systems, we will uphold the principle of integrating price readjustment with power release in fixing product prices and of taking small steps in this regard in order to give consideration to the current capability of the state financial burden, enterprise digestion, and the people's assumption. Our work emphasis should be placed on relaxing control over hog prices, rationally readjusting grain and oil-bearing seed prices in rural areas, and properly increasing the charge for short-distance railway transport. At present, the province has carried out in a planned manner the activities of readjusting the prices of hogs, grains, and oil-bearing seeds in rural areas. We have also adopted a measure giving subsidies to staff members and workers after the readjustment of hog prices in order not to impose an economic burden on urban people. The county vegetable markets throughout the province have had a free hand in business. In line with the principle of increasing the variety of vegetables, imposing control on large

city vegetable markets, and enlivening small city markets, we will adopt a careful attitude toward gradually relaxing control over the vegetable markets in large- and medium-sized cities. After relaxing control over the business of pork and vegetables, we will adopt effective measures to maintain the basic stability of the general price level. State foodstuff and vegetable departments should continuously play their role as major circulation channels and take up the task of regulating the circulation between commodities of excess and short supplies and of regulating market prices. We should do away with the policy of state-monopolized purchase of grains in rural areas, change this monopolized purchase into contracted one, readjust the purchase and sale prices of grains and oil-bearing seeds in rural areas, and change the unreasonable phenomenon of retail prices being lower than the state purchase price. Grains and oil-bearing seeds not covered by purchase contracts should be purchased by grain departments at the state-monopolized purchase prices. The prices of the fixed-quota grains and oil-bearing seeds for urban people will remain unchanged. The provisions for the prices of grains consumed by the foodstuff, drink, and brewery industries, will also remain unchanged.

Regarding the wage reform, the emphasis this year should be placed on the reform of the current irrational wage system, and gradually eliminate the defect of egalitarianism in wage distribution so that the wage system will be brought onto a new track. Reform of the wage system of party and government organs and institutes should be carried out in line with the state unified stipulations and arrangements. Wage reform of the enterprises owned by all the people should be carried out at pilot units first, and then the method of floating the payroll according to the economic results of the enterprises should be popularized step by step so that the wages and bonuses of staff members and workers, and operators can be successfully linked with the economic results of the enterprises to which they belong to, and with their own contributions. Enterprises where conditions are not ripe for reform may continue the present methods, but should improve them continuously and conscientiously change the phenomenon of eating from the "common big pot." Through the present wage reform, the wages of staff members and workers will be raised to a certain extent, but a large increase is impossible due to the limit of the state financial capacity. In the future, the wages of staff members and workers will rise steadily following the development of production and the [word indistinct] of the national income.

In order to ensure a success in price and wage reforms, we should strictly implement the various state credit plans and monetary policies, bring the scope of capital construction investment, credit, and cash input under control, expand the sources of credit funds, and raise the efficiency of funds. We should adopt effective measures to explore new consumption spheres, further invigorate market supplies, and withdraw more currency from circulation. Irrational increase of consumption funds, arbitrary expenditures, and unwarranted bonuses, materials, and subsidies should be strictly and resolutely banned. Administrative expenditures should be resolutely reduced. This year, all units throughout the province should reduce their administrative funds by 15 percent from the actual expenditures of last year. We should also strengthen control over and management of institutional purchases. This year, the volume of institutional purchases of the province should be 20 percent less than that of last year. Pertinent

departments at all levels should strengthen management, supervision, and inspection of market commodity prices, and strictly prohibit wanton or disguised price hikes in violation of state stipulations and on-the-spot resales of goods at large profits in order to prevent large-scale price fluctuation in markets, and protect the interest of the state and consumers.

We should further reform the rural economic structure. This year, we should continue improving the household-based output-related contract responsibility system, actively readjust rural production structure, make a rational use of our province's abundant agricultural resources and rural laborers, change the emphasis of agriculture from farming into diverse production, change the self-sufficient and semiself-sufficient economy into a commodity economy, and further make the rural economy flourish. It is necessary to continue the principle of never slackening grain production while actively developing the diversified economy, stabilize grain areas, enlarge the proportion of areas sown to fine-strain grain, implement intensive farming, increase per-unit yields, and develop cash crops in a planned manner. We should actively develop livestock breeding, forestry, aquiculture, and the tertiary industry. We should put the emphasis of rural industry on the development of township enterprises, and encourage peasants to expand various forms of cooperation and joint ventures in the fields of processing, marketing, transportation, and other developmental undertakings on the principle of voluntary participation and mutual benefit. We should expand township industries in a planned manner on the premise that product quality is guaranteed and market demands satisfied, and should prevent the blind pursuit of high growth rate so that products will not be stockpiled. As all localities are different in natural, social, and economic conditions, we must persist in the principle of suiting measures to local conditions to respectively give various instructions to western pastoral areas, mountainous and semi-mountainous areas, plain farming areas, suburban areas, and border coastal areas. We should continue to attend to the reform of the economic structure among state farms and forestry departments in an effort to make greater progress. All professions and trades and all departments should enthusiastically support the rural reform to ensure smooth progress in the reform.

We should enliven state-owned large- and medium-sized enterprises. While continuing to enliven small and collective enterprises this year, we should pay attention to solving the problems concerning enlivening large- and medium-sized enterprises. With regard to enlivening large- and medium-sized enterprises, we should attach importance to accelerating the reform of enterprises; carry into full play the advantages of talented persons, technology, equipment and information; tap the potentials of the enterprises; improve the economic responsibilities and increase economic results in order to enhance enterprises' capability of self-transformation and self-development. All large- and medium-sized enterprises should carry out the system of letting factory heads (managers) take the responsibility to further separate party functions from administrative functions and to ensure factory heads exercise the rights to give directions to production and management. We should boldly invite the people with specialized knowledge, management ability, and pioneering spirit to manage enterprises.

We should foster a guiding ideology of organizing economic activities according to the characteristics and demands of the commodity economy to turn the enterprises' orientation from only concentrating on production to concentrating on production, management, and blazing new trails; to make the enterprises ceaselessly create new technology, new products, and new markets; and to enhance their competitive ability. Large enterprises should delegate power to lower levels. In accordance with actual demands, large enterprises may determine small accounting units and change some workshops into specialized subfactories to carry out independent accounting and to assume sole responsibility for their profits and losses. We should eliminate the traditional practices of enterprises making all complete sets of their own; carry out "a diversified economy with a focus on a production," make the most of surplus people to run tertiary industry; widely open avenues for production, management, and service; and strengthen lateral cooperation between enterprises. Enterprises should be allowed to adopt various means for collecting funds for production and development and to make investments in other areas and other trades that may score higher economic results. Urban areas that conduct overall reform on a trial basis may select some large enterprises to issue shares to the staff members and workers in order to absorb some floating capital to engage in technological transformation.

In order to create favorable conditions for enlivening large and medium-sized enterprises, governments at all levels should take the principle of "properly separating ownership from management power" to continue to streamline the administrative procedures and delegate power to lower levels, delegate ownership of those enterprises that should be delegated to lower levels, and delegate power that should be delegated to the enterprises. In order to conscientiously ensure the expansion of decision-making power of the enterprises and to reduce enterprises' unnecessary loads, we should be based on investigations and studies and adopt resolute measures to respectively consolidate various kinds of administrative companies. In order to safeguard the enthusiasm of enterprises and protect the interests of the state, we should resolutely eliminate the unhealthy practices of arbitrarily apportioning expenses in all fields. Simultaneously, we should firmly attend to reform of economic management organs, change the practices of relying on administrative means for directing the work of the enterprises, and learn to comprehensively apply the information, economic, technological, legal and administrative means for directing the work of the enterprises in order to enliven enterprises and the economy.

We should actively push forward reform of scientific and technical, and educational systems. In essence, conducting reform in scientific and technical systems is for the purpose of promoting integration between science and technology and the economy, accelerating the pace of extensively applying scientific and technical results to production, bringing into full play the role of scientific and technical personnel, emancipating the productive forces in science and technology, and promoting development of the economy and society. At present, we should start our transformation work with the improvement of operational mechanisms, organizational structures, and personnel systems. From this year on, we will conduct overall reforms of the systems of appropriating funds and carry out classified management over funds appropriated to

different research institutes. All units with conditions for technical development, popularization, and application should be urged to gradually enforce contracting systems. All operating expenses appropriated by the state should be reduced year after year and efforts should be made to strive to achieve self-support in this regard within 3 to 5 years. The reduced part of operating expenses should also be used for developing undertakings in science and technology. We should gradually enforce the managerial measure of public bidding and contracting systems for items covered by the plan; open more revenues for raising funds; actively develop credit quotas for scientific and technical research; and urge departments, enterprises and social communities to invest in science and technology. Efforts should be made to further open scientific and technical markets, to promote the commercialization of scientific and technical results, and to gradually set up a trade network of science and technology with many open channels. Efforts should be made to give significant self-determination rights to research units in order to enable independent institutes to be geared to society and to become the developing entity of independent research. We should generally enforce the system of having directors in charge inside institutes and allow every collective and individual to establish scientific research and technical service units. While accelerating the pace of developing research, attention should be paid to strengthening application research and providing conditions for the steady and stable development of basic research. Scientific and technical research units should strengthen their ties with higher educational institutions and production units, and develop diversified technical coordination and economic associations in line with the voluntary principle of mutual benefit in order to enable scientific and technical results to become practical productive forces as soon as possible.

In conducting reforms among educational systems, we should continuously readjust the educational structure in line with the demand of focusing on modernization, world standards, and the future; and should do a good job in conducting reforms of systems, in professional work, and in managerial affairs in order to accelerate the pace of training various specialized personnel. In 1985, we will increase student enrollment quotas for graduate schools, specialized colleges, and secondary specialized schools; give priority to training teachers for junior middle schools and vocational schools; and will continuously conduct reforms in the student enrollment systems of higher educational institutions by enforcing the gearing of enrollment to what is needed in the region and expanding the enrollment entrusted to local units concerned. Efforts should be made to bring into full play the enthusiasm of local areas in operating schools and in opening jointly-operated schools. It is necessary to strengthen guidance over the operation of correspondence schools, night schools, cadres' specialized colleges, the radio and television broadcasting university, and the examination for self-educated personnel in order to enable the operation to achieve harmonious development with that of general higher education. Colleges in charge of training managerial cadres should integrate their operation with that of the higher educational institutions in order to vigorously upgrade teaching quality. Higher educational schools should gradually enforce the system of having a school master in charge and the system of setting fixed quotas for teacher employment. In general education, we should proceed from the need of local economic development to concentrate on training technicians of the primary and middle classes. A good job should be done in continuously conducting reforms in the secondary educational

structure; actively developing vocational and technical education; and in vigorously encouraging the enterprises, establishments, and units to operate schools. Efforts should be made to gradually increase investment in developing intellectuals resources, to vigorously improve conditions for operating schools, and to earnestly deal with the problem of the two-shift system among primary and middle schools.

We should further implement the policy on intellectuals. In addition to showing concern for their political life, we should support them in their work, continuously improve their work and living conditions, and try our best to help solve their practical problems so that they will fully perform their functions. We should also intensify the work to update the knowledge of the existing specialized technical personnel and teachers, and continue improving the level in teaching quality and scientific research. All in all, we should create in all fields an environment where talented people can develop their talents, establish a common practice of respecting knowledge and talented people in whole society, give play to the initiative of intellectuals to the full, develop their wisdom and talents, and make the province's science and technology, education and other undertakings prosper.

It is necessary to successfully experiment with the overall urban reform at pilot units. In the present urban reform, we should pay particular attention to opening our door, do a good job in circulation and transportation, carry out the open-door policy, and expand lateral cooperation. We should further invigorate circulation, and allow and encourage commodities to enter local markets from outside, enterprises of other areas and peasants to develop various undertakings in cities, and local industrial and commercial enterprises to carry out cross-trade and inter-region cooperation and association. Control over the market of the means of production should be gradually relaxed, centers trading the means of production should be established and expanded, and, on the premise that the state mandatory plans are fulfilled, more means of production should be put on market directly. We should expand production spheres to a greater extent; break the demarcation between departments, regions, and ownership; and, on the principle of voluntary participation and mutual benefit, greatly expand various forms of production associations which should focus their efforts on developmental undertakings. In urban reform, it is necessary to fully develop our advantages, adopt various preferential economic policies in line with our actual conditions to absorb investment from various sources and to arouse the initiative of various fields; strengthen infrastructure; develop the tertiary industry focusing on various service undertakings; improve the environment for investment; increase the ability of cities to absorb, radiate, and to render comprehensive services; and turn cities--first of all large cities--into open, multipurpose, socialized, and modern economic centers. Pertinent economic departments directly under the province should energetically assist and support experiments in overall urban reform, and actively experiment with various reforms in pilot cities. Cities themselves should further strengthen leadership, explore and open up new ways bravely within the limits of their authority as prescribed by the unified state

arrangements and the province, continuously sum up experiences, and create characteristically local ways for their overall urban reform. This year, we will also experiment with the system of separating government functions from enterprise management at pilot units in the machinery, commercial, foreign trade and construction and designing industries. Relevant departments should attach great importance to this and make a success of it.

2) We should continue strengthening foreign economic relations and trade, and create a new situation in opening to the outside world.

Persistently opening to the outside world is an important link in our efforts to make the provincial economy flourish. Some channels have been unclogged and certain results achieved in opening ourselves to the international market and to other provinces and municipalities of the country, but they are far from being enough. While continuously summing up experiences, we should explore ways to open to the outside, and expand the fields to be opened.

We should enthusiastically develop foreign trade. This year, the export volume by the province's foreign trade department will reach \$398 million and the volume of the export goods purchased by our province (including those allocated by the state) will reach 3.86 billion yuan. The volume of goods exported to and imported from border areas of the Soviet Union will be 50 million Swiss francs. We should strive to overfulfill these targets. In accordance with the principle of "giving priority to export" and making supply arrangements for export first and domestic market second, we should make efforts to open up new sources of goods and markets, expand export, and create more foreign exchange. We should adopt the plan of linking agricultural trade with industrial and technological trade to accelerate the construction of the bases for export commodities, attend to the implementation of the large-scale production plans for key commodities, vigorously develop export products with competitiveness, make efforts to improve the quality of products, improve packing designs, increase the colors and designs of the products, reduce the costs of all items, and strengthen the products' capability in competitiveness. We should continue to expand exports to Hong Kong, Japan, and Southeast Asia; and enthusiastically develop the export and import trade with the Far East region of the Soviet Union and the Eastern European countries in order to make new breakthroughs in our province's foreign trade.

We should further expand the spheres of conducting economic and technological cooperations with other places. With regard to the principle of maintaining independence and keeping the initiative in our own hands, and standing for self-reliance, equality, mutual benefits and belief, we should carry out into full play the functions of the existing "windows" to foreign countries to further expand the economic and technological cooperations with them. With returned overseas Chinese and their relatives acting as go-betweens, we should attend domestic exhibitions sponsored by foreign countries, dispatch various inspection groups to other countries, invite foreign businessmen to participate in our trade talks, and open up various avenues for conducting cooperations with other countries to attract the personages from foreign industrial and commercial

circles and banking circles to make investments, run factories, and do business in our province. The provincial government held a press conference on external economic and technological cooperations in Beijing last January and declared our province's policies on giving preferential treatment to the external economic and technological cooperations and the first group of items on trade talks. These greatly interested foreign businessmen. We are preparing to hold trade talks on external economic and technological cooperations at a proper time. All localities and departments should enthusiastically support the preparatory work. We should continue to develop the export of labor service and the work of undertaking foreign projects on a contract basis, and achieve the work of giving economic aids to foreign countries. We should vigorously enhance foreign affairs and tourist work, consolidate and develop the relations between our province with friendly countries and regions, and promote the development of the work of opening to the outside.

We should widely develop the economic and technological cooperations between different provinces. While achieving the economic and technological cooperations between different localities and departments in the province, we should persist in the principle of bringing in advanced technology and equipment, funds and talented personnel from abroad and conducting economic and technological cooperations with foreign countries to further strengthen the contacts with brotherly provinces, municipalities and regions; adopt various flexible forms of cooperatively engaging in production, running joint ventures, cooperatively making development; and develop compensation trade, cooperatively develop the processing, industry and exchange talented personnel to widely conduct economic and technological cooperations between different provinces. We should pay special attention to strengthening the economic and technological cooperations with the provinces and municipalities, whose economy is under fairly rapid development, coastal open cities, and neighboring provinces. We should make efforts to make our province's quality and brand-name products to rapidly occupy the domestic and foreign markets and improve our products' competitiveness in order to carry out into full play our province's economic advantages.

3) We should vigorously build socialist spiritual civilization in order to promote the construction of material civilization.

Building socialist spiritual civilization in the new historical period is the mutual task imposed on various fronts. Efforts should be made to deeply conduct education with the emphasis on communism among urban and rural areas throughout the province with regard to having ideals and morality; abiding by the discipline and legal systems; stressing the social ethics of cherishing the motherland, the people, labor, sciences and socialism; and carrying forward the fine tradition of arduous struggle and of building up the country through thrift and hard work in order to enable the vast number of people to be well disciplined builders of socialism who have ideals, morality, and cultural knowledge. Efforts should be made to continuously conduct propaganda education on legal systems and to organize the broad masses of cadres and the people to study the Constitution and various laws and orders in order to create a fine social morale in which everyone studies, knows well, abides by, and enforces the law. Continuous

efforts should be made to deal strict blows to crimes or serious economic crimes, and to vigorously strengthen the comprehensive consolidation of public security in order to further achieve a turn for the better in social order and peace. The propaganda means, the cultural front, and the literary and art workers should take healthy, civilized, and scientific contents and style to urge the masses to actively make progress and to oppose or combat the corrosive influence of capitalism, feudalism and various decadent ideas. We should deeply carry out the activities of "five stresses," "four beauties," and "three ardent-love" and should build more civilized units in order to create a lively, rich and colorful environment of study, work and life for the people. Continuous efforts should be made to strengthen work in family planning to control population growth.

4) We should further improve the work of governments at all levels and strengthen effective leadership over the economy and various work.

We should further unify our thinking to ensure the healthy development of economic system reforms and economic construction. In 1985 government work, we will concentrate on successfully conducting reforms and enlivening the economy. In conducting practical work, we will uphold the ideological line of seeking truth from facts and do a good job in dealing with the following four relationships: First, efforts should be made to correctly deal with the relationship between increase of speed and economic returns in order to resolutely combat the evil practice of blindly seeking the high speed of economic increase while ignoring the status of the state financial and material resources and the actual local situation, to maintain steady and stable development in the economy on the premise of stressing economic results, and to create a flexible economic circumstance full of reserve strength to achieve a virtuous circulation in the national economy. Second, efforts should be made to correctly deal with the relationship between the part and the whole in order to resolutely combat the evil practice of seeking gain from the state for the sake of the interest of small groups and of saturating the demand of the part by bringing damage to the interest of the whole; to combat the evil trend of running counter to the state policies and orders by hook or crook; to successfully set up the relationship among the state, collectives and individuals on the premise of abiding by or serving the party's general target and task of building the four modernizations; and to unify the interest of the part with that of the whole. Third, efforts should be made to correctly deal with the relationship between production and livelihood in order to resolutely combat the idea of one-sidedly stressing the high consumption of consumer goods while neglecting production development, to develop the spirit of arduous struggle and building the country through thrift and hard work, to vigorously develop production, and to create more social material resources to meet the increasing need in people's material and cultural life. Fourth, efforts should be made to correctly deal with the relationship between "economic invigoration" and "economic management" in order to combat the thought of regarding economic invigoration as washing one's hands of the business, to delegate power that deserves to be delegated, and manage things that deserve to be managed, and to manage well and firmly the microeconomic aspects enlivening microeconomics. We should earnestly implement the provisions of the CPC Central

Committee and the State Council with regard to blocking the newly-developed malpractices, adopt economic, administrative, and legal measures to resolutely block various malpractices, and should urge the state apparatus, the officials, and the vast number of the people to actively abide by the state policies and orders, to strengthen their sense toward organization and discipline, and to achieve strict orders and prohibitions in a down-to-earth manner.

Governments at all levels should continue to improve themselves and to exercise their functions in economic management. We should reform government organs and their ways of doing things in line with the principle of simplifying administration and decentralizing power. Earlier this year, the provincial government succeeded in reforming the structure of departments dealing with comprehensive undertakings. We should also reform the units under the direct control of the provincial government in a step-by-step manner and in accordance with the needs of the current situation and tasks. We should further overcome bureaucracy; establish and improve the personal responsibility systems among the government personnel at all levels; establish a strict order in the work of organs in a scientific way; solve the problem of "mountains of documents and meetings"; continue to strengthen local economic legislative work along with reform, opening to the outside world, and invigorating the economy; manage various economic undertakings in line with the law; and safeguard the legal interests of the state, the collectives and individuals. The governments at all levels should strengthen investigations and research, persist in seeking truth from facts, oppose the workstyle characterized by exaggeration, listen to the voice of the masses, show concern for the livelihood of the people, strengthen the economic and cultural construction in the minority areas as well as in the outlying and poverty-stricken areas, and strive to improve the backward situations in these areas within a short period of time.

Further efforts should be made to strengthen border defense and unity between the army and the government and between the army and the people. We should actively carry out activities supporting the army and give preferential treatment to family members of servicemen, and do a good job in providing jobs for demobilized, rehabilitated, and retired soldiers. Governments at all levels should actively support the PLA units in becoming revolutionized, regularized and modernized; strengthen the building of the militia; and give full play to the role of militiamen in backbone cadres in the four modernization drive.

We should further implement the party's policies on nationalities, religions, overseas Chinese affairs, and industrialists and businessmen; do a good job in the work concerning Compatriots from Taiwan, Hong Kong, and Macao as well as overseas Chinese; consolidate and develop the extensive patriotic united front; and serve the great cause of reunifying the motherland and invigorating the province's economy.

### 3. On the Tentative Plan for Our Province's Further Economic Development

Beginning next year, China will implement the Seventh 5-Year Plan in its economic construction. As far as our government work is concerned, we should not only grasp the current work well, and comprehensively fulfill the stipulations set in the Sixth 5-Year Plan, but should also give consideration to

long-term economic development and strengthen reserve strength for the province's future economic leap. Last year, the provincial CPC committee and government organized strength to examine the strategy for economic development. Such a move was very meaningful in economic development. At the same time, the provincial government began to formulate the Seventh 5-Year Plan and the tentative plans for the years to 2000. According to the preliminary plan, the total industrial and agricultural output value will reach 68 billion yuan by 1990, an increase of 45.6 percent over 1985, or an average annual increase of 7.8 percent, an increase of 100 percent over 1980, and will reach 150 billion yuan by the year 2000, prefulfilling the strategic objective of quadrupling total industrial and agricultural output value. By that time, the average per-capita national income will reach 1,950 yuan, an increase of more than 200 percent over 1980, and the livelihood of the people in the province will become comparatively better-off. This is an encouraging fighting objective. Our province has good natural resources and a good materials and technical foundation. We should have full confidence in realizing this grand task.

In order to fulfill the abovementioned goals for economic development, we should place emphasis on building up the old base; exert great efforts to develop energy, communications, and transportation; do a good job in multiple development and utilization of resources; strive to discover talented people; promote scientific and technical advance; persistently pay simultaneous attention to the "two civilizations"; and revitalize our province's economy in a comprehensive way. For this purpose, we should attend to work in the following fields:

We should exert great efforts to build energy and communications facilities, and increase our reserve strength for national economic development. Strained energy, and communications and transportation are the two weak links adversely influencing our province's economic development. In the field of energy, electricity is a conspicuous problem. In order to accelerate construction of the power industry, we should adhere to the principle of attaching equal importance to development and economization, actively develop thermal powerplants, develop hydropower stations in line with specific local conditions, raise energy utilization rate, and reduce energy consumption per per-unit product. We should implement the policy "power industrial enterprises themselves supporting the power industry" and running powerplants cooperatively; vigorously support localities and enterprises in developing a power industry; and adopt the method of pooling the efforts of the state, collective and the individual; and developing large, medium and small powerplants to gradually relieve the pressure on power supply. In communications and transportation, the focus should be put on railway construction, road and water transportation, and civil aviation should be accelerated. Reform in communications and transportation is very important. Experiences of pilot units prove that it is necessary to proceed from macro-economic results in restructuring transportation, work out overall plans for and comprehensively use various transportation facilities, popularize three-dimensional transportation and through transportation step by step, fully tap transportation potential, raise the capacity of various means of transportation, and gradually establish an economically rational, coordinated, and comprehensive transportation system.

We should do a good job in the multiple development and comprehensive utilization of resources, and develop our province's economic advantages. In order to turn our advantages in resources into economic advantages, the emphasis should be on making the petrochemical and coal chemical industries successful. In the meantime, we should expedite light and textile industrial, machinery, and building material development and multipurpose utilization of timber. The petrochemical industry should be developed toward the direction of multiple processing and fine chemical industry. We should successfully carry out the Daqing 300,000-ton ethylene project and the construction of other corresponding "consuming and supportive" projects; use plastic in place of steel, wood or leather; and develop a series of chemicals. In developing a coal chemical industry, we should make the best of our coal resources, technically transform and improve our existing coal bases, expedite construction of modern mining areas, turn coal into electricity and gas, and develop coal chemical industrial products. In light and textile industries, we should engage in multiple processing, produce quality goods of a large variety, lower production cost, and create brand-name products. In the machinery industry, we should develop our existing material and technical foundation, improve quality and variety of products, attain a higher level in other work, create better economic results, achieve high precision and efficiency, and combine machinery with power industries. In the building materials industry, we should emphasize cement production; pay attention to the research, production, and application of new building materials; gradually turn building material production units into construction factories; and produce more light building materials. In the forest industry, we should do a good job in the multipurpose utilization of timber focusing on artificial board, paper pulp, and forestry chemicals, and gradually establish a comprehensive timber processing system and a comprehensive series of wood products.

On the premise of steady growth in grain production, we should greatly develop livestock breeding and township enterprises. In view of the continuous increase in grain output, we should attend to grain conversion, accelerate animal husbandry production, township enterprise development and construction of small cities and towns, and promote the comprehensive development of the rural commodity economy.

Old enterprises should be technically transformed more quickly so that they will become more modern. The focus of technical transformation should be placed on key trades, enterprises, and products, and the products which can be exported to earn foreign exchange. We should import, assimilate, renew, and apply foreign advanced technology. Through technical progress, we should improve demand structure and product mix; develop new industries; produce more new, quality, brand-name and readily marketable products; and increase enterprises' ability to develop and to compete with others.

We should balance and expand the avenues for circulation and accelerate the development of tertiary industry. In line with social demands, we should gradually form a commodity circulation network with various sectors of the economy existing simultaneously; linking urban areas with rural areas, establishing cooperation between large, medium-sized and small enterprises; and

linking all parts of the province. We should carry out the principle of pooling the efforts of the state, collectives and individuals to rapidly establish a tertiary industrial network with comprehensive branches of professions and trades and rational structure and under coordinated development so as to meet the demands of production development and people's livelihood.

We should vigorously develop talented personnel to promote scientific and technological progress. We should regard the development of intellectual and talented personnel as a policy of fundamental importance for enlivening our province's economy. In line with the principle of "ensuring the ranks of cadres become more revolutionary, younger in average age, better educated, and more professionally competent," we should widen our field of vision to enthusiastically seek various kinds of talented personnel in our province; to widely bring in specialists from other provinces and foreign countries; and to really cultivate, select, employ, and love talented persons in an effort to carry their functions into full play. We should pay great attention to and carry into full play the great functions of science and technology in rapidly setting up a scientific and technological system of achieving the greatest social and economic results to promote a ceaseless development of the national economy and to turn the scientific and technological achievements into a real productive force as soon as possible.

We should carry out a principle of comprehensively opening to other places to ceaselessly expand the shares of economic and technological cooperation and trade exchange. From now on, we should spend a rather long period of time cultivating our cadres to master the way of using two capital resources to open two markets, to master skills in two fields, and to organically [word indistinct] the work of opening to places within the countries with the work of opening to foreign countries. While continuing to strengthen the economic and technological cooperation between the localities in the province, we should further expand the relations and cooperation with brotherly provinces and municipalities and strengthen the economic cooperation and the relations of friendship with foreign countries. We should rely on our own force and use the advantages of other provinces and foreign countries to enliven our province's economy and to make contributions to the whole country's economic development.

We should strengthen the construction of socialist spiritual civilization to ensure the implementation of the economic development plan. In order to realize our province's economic leap, we must make efforts to construct socialist spiritual civilization while stressing socialist material civilization. We should unswervingly strengthen ideological and political work; pay special attention to education on ideals, morality, and discipline among juveniles and children; upgrade the people's communist awareness and morality; enable every laborer to become a builder of the socialist spiritual civilization; and set up and develop new-type social relations that may embody socialist spiritual civilization. We should vigorously develop cultural, educational, public health, sports, press and publication undertakings; make efforts to upgrade the people's scientific and educational levels; enrich the people's cultural life; and make initial contributions to socialist modernization.

Fellow deputies:

Our province's tasks in socialist modernization are honorary and arduous. We firmly believe that, under the guidance of the line, principles, and policies set forth since the 3d Plenum of the 11th CPC Central Committee and under the correct leadership and concerns of the CPC Central Committee and the State Council so long as the people of all nationalities and the people of all circles across the province are united, inspired, and do solid work and work hard, we will be able to eliminate all difficulties ahead of us, to score good economic results, to register a sustained and stable economic growth rate, and to make greater achievements.

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## ECONOMIC DEVELOPMENT ZONES

### XIANG NAN ON SOUTHERN FUJIAN DEVELOPMENT

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[By correspondent Geng Sheng and reporter Lin Qunying]

[Text] Fuzhou, 16 Jun (XINHUA)--In order to transform the economy of southern Fujian's delta region, which is composed of Xiamen, Zhangzhou, and Quanzhou, from domestic-oriented into overseas-oriented, Xiang Nan, first secretary of the Fujian Provincial CPC Committee, recently called for rapidly restructuring the region's industrial setup in the priority of "trade, industry, and agriculture," with emphasis on developing exports of aquatic products as the breakthrough point at present.

After the opening of the southern Fujian delta region to the outside world, some cadres continued to administer work by unitary promotion of agriculture; as a result, industrial output value in several counties was only one-third of total output value, while output value of tertiary industry was even lower. Following a recent investigation tour here by Xiang Nan and Jia Qinglin, member of the provincial CPC Committee Standing Committee, it was decided that implementing the open policy in the southern Fujian delta region also meant catering to the international market. Because the present situation is far from sufficient to meet the needs of the open policy, it is necessary to institute a series of reforms in the industrial structure. Many years of work and efforts will be required so that output value of the tertiary industry can eventually place first, that of industry second, and agriculture, third.

In the course of his investigations and studies, Xiang Nan held concrete discussions with cadres of prefectures and counties on ways to build a good foreign-oriented economy and to readjust the industrial setup. Xiang Nan said: From a long-term point of view, we must rely on industry to attain victory. However, the most practical way at present is to vigorously develop the export of aquatic products. This a breakthrough point in the transformation of a domestic-oriented economy into a foreign-oriented one.

In recent years, by tapping its mountainous and marine resources, Zhangpu County planted litchis, longans, pineapples and other fruits in the mountains, while breeding prawns, clams, and groupers along its shores. These fresh products are then exported. Xiang Nan hoped that every coastal county in

Fujian would follow Zhangpu's example, concentrate on fresh aquatic products as well as all kinds of fresh fruits and vegetables that are in demand as the new starting point for breaking into the international market. Later on, they could expand to different kinds of processed, traditional, and newly-developed industrial products, thereby gradually developing into a foreign-oriented economy. Here lies a great hope of a new economic takeoff for the southern Fujian delta region.

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ECONOMIC PLANNING

NINGXIA 1985 ECONOMIC DEVELOPMENT PLAN

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["Excerpts of a Draft Report by Deng Xichen, Director of the Autonomous Regional Planning Committee, on the National Economic and Social Development Plan for 1985, at the Third Plenary Session of the Fifth Autonomous Regional People's Congress on 2 May 1985"]

[Text] I. Results of the Implementation of the 1984 Plan

In 1984, under the correct leadership of the CPC Central Committee and the State Council, our region conscientiously implemented the policy of enlivening the domestic economy and opening to the outside world. Through the common efforts of the people of various nationalities in our region, gratifying achievements were made in production, construction and circulation. Development in various fields was faster than expected and a new situation of sustained, steady, and coordinated development emerged in the national economy. These achievements are mainly as follows:

First, industrial and agricultural production increased at a comparatively fast pace, in an overall manner, and steadily, and there was a marked improvement in economic results. On the basis of continuous increases over past year, the region's gross industrial and agricultural output value amounted to 2.87 billion yuan in 1984, a 15-percent rise over the previous year, and one which exceeded the annual plan by 9.5 percent.

A good harvest was reaped in agricultural production. The region's gross agricultural output value (including the value produced by village-run (production team-run) industries was 1.03 billion yuan, a 17.1 percent increase over the previous year. Although the cultivated acreage was reduced, grain production topped 3 billion jin, an increase of 180 million jin over the previous year. The region ended the situation under which it had relied for many years on state grain supply and it began to be self-sufficient in grain production. The output of beets was 265,000 tons, a 79.4 percent increase over the previous year. The output of oil-bearing crops was 89 million jin, an 8.2 percent increase over the previous year. The region afforested 1.48 million mu of land, a 140-percent increase over the previous year, and 1.1 million mu of land was planted to grass, a 110-percent increase over the previous year. The output

of pork, beef, and mutton was 53.6 million jin, a 17.3 percent increase over the previous year. Marine products amounted to 15 million tons, a 42.4 percent increase over the previous year. With the exception of oil-bearing crops, the output of the above agricultural products hit an all-time high. Rural commodity production developed rapidly, the rural diversified economy expanded, and there was a rise in the number of various specialized households, economic combines, and township enterprises. The entire rural economy was thriving. The southern mountainous areas, which had been in a state of poverty for a long time, began to take on a new look. There was a turn for the better in regard to the ecological balance. The people's livelihood began to improve to a certain extent with the development of the economy. In 1984, there was an average of 500 jin of grain per capita in the mountainous areas. Most of the peasant households were self-sufficient in grain, and some had surplus grain.

Although electric power and steel were in short supply, industrial production increased by 13.9 percent over 1983, with a total output value of 836 million yuan. Light and heavy industrial development was coordinated. Heavy industrial production increased by 13.3 percent over 1983 and light industrial production by 15.3 percent. Of the 25 types of major industrial products reviewed, 17 were produced on schedule or ahead of schedule. The production of textile and other light industrial products such as woolen, material cotton fabric, processed sugar, ceramics, washing machines, machine-made paper, and paperboard increased by 10 to 34 percent over the previous year. In heavy industry, the output of raw coal was 10.7 million tons, a 9.4-percent increase over the previous year. Electricity generated was 2.325 billion kilowatt-hours, a 5.4-percent increase over the previous year, both exceeding records. The production of other heavy industrial products such as cement, chemical fertilizers, tires, hand-drawn tractors, lifting equipment, and automatic instruments and meters increased by a large margin over the previous year. Industrial enterprises achieved better economic results, improved the quality of products, reduced the consumption of materials, and produced market-oriented products. Their income from sales, the profits they realized, and the taxes they paid increased by 12.1 percent, 38.7 percent, and 13.4 percent, respectively, over the previous year, exceeding the rate of increase in industrial production. All this shows that our region is beginning to embark on the road of improving economic results.

Railway and highway transport departments also overfulfilled their plans. The railway freight volume was 13.96 million tons, a 4.3-percent increase over the previous year. The highway freight volume was 1.93 million tons, a 14.7-percent increase over the previous year.

Second, progress was made in enterprises' technical innovations, and the construction of key projects was quickened. Investment in the renewal and development of enterprise equipment was 175 95 [as printed] million yuan, a 7.6-percent increase over the previous year. Projects put into operation or producing economic results numbered 78. This played an important role in increasing production, saving energy, and enhancing the technological level. Investment in capital construction was 455 million yuan, a 37.9 percent increase over the previous year. Investment in the energy industry and transportation increased by 54.5 percent and that in the scientific, educational, cultural, and health fields by 9.3 percent. The construction of key projects was quickened. The Pingluo sugar refinery, with a daily processing capacity of

1,000 tons of beets, was basically completed and put into production by the end of last year, 12 1/2 months ahead of schedule. The construction of state or autonomous regional key projects such as the Guhai pumping station, the Dawukou electric power station, the Ningxia chemical plant, and the Shizuishan No 3 well proceeded on schedule or ahead of schedule. Results achieved in capital construction are as follows: 180,000 mu of land was irrigated, a total of 50 kilometers of transmission lines were built, 55,000 tons of cement was produced, commercial cold storehouses with a capacity of 1,840 tons were built, granaries with a total area of 144,000 square meters were built, institutions of higher learning had a total enrollment of 1,200 students, secondary technical schools had a total enrollment of 7,674 students, hospital beds numbered 230, and daily tap water supply was 43,000 tons. Initial results were achieved in the reform of the capital construction system and the reform of the system of the construction industry. Last year the system of contracted investment was exercised in 89 percent of the projects listed in the budget, and bids were invited for the construction of 78 projects, resulting in a total investment of 37 percent less than originally calculated.

Third, a new situation emerged and great progress was made in economic and technological cooperation between the region and other parts of the country and between the region and foreign countries. The total value of exports by various localities throughout the region was \$22.8 million, a 63.6-percent increase over the previous year. The mix of export commodities changed for the better. The export of coal and flax yarn, which earns the region much in foreign exchange, increased last year. In September of last year, the region held the first "Ningxia International Symposium on Economic and Technological Cooperation," in which over 150 merchants from 14 countries and regions participated. Some 20 contracts for economic and technological cooperation and 18 agreements, letters of intent, and memorandums were signed, and transactions totaling \$20 million were concluded. Economic and technological cooperation with other provinces and regions in the country was lively. In 1984 alone, our region concluded 305 agreements with 14 provinces and cities on economic and technological cooperation. This included introducing equipment, carrying out economic combinations, exchanging commodities, and training talented persons. Of the agreements, 164 were realized and the rest are being implemented. Through cooperation, the region absorbed capital of 110 million yuan, obtained 1,700 tons of steel, 3,200 cubic meters of lumber, and 2,400 tons of high-grade cement, and engaged a number of middle and primary school teachers and persons with specialized skills. Thus strengthening crosswise economic relations with other provinces and regions and promoting national economic development.

Fourth, purchase and sales of commodities were good, the urban market thrived, and the people's livelihood continued to improve. The region's gross purchase value of agricultural and sideline products was 323 million yuan, a 17.9-percent increase over the previous year, with a marked rise in the purchase of grain, pigs, pork, and eggs. The retail sales volume of social commodities was 1.285 billion yuan, a 15.8-percent increase over the previous year. The sales of high- and medium-grade consumer goods such as woolen material, wristwatches, and television sets increased by a large margin over the previous year. Along with the development of production, the people's income rose and their livelihood continued to improve. The region's staff members and workers numbered 533,000, an increase of 16,500 over the previous year. The total amount of

wages was 559 million yuan, a 17.3-percent increase over the previous year. As a sample survey on family income and expenses disclosed, the annual per capita income of staff members and workers which was used for living expenses was 577 yuan, and with deductions for increases in living expenses and prices, their actual income increased by 12.3 percent. The per capita net income of the peasants was 313 yuan, an 8.6 percent increase over the previous year. By the end of 1984, the deposits of the urban and rural people amounted to 617 million yuan, a 38.9 percent increase over the previous year. Houses with a total area of 1.62 million square meters were built in the rural areas; the total floor space of houses built in cities was 785,000 square meters. There was further improvement in the living conditions of urban and rural citizens.

Fifth, new achievements were made in the scientific, educational, cultural, health, and sports fields. Results were achieved in 127 scientific research projects, and some of these results were popularized and put to use. The 17 results that received awards from the autonomous region last year helped produce a value of 104 million yuan and increase grain production by 280 billion jin. Ordinary institutions of higher learning throughout the region enrolled 1,726 students, a 19-percent increase over the previous year. Institutions of higher learning for adults enrolled 1,577 students, a 39.5-percent increase over the previous year. Secondary technical schools enrolled 2,863 students, a 13.6-percent increase over the previous year. Structural reform continued to be carried out in middle school education, and rural professional middle schools had an enrollment of 6,457 students, a 150-percent increase over the previous year. Continuous development was witnessed in the health field, with hospital beds numbering 8,300, a 5.4-percent increase over the previous year. In sports, good achievements were made in shooting and bicycle events.

The 1985 targets set in the region's Sixth 5-Year Plan for the gross agricultural output value, the gross industrial output value, national income, local revenue, the retail sales volume of social commodities, export trade carried out by localities, the enrollment of students in higher educational and secondary technical schools, and the natural growth rate of the population were fulfilled ahead of schedule by the end of 1984. Of the 1985 targets for 87 types of major industrial and agricultural products, the production of 31 products including grain, beets, marine products, crude oil, electricity, tires, chemical fertilizers, machine tools, and tractors, as well as grass and tree planting, were fulfilled ahead of schedule, accounting for 35.6 percent of the total.

The good situation in the region's economic development in 1984 fully indicates that the CPC Central Committee's and the State Council's principles, policies, and measures concerning enlivening the domestic economy and opening to the outside world are correct and provide a powerful impetus. It also proves that our region has great economic potential. So long as we implement the CPC Central Committee's and the State Council's principles, policies, and measures, we will surely be able to tap the great potential in production, construction, circulation, and other fields and to consolidate and develop the excellent situation.

The main problems in national economic and social development are as follows: the rural production structure is not rational enough; the conditions for production in the southern mountainous areas are still bad and some people still live in poverty; railway transport facilities are lacking and raw materials such as steel are in short supply; and consumption funds have increased too rapidly and the scale of investment in fixed assets is still too large. We should pay attention to these problems and take effective measures to solve them.

## II. Tasks and Main Targets in the 1985 Plan

The main tasks in the national economic and social development plan for 1985 are to further implement the policy of enlivening the domestic economy and opening to the outside world; to actively and appropriately carry out the economic structural reform; to continue to maintain coordinated and steady national economic development; and to realize a simultaneous increase in the rate of development, economic results and revenue. On the basis of developing production, we should further improve the people's livelihood. In regard to raising economic results, we should fulfill or overfulfill the tasks set in the Sixth 5-Year Plan and create conditions for economic development in the Seventh 5-Year Plan.

According to the 1985 draft plan approved by the autonomous regional government in January, the region's gross industrial output value for 1985 should reach 1.97 billion yuan, a 7.3 percent increase over 1984. The gross agricultural output value should reach 1.08 billion yuan, a 4.4 percent increase over 1984. The target for the gross industrial and agricultural output value is 3.05 billion yuan, a 6.2 percent increase over 1984. Due to the shortage of electric power, raw materials, and railway transport facilities, the rate of development in the 1985 plan should not be set too high. Various localities and departments should concentrate their efforts on developing market-oriented products, improving the quality of products, and raising economic results.

The organization of the 1985 plan is as follows:

### 1. Agriculture

Taking account of the weather factor and, in particular, of unstable production in the mountainous areas, the output of grain is planned to be 2.9 billion jin, lower than in 1984 but greater than the target of 2.85 billion jin set in the Sixth 5-Year Plan. In line with the processing capacity of sugar refineries, the output of beets is planned to be 250,000 tons. Afforestation and grass planting are set at 700,000 mu on the basis of subsidiary investment, but various localities should mobilize the masses to engage in tree and grass planting by relying on their own efforts so as to overfulfill the target. Targets for the production of other agricultural products are set as follows: oil-bearing crops, 90 million jin; Chinese wolfberries, 1.1 million jin; meat, 54 million jin; eggs, 20 million jin; milk, 16 million jin; and marine products, 1,300 tons.

It is necessary to readjust the agricultural production structure; to arrange regional distribution well; to improve the quality of agricultural products; to develop the processing and comprehensive utility of agricultural and sideline products in the nearest areas; to shift the use of funds, technology, and talented persons to animal husbandry, fishery, forestry, exploitative production, and a diversified economy; and to support township enterprises. We should energetically develop the fodder industry, promote the use of grain for fodder, and change the mix of food by making meat, eggs, and milk as the main components. We should continue to engage in tree and grass planting, implement the policy on forestry, and raise the survival rate of grass and trees.

## 2. Industry

Arrangements for the production of major industrial products are as follows: raw coal, 10.72 million tons, of which 8.25 million tons is to be produced by coal mines under unified assignment; generated electricity, 2.31 billion kilowatt hours; steel, 30,000 tons; iron alloy, 6,000 tons; coke, 90,000 tons; pig iron, 13,000 tons; aluminum ingots, 30,000 tons; plate glass, 190,000 standard cases; cement, 550,000 tons; synthetic ammonia, 93,000 tons; tires, 310,000 sets; small tractors, 7,000; diesel engines, 72,000 horsepower; machine tools, 1,650; woolen fabric, 1.15 million meters; knitting wool, 1,600 tons; machine-made paper and paperboards, 18,000 tons; sugar 32,000 tons; and washing machines, 20,000. The highway freight volume is set at 1.94 million tons, an 0.5-percent increase over 1984. The railway freight volume planned for our region by the railway department is between 13.9 million to 14.4 million tons.

In 1985, there will still be a tight situation in railway transport and there will still be a serious shortage of electric power and steel. It is necessary to organize railway transport well and to reduce the consumption of energy and raw materials.

## 3. Investment in Fix Assets

In line with the needs for national economic and social development and taking into account financial and material feasibility, the total investment in capital construction in the 1985 draft plan is set for 631.65 million yuan, of which investment in projects directly under the central authorities is set at 344.14 million yuan and that for local projects at 387.51 million yuan. Investment in local projects is set as follows: Local investment under comprehensive plans (where allocation of funds is replaced by providing loans), 90 million yuan; self-accumulated investment, 80 million yuan; funds for capital construction in Xihaigu, Hexi, and Dingxi, 16.01 million yuan; bank loans, 74.3 million yuan; and investment in local projects subsidized by various departments and commissions of the central government, 27.2 million yuan.

Of the local investment under comprehensive plans (where allocation of funds is replaced by providing loans), investment in agriculture is 15.17 million yuan; investment in industry is 6.67 million yuan; investment in transportation, post, and telecommunications is 4.7 million yuan; investment in trade is 6.15 million

yuan; investment in scientific, educational, cultural, and health undertakings is 19.32 million yuan; investment in urban construction is 4.3 million yuan; investment in other construction projects is 20.59 million yuan; and 13.1 million yuan is for various prefectures, cities and counties.

In carrying out capital construction in 1985, it is necessary to focus our attention on technical innovation and expansion and to strictly limit new construction projects.

It is necessary to concentrate financial and material resources on key construction projects for 1985, which includes the construction of the Ningxia chemical plant, the Dawukou power plant, the Shizuishan No 3 well, the Taxi coal washing plant, the Ningxia cement factory, the Guhai pumping station, the Yinchuan polyester factory, the Guyuanwangwa coal mine, the Huang He bridge in Zhongning, Ningxia University, and the expansion of the Qingtongxia aluminum factory. Projects which will be completed and put into full or partial operation this year are as follows: the Dawukou power plant (with a newly installed capacity of 100,000 to 200,000 kilowatts), the Yinchuan polyester factory (which will produce 1,000 tons of polyester yarn), and the Guhai pumping station (which will irrigate 150,000 mu of land). We should strengthen leadership over the construction of all key projects, make sure that funds and material [word indistinct] concentrated on them, and strive to ensure the rational progress of their construction.

In planning investment in local capital construction for 1985, it is necessary to pay attention to intellectual investment as well as to investment in the people's welfare such as cultural, health, and broadcasting undertakings. Of the funds accumulated by localities and provided by autonomous regional finances, 26.52 million yuan will be invested in cultural, educational, and health undertakings, an increase of 4.4 million yuan and 19.9 percent over last year. We have also taken into account the need to develop production and other social undertakings in the southern mountainous areas.

In the 1985 draft plan, investment in the region's technical development is set at 136 million yuan, of which 74 million yuan will be provided by the bank via loans, whereas the rest is to be accumulated by localities, departments, and enterprises themselves.

Both in capital construction and technical development, it is necessary to further exercise the system of designing, inviting bids, and making investment on a contract basis, so as to shorten the construction period and improve economic results.

#### 4. Supply of Materials

Of the materials allocated by the state for our region in 1985, steel is seriously lacking. The state has allocated 82,780 tons of steel for our region, but we need 30,000 tons more. To solve this problem, it is first necessary to import 15,000 tons of steel by using local foreign exchange facilities; second, to get aid from other provinces and regions by carrying out cooperation with them; and third, to use the 5,000 tons of steel kept in stock.

Material distribution in 1985 should be carried out in line with the following principles: Materials newly allocated by the state should be used for mandatory production tasks assigned by the state or the region and for key construction projects. Materials for capital construction carried out by using self-accumulated funds will be distributed on a supplementary basis. Tasks assigned according to the plan must be fulfilled. An open market should be provided for the sales of important materials.

#### 5. Commerce and Foreign Trade

The retail sales volume of social commodities for 1985 is set at 1.33 billion yuan, a 9.6-percent increase over 1984. The purchase of major commodities is planned as follows: grain, 750 million jin; edible oil, 15 million jin; pigs, 105,000; sugar, 25,000 tons; sheep wool, 4.5 million jin; and licorice root, 3 million jin. This year, the wages of staff members and workers as well as the income of the peasants will increase. How to do a good job in keeping the market in balance and in meeting the various needs of the urban and rural people are problems which must not be overlooked.

The total foreign trade volume is set at \$26.3 million, a 15.4-percent increase over 1984. We should strive to overfulfill this target.

#### 6. Labor

According to the 1985 plan, units under ownership by the whole people will recruit 9,000 staff members and workers (excluding the natural increase in the labor force of coal mines and farms under the state's overall plans). Of the total, 6,500 will be recruited from among graduates from higher learning institutions and secondary technical schools as well as from among demobilized soldiers, and 2,500 will be recruited from society (excluding peasants working in mines and peasants working in the building industry on contract). These persons will be assigned to key production enterprises, key construction projects, and projects listed in the budget.

#### 7. Scientific, Education, Cultural and Health Undertakings

In the scientific field, on the basis of continuing last year's 39 scientific research items, in 1985 it is necessary to concentrate financial and material resources as well as scientific and technological personnel on several scientific research items which are of great value to the comprehensive exploitation of the region's resources, and on intermediate experiments and experiments of an industrial nature, such as experiments in using anthracite to produce granular activated carbon, experiments in using violet clay to produce color glazed tiles, experiments in the comprehensive use of the white soil and alkaline soil north of Yinchuan, and experiments in new energy development in the rural areas. In this way we will be able to turn the results of scientific experiments into productive forces.

In 1985, higher learning institutions will enroll 1,946 students (including 20 research students), an increase of 220 students over last year. Secondary professional schools will enroll 3,780 students, an increase of 927 students. It is necessary to adopt various forms of higher learning education, to increase the number of students while improving their quality, and to readjust the structure and classification of subjects for training talented persons. We should speed up the construction of higher learning institutions. Higher learning institutions can jointly run schools or schools based on accumulated funds, provided they have fulfilled the state's mandatory enrollment plan in regard to students. It is necessary to continue to carry out reform of the system of middle school education. We should speed up the popularization of primary education, strengthen the work of popularizing primary education in the southern mountainous areas, and reduce or stop the emergence of illiterate people. We should continue to do a good job in carrying out various forms of adult education such as broadcast and television universities, spare time universities, and correspondence universities.

We should also continue to develop cultural and health undertakings and sports.

The natural growth rate of the population for 1985 is planned at 1.33 percent, and by the end of the year the population must be within 4.124 million. It is necessary to carry out propaganda and education in family planning and to provide technical services for family planning so as to ensure that the natural growth rate of the population will be kept within the limits of the plan.

### III. Persist in Structural Reform, Strengthen Macroeconomic Management, and Strive To Overfulfill the 1985 Plan and the Sixth 5-Year Plan

The reform of the entire economic structure which focuses on the urban economy will be gradually expanded in 1985. To keep abreast of this situation, it is necessary for us to stress planning system reform along with price system reform and wage system reform.

In line with the region's "implementation methods" for improving the planning system. In 1985 our region will reduce to a certain extent the scope of mandatory plans for production and circulation, exercise guidance plans over agricultural production, and reduce the types of agricultural and sideline products to be purchased by the region from 14 to 7. In industrial production, the types of industrial products listed in the regional plan will be reduced from 200 to 90, of which 16 will be produced under mandatory plans. The proportion of the output value of products under mandatory plans to the gross industrial output value will drop from 70 percent to about 30 percent. The types of commodities managed by the regional planning committee under mandatory plans will be reduced from 50 to 25. There will also be a certain reduction of state-allocated materials. Moreover, we will relax the limitations on the rights of prefectures, cities, counties, and autonomous regional departments and bureaus to approve construction projects.

As pointed out by the decision of the CPC Central Committee on economic structural reform, the more we enliven the economy, the more attention we should pay to macroeconomic regulation so as to strengthen macroeconomic management and prevent the emergence of an economic imbalance. For this reason it is necessary:

First, to strengthen the management of consumption funds and credit funds;

Second, to control the scale of investment in fixed assets;

Third, to strengthen foreign exchange plans and management;

Fourth, to strengthen economic information and forecasting work and the comprehensive use of various economic levers;

Fifth, to strengthen financial discipline and correct unhealthy trends.

The present economic situation in the region is very good, and Comrade Hu Yaobang's call that "Ningxia should take off first" has taken root in the hearts of the people. The further carrying out of the reform of the economic structure focusing on the urban economy will add vitality to enterprises and bring into play the initiative of the masses. Party rectification at the prefectural and county levels, which is now under way, and party rectification, which will soon start in enterprises, will certainly help stimulate production and construction. We should make full use of these favorable conditions, resolutely implement various principles, policies, and measures of the CPC Central Committee and the State Council, and, under the leadership of the autonomous regional CPC committee and people's government, mobilize the vast number of cadres and masses to work hard, to surmount difficulties in their advance, to ensure the steady progress of economic structural reform, to ensure the steady development of the national economy, and to strive to overfulfill the 1985 plan and the Sixth 5-Year Plan in an all-round way.

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ECONOMIC PLANNING

SHANXI 1985 ECONOMIC, SOCIAL DEVELOPMENT PLAN

HK141315 Taiyuan SHANXI RIBAO in Chinese 18 May 85 p 2

["Draft Report on Shanxi Province's 1985 National Economic and Social Development Plan (excerpts)" by Xu Junzhou [0702 0193 3166], deputy director of the Shanxi Provincial Planning Commission, at the Third Session of the Sixth People's Congress of Shanxi Province on 5 May 1985]

[Text] I. Fulfillment of the Plan for 1984

In 1984, under the leadership of the party and the government at all levels, the people of the whole province adhered to the principle of carrying out reforms, opening to the outside world, and invigorating the national economy, were bold in practice and made advances. As a whole, the situation of economic and social development is excellent, and all the main targets of the annual plan passed by the Second Session of the Sixth Provincial People's Congress have been fulfilled or overfulfilled. Among them, the total industrial and agricultural output values, national income, revenue, retail volume of social commodities, enrollment numbers of ordinary institutions of higher education and technical secondary schools, number of hospital beds, and the outputs of agricultural products like grains, cotton, oil crops and so on and of 19 industrial products such as raw coal have all met the requirements of the "Sixth 5-Year" Plan one year ahead of time.

The agricultural production reaped an all-round bumper harvest. The total output value reached 5.97 billion yuan (excluding the industrial output values produced by villages and levels below), up 17.9 percent from the previous year. The total output of grains reached 17.44 billion jin, an increase of 1.32 billion jin over the previous year. The total output of cotton was 266.17 million jin, an increase of 73.81 million jin. The total output of oil crops was 734.19 million jin, an increase of 259.7 million jin. The outputs of pork, mutton and milk all overfulfilled the annual plan. Various township and town enterprises in the countryside of the whole province vigorously developed, thus urging the rural economy to take a new step toward specialization and commodity economy.

The total industrial output value of the whole province reached 19.81 billion yuan (excluding the industrial output values produced at and below village level), up 16.5 percent from the previous year. Of that sum, the output value of light industry was 5.68 billion yuan, an increase of 14.5 percent; and the output value of heavy industry was 14.13 billion yuan, an increase of

17.3 percent. The output of raw coal topped 187.16 million tons, an increase of 27.98 million tons or 17.6 percent over the previous year; of which local mines (including mines run by townships and towns) produced 106.47 million tons. The electric energy production was 16.75 billion kilowatt-hours, an increase of 10.7 percent over the previous year. Heavy industrial products like steel, pig iron, cement, fertilizer, and so on all increased by a big margin. In order to suit the market changes, the light and textile industries actively readjusted their product structures and began to put an end to the situation in which products did not suit the market needs. The production of food and consumer goods for daily use also increased rapidly.

In the whole province, the volume of freight carried by rail reached 147.17 million tons, an increase of 6.7 percent over the previous year; and the volume of freight carried by road topped 108.39 million tons, an increase of 22.4 percent over the previous year. Using road transport for coal has become an important means to solve the stockpiling of coal.

In 1984, the capital construction investment of the whole province in projects under the system of ownership by the whole people totaled 3.696 billion yuan, an increase of 1.431 billion yuan over the previous year. Of this, 2.478 billion yuan went into projects of the central authorities, an increase of 0.98 billion yuan. The 15 key projects of the state in our province all fulfilled or over-fulfilled their schedules. Projects like the No 1 and No 2 generating units in Datong City's No 2 power plant, Xiqu Mine in Gujiao mining area, and so on were completed and commissioned ahead of time. A total investment of 949 million yuan was channeled into local construction projects to be examined by the state, an increase of 229 million yuan over the previous year. Of the 10 local key projects determined by the provincial government, the extension projects in Zhaozhuang coal mine and Xinghua village distillery and the construction of Taiyuan coking gasworks were completed and commissioned, and the schedules for the surface work of the four roads built for transporting coal in the province to other provinces were completed. The technical transformation of the existing enterprises made new headway, and the investment in renewing and transforming state-owned enterprises in the whole province totaled 1 billion yuan, an increase of 21.2 percent over the previous year. During the year, 993 projects were renewed or transformed.

Economic and technological coordinations were further expanded. In April 1984, our province, for the first time, held international economic and technological cooperation talks to introduce advanced technologies and equipment and signed a total of 77 contracts and agreements. In October, our province also convened a domestic economic and technological cooperation symposium, signing a total of 264 contracts and introducing capital of 391.69 million yuan. The economic exchanges with the outside world promoted the development of industrial and agricultural production and the import and export trades. In 1984, the total value of foreign trade transactions and exports topped 0.74 billion yuan, an increase of 25.5 percent over the previous year. Of it, the total value of commodities directly exported from our province reached 0.44 billion yuan, an increase of 690 percent over the previous year.

The urban and rural markets were brisk and the people's livelihood was further improved. The per capita net income of rural population in the whole province reached 350 yuan, an increase of 27.1 percent over the previous year. The per capita income for living expenses of worker and staff member households also rose considerably, topping 487.2 yuan. Even allowing for factors of price increases, real income still rose by 20.1 percent over the previous year. The total retail sales of social commodities in the whole province reached 8.46 billion yuan, an increase of 21.9 percent over the previous year. Of this, retail sales of consumer goods grew 21 percent, and retail sales of agricultural means of production went up 262 percent. Because new changes have taken place in the consumption structure, sales volumes of various commodities all grew by a big margin and market demands for expensive and less expensive goods and some of the agricultural means of production also increased.

Provincial revenue amounted to 2,717.51 million yuan, an increase of 12.53 percent over the previous year. (Details will be illustrated in the financial report.)

Advances were made in science, technology, education, culture, public health and sports. Scientific and technological levels in the whole province were upgraded, and during the year scientific research departments achieved a total of 412 scientific and technical research results, an increase of 44.1 percent over the previous year. In the whole province, ordinary schools of higher education enrolled 11,640 students and secondary technical schools enrolled 18,640 students, which are increases of 20.2 percent and 13.3 percent respectively over the previous year. Various forms of adult education developed rapidly, and schools of higher education for adults like television university, correspondence university, sparetime university, and so on had 32,738 students on campus, an increase of 14,161 students over the previous year. Further developments were also made in secondary and primary education. Because medical conditions in urban and rural areas continued to improve, the number of hospital beds amounted to 78,225, an increase of 3,735 over the previous year. Literature, art, press, radio broadcasting, television, publication, cultural relics and so on continued to develop. Sports also scored bigger achievements. By the end of the year, the population [word indistinct] our province was 26.003 million, and the natural growth rate was 10.41 per thousand, a decrease of 0.19 per thousand over the previous year.

Generally, the fulfillment of the 1984 plan was good. However, some problems demanding quick solutions still exist in the economic development. They are, mainly, that the scale of capital construction is still on the high side, electricity distribution is still irrational, the electricity shortage in the southern part of the province has still not been relieved, transportation is strained, there is still a considerable gap in the supply of steel, wood and cement, consumption funds have increased too fast, and some of the products of light and textile industries were unsalable and have piled up, affecting, to a certain extent, the withdrawal of currency from circulation. We must adopt effective measures to solve them step by step and consolidate and develop the already excellent economic situation.

## II. Principal Tasks and Targets of the Plan for 1985

The fundamental tasks of our province's economic and social development plan for 1985 are to continue upholding the principle of invigorating the domestic economy and opening to the outside world, [words indistinct] steadily carry out the economic structural reform, implement the working plan of the provincial CPC committee and government regarding the economic structural reform focusing on the invigoration of enterprises, maintain the coordinated and steady development of the national economy, comprehensively overfulfill every task stipulated in the "Sixth 5-Year" Plan and create conditions for the economic development of the "Seventh 5-Year" Plan. On the basis of vigorously increasing economic results and national income, we should conscientiously make a success of maintaining the balance of finance, credit, material and foreign exchange, so as to properly arrange accumulation and consumption and ensure the continued improvement of the livelihood of the people in urban and rural areas.

The main target of the 1985 plan is for the total industrial and agricultural output value to increase by 9.1 percent, amounting to 28.14 billion yuan. Of this, the total agricultural output value will increase by 3.4 percent, amounting to 6.17 billion yuan. The total industrial output value will increase by 10.9 percent, amounting to 21.97 billion yuan. Of this sum, light industry will increase by 10 percent, amounting to 6.25 billion yuan, and heavy industry will increase by 11.3 percent, amounting to 15.72 billion yuan. National income will increase by 9 percent, amounting to 16.23 billion yuan. Outputs of main products are as follows: Grain, 17.6 billion jin, oil crops, 0.75 billion jin; coal, 183.25 million tons; electricity, 18.3 billion kilowatt-hours; steel, 1.57 million tons; cement, 3.82 million tons; and fertilizer, 0.476 million tons. Investment in local capital construction will be 810 million yuan, an increase of 196 million yuan over the plan set at the beginning of last year. Investment in projects involving equipment replacement and technical transformation will be 650 million yuan, an increase of 135 million yuan over the plan set at the beginning of last year. Our province's revenue task assigned by the state is 2,789.89 million yuan, and after allowing for the factors of the profits and taxes of seven unified distribution mines being put under the administration of the central authorities and 70 percent of the product tax of electric power enterprises being handed over to the state revenue, the revenue task budgeted by our province will be 2,447.35 million yuan. According to this proportion, the increase will be 152.67 million yuan, or 6.9 percent, over the actual figure of 1984. The total retail sales of social commodities will increase by 21.7 percent, amounting to 10.3 billion yuan. The number of enrollments at ordinary schools of higher education will be 13,134, an increase of 1,453.

In order to accomplish the national economic and social development plan for 1985, main requirements for all trades and professions are as follows:

1. On the basis of striving to increase economic results, it is necessary to seek the continued growth of production.

At present, it is necessary to take advantage of this opportunity to readjust the inner structure of agriculture, develop planting and breeding industries on the basis of ensuring a steady growth of grain, do well in forage production, vigorously develop animal husbandry, encourage peasants to raise pigs, sheep, cattle and chickens and breed fish if they have the conditions and convert

more grain into meat, eggs, and milk to strengthen the supply of nonstaple food in urban areas and gradually change the composition of food intake. Every prefecture, city, and county should resolutely implement Document No 1 of the central authorities and actively develop township and town enterprises. Those counties which have been financially subsidized by the government should cast off their "hats" of subsidy as soon as possible.

In 1985, we should actively develop new products and new varieties, improve product quality and make products marketable. We should use economic levers to restrict those slow-selling goods.

2. It is necessary to control the scale of investment in fixed assets and conscientiously implement the construction principle of giving priority to technical transformation, reconstruction, and extension projects.

Although the overall scale of investment in local capital construction has been expanded, it still cannot keep pace with the existing set up or meet the requirements of all the departments and localities. In the light of the development of the national economy and the actual conditions of financial and material resources in the province, we must continue to strictly control the overall scale of the capital construction and ensure the construction of key projects. The arrangement principles are, first, to give priority to energy resources, communications, raw materials and education projects; second, not to undertake new building for those projects which can enhance their capability through technical transformation, reconstruction, and extension; third, to make good arrangements for the continuation and completion of projects so as to get these projects into operation and producing beneficial results; and fourth, to strictly control the construction of new projects. According to state regulations, beginning from this year, the following five aspects of capital construction fund-raising will not be included in the scale of capital construction: 1) the construction of secondary and primary schools arranged with reserve financial resources and unbudgeted funds of localities and enterprises; 2) the construction of hospitals, cultural centers and museums at or below county level arranged with reserve financial resources and unbudgeted funds of enterprises of county level; 3) the construction of new roads and extensions arranged with road tolls; 4) the construction of new urban roads and extensions and the purchase of public vehicles arranged with urban maintenance construction funds; 5) the construction of dormitories for staff members and workers arranged with the funds of old enterprises. But projects of the above five types should be reported to the provincial planning commission for the record.

3. It is necessary to actively adopt measures to organize the supply of goods and make rational arrangements to alleviate the contradictions between the supply and demand of goods.

In light of the spirit of the economic structural reform and the "Provisional Stipulations Regarding Improving the Planning Structure" of the national planning commission, this year the distribution principles for unified distribution materials in our province are: 1) The mandatory production tasks assigned by the provincial government, the capital construction projects budgeted by the state

or arranged with special funds of the provincial government, and technical transformation projects arranged with appropriations (including coal funds) from provincial financial departments will be supplied with materials according to their consumption quotas; 2) as regards the guidance production tasks assigned by the provincial government and the needs of agricultural and light industry markets and general production maintenance, a distribution level similar to that of last year will be basically maintained. Because there are bigger gaps in the supply of the three major materials this year, we plan to adopt some measures to cope with them.

4. It is necessary to invigorate domestic and foreign trade and maintain the prosperity and stability of the markets.

In foreign trade, in 1985 we must seize the opportunity to vigorously increase export commodities. It is planned that export goods will be worth a total of 416 million yuan, export income will be \$214.8 million, and local export income will be \$118.73 million. Departments concerned should adopt effective measures to resolutely fulfill and overfulfill these tasks.

5. It is necessary to develop science and technology, strengthen the exploitation of intellectual resources and actively train talented people.

At present, over 300 key scientific and technological projects for this year covering over 20 fields have been preliminarily worked out, and the provincial government has decided to appropriate some foreign exchange to import a batch of advanced scientific research equipment. This year investment in the capital construction in the educational system will reach 75.8 million yuan. Therefore, with the addition of the investment of 31.65 million yuan in the construction of schools and institutions of secondary and higher education which are not within the educational system, the investment scale will reach 107.45 million yuan. Such a large amount of investment in education in one year has been rare in our province over the years.

This year, our province will enroll 323 postgraduates, ordinary institutions of higher education will enroll 13,134 students, technical secondary schools will enroll 19,488 students, special courses for cadres in colleges and universities this year will enroll 1,167 students, vocational universities will enroll 1,070 students, adult higher education schemes will enroll 20,451 students and adult technical secondary education schemes will enroll 31,731 students, all of which are big increases over last year. We must continue to pay greater attention to ordinary secondary and primary education, in particular in those old liberated mountainous areas which are economically backward. And we should gradually improve the conditions for setting up schools there and make a success of the popularization of primary education.

This year, in placing some of the graduates of institutions of higher education of the province, we will try out the method of establishing direct contact with employing units. Every department concerned should provide energetic support to achieve positive results.

In 1985, we should continue to grasp well the work of family planning and control the natural growth rate of population to within a range of 8.9 per thousand.

6. It is necessary to guard against pollution, beautify the environment and step up urban and rural construction to improve the livelihood of the people.

This year, the provincial government will appropriate 41.45 million yuan for environmental protection and urban construction. These mainly include the first class and second class processing projects of Yangjiabo sewage treatment plant, the water supply project between Lancun and the chemical area, the tap water project in Changzhi City, the tap water project and urban drainage project in Yuncheng, the civil water division works in Linfen City, and the water supply projects in some other small towns, all of which will begin to be built successively within this year. Regarding the pollution caused by old enterprises, we shall in every following year appropriate a part of the investment from technical transformation funds to bring it under control, in order of importance and urgency, by stages, in groups and in a planned way.

In 1985, we should further improve people's living conditions. In the provincial capital construction plan, we have arranged 20 million yuan as a special investment in residential construction, an increase of 5 million yuan over last year. This year, we will also build a batch of residential housing for sale, in an effort to gradually change residential housing into a commodity. Housing construction within the industrial construction projects should be speeded up, to improve the living conditions for urban residents.

Medical and health work in urban and rural areas should make new headway. In 1985, the investment in medical and health works will be 14 million yuan, an increase of 2 million yuan over last year, which will be specially used for extensions to several major hospitals within the province and the construction of some prefectural, city, and county hospitals.

In order to liven up the cultural and sports activities of the people in urban and rural areas and strengthen the building of spiritual civilization, in 1985 we will arrange building up a batch of cultural centers, art centers, museums, gymnasiums, and stadiums.

### III. Keeping Abreast of the Development of Economic Reforms and Quickening the Pace of Planning Structural Reform

In order to suit the needs of invigorating the domestic economy and opening to the outside world and ensure the smooth progress of the economic structural reform as a whole, we must quicken the pace of planning structural reform. In 1985, in the field of planning structural reform, our province must grasp well the following works:

1. We should simplify annual planning and establish a planning structure in which long-term, medium-term, and short-term plans are integrated with special plans.

2. We should properly reduce the scope of mandatory planning and expand the scope of guidance planning and regulation by market mechanism. In light of the spirit of the central authorities' instructions, the provincial government will not make unified purchase of the main agricultural products like grain, cotton, and so on, but sign purchase contracts instead. We will relax controls over all the farm and sideline products which are not included in contracts and carry out regulation by market mechanism. Regarding industrial products, we will adopt mandatory planning over the production of 103 products instead of 720 products which were previously assigned by the provincial government, practice guidance planning over the production of 136 products, and carry out regulation of other products by market mechanism. In material distribution, the categories of materials for unified distribution under the control of the provincial planning commission will be reduced from 55 to 20. In the field of commerce and foreign trade, the categories of commodities which should be purchased through mandatory planning will be reduced from 64 to 25, and the categories of commodities for export of guidance planning will be reduced from over 300 to 27.

3. We should properly transfer the authority of examining and approving investments in capital construction projects to lower levels.

All productive projects costing less than 3 million yuan (10 million yuan in Taiyuan City) must be examined and approved by local city planning commissions or departments and bureau responsible for the work. Nonproductive construction projects which have justified sources of fund and can solve the supply of materials on their own should be examined and approved by the prefecture, city, department or bureau and be reported to the provincial planning commission for the record. Those capital construction items employing foreign capital, with investment of less than D1 million dollars (d3 million dollars in Taiyuan City) and which can maintain by themselves the balance of energy, transportation, and material as well as other production construction conditions and equipment with renminbi, should be examined and approved respectively by the prefecture, city, department or bureau according to their subordinate relations, and should be reported to the provincial planning commission for the record.

4. We should comprehensively apply various economic levers to strengthen macroeconomic controls. We should strictly enforce financial and economic discipline and check the new unhealthy tendencies. We must mete out economic and administrative punishment upon those activities in violation of the state laws and regulations and of financial and economic discipline.

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ECONOMIC PLANNING

BRIEFS

QINGHAI SEVENTH 5-YEAR PLAN--From 20 to 29 May, the provincial planning committee held a provincial meeting on discussing the feasibility of the Seventh 5-Year Plan outline. Focusing on the province's major tasks in developing the Seventh 5-Year Plan, as well as on the strategic ideology and goal of developing the economy up to the turn of the century, the participating comrades discussed and analyzed in the manner of seeking truth from facts the province's favorable conditions for developing the economy, as well as the most favorable factors. In addition, proceeding from the development ideas of their local areas, departments and trades, the participants discussed the necessity and feasibility of the province's plans and strategic goals. They also proposed many specific suggestions on areas which are not perfect in the draft outline of the plan. Some of them even have a fairly high level of academic value, and thus provide the province with a scientific base for its economic work. At the meeting, most of the comrades agreed on such strategic goals as giving play to the advantages of animal husbandry and greatly promoting the development of natural resources, which are put forward in the outline. [Text] [Xining Qinghai Provincial Service in Mandarin 31 May 85]

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ECONOMIC MANAGEMENT

GUANGDONG'S LIN RUO STRESSES IMPROVING MANAGEMENT

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[Article by Lin Ruo [2651 5387]: "Strengthen Management and Promote Opening Up"--originally published in KAIFANG No 6, 1985--passages in slantlines published in boldface]

[Text] The 3d Plenary Session of the 11th CPC Central Committee regards an open-door policy as our basic national policy. Over the past 5 years or so, Guangdong has scored great successes in implementing the open-door policy. We have actively made use of foreign capital to counteract the weakness and ease the contradiction of the lack of construction funds. We have imported some advanced technology and facilities to promote our technical progress and speed up technical reforms in our enterprises. We have taken on and absorbed some advanced management experiences of advanced countries in socialized mass production, to enhance our social and economic results. We have earned a large quantity of foreign exchange for the state through actively developing foreign trade, export of labor force, tourism, and others. In recent years, construction in the Shenzhen, Zhuhai and Shantou special economic zones of our province has been forging ahead and bringing about changes day after day. Construction in cities and areas opening to the outside world such as Guangzhou, Zhanjiang, Hainan Island, the Zhujiang Delta, and so on, is being speeded up. The economy of the mountain regions and the interior is getting more and more active day by day. Construction in the whole province has obviously been accelerated. The expansion of our contacts with foreign countries has enabled our cadres and the masses to broaden their outlook, widen their knowledge, and strengthen their confidence in the four modernizations program. Facts have incontrovertibly proved that the open-door policy adopted by the central authorities is completely correct. This shows that after following a tortuous course, we have a new leap in our understanding of the objective law governing the development of social economy. Just as Comrade Deng Xiaoping has said: "To attain our objectives, we should respect the law governing the development of social economy. We have put forward a guiding principle on opening up to the outside world. We have also implemented an open-door policy at home. In the present-day world, any country which implements a closed-door policy can never develop itself. To attain the objective of quadrupling the gross annual output value of industrial and agricultural production, we cannot but implement an open-door policy, strengthen international contacts, and introduce advanced experience of developed countries, their scientific achievements, and capital."

A whole series of new situations and problems have arisen as the door to the world is opened wider and wider. We must seriously study and probe these and solve them through strengthening scientific management. For instance, more products are being exported by various localities. There is a problem here of unifying external dealings and strengthening coordinated management. Encouraging more exports and earning more foreign exchange is a general principle to be followed. However, if we fail to exercise strict control over the export of certain products according to assigned quotas, or fail to implement an export licensing system, some localities and units might compete with each other in exporting their goods at lower prices regardless of the demand of the international market and at the expense of the interests of the state as a whole. We should follow procedures of examination and approval to strengthen control over imported goods. We should take over-all consideration whether certain goods should be imported, and whether the import of some other goods should be restricted or banned in light of the stipulations made by the state and the needs of construction. Regarding the import of advanced foreign technology and equipment, there is a problem of making good choices and practicing organizational management over imports, otherwise blind and duplicated importing will occur. Again, in recent years the province has rapidly developed projects using foreign investment, such as "processing raw materials on client's demands, processing according to investor's samples, assembling parts provided by investors, compensation trade," cooperative ventures, and joint ventures. After these enterprises are set up, it is also essential to seriously strengthen management in order to ensure that they can develop in an orderly way in accordance with the state laws and decrees, to protect the legitimate interests of foreign businessmen, and to prevent certain lawless elements from organizing internal and external ties and engaging in malpractices for selfish ends. Apart from that, the solution of the problems of correctly using foreign exchange, banning speculation in foreign exchange, and preventing and curbing smuggling and peddling of contraband all depend on strengthened management. It is obvious that strengthening various kinds of management work according to the demand of the new situation is always an important task facing us.

Opening up and management are interdependent and closely connected with each other. Our purpose in implementing the open-door policy is to change the previous situations of locking our doors against the world and of self-sufficiency. Under the prerequisite of adhering to the principle of independence and self-reliance, we actively promote economic and technical exchanges at home and with foreign countries, and cooperation bases on equality and mutual interests. We expand foreign trade, make good use of foreign capital, and import advanced science, technology, and facilities to develop the social productive forces of our country. Opening up should be carried out under guarantee of management. Only thus can it develop in a healthy way. Without scientific management, it is impossible to organize and guide various complicated work in opening up, and promptly solve problems which have occurred. If we fail to strongly resist the corrupt ideas of capitalism and let them spread unchecked, it will be impossible to attain our aim. Chaos and all kinds of losses will thus occur. It is appropriate to say that without management, it is impossible to implement the open-door policy smoothly. Without management, there would be no opening up.

Practice has provided us with a wealth of experience useful for handling the relations between management and opening up. For instance, within a certain period of time, due to the fact that there were defects and loopholes in our management work, some lawless elements seized the opportunity to make trouble. In some coastal areas, there were evil trends of smuggling and peddling of contraband. To a certain extent, this has confused our economy, social order, and minds. Some people cast doubt upon the party's open-door policy because of this, and wrongly thought that some unhealthy trends in the society originated from the policy. After we adopted resolute measures and strengthened management to curb such unhealthy trends, we dispelled people's doubts. All this has ensured the continuous progress of implementing the open-door policy smoothly. Again, it is generally acknowledged that Shenzhen City and Shekou industrial zone have done their work well. Where does the key to Shekou's success lie? The key lies in the fact that Shekou has resolutely implemented the guiding principles and policies of the central authorities for special economic zones, persisted in laying equal stress on opening up and management, and devised in practice the management system and methods known as the "Shekou pattern." This has shown that without grasping management, implementation of the open-door policy is out of the question. Strengthening management is the key to success in ensuring the smooth progress of implementing the party open-door policy.

Since Guangdong opened its door to the outside world, thanks to the joint efforts exerted by the broad masses of cadres, a lot of work has been done in management, and a wealth of valuable experience has been accumulated. A number of advanced units which have done well in blazing new trails and strengthening management have come to the fore. These achievements should be fully affirmed. However, we should soberly realize that management is still far from being what the situation demands. This is still a striking problem facing us now. Therefore, it is necessary to further strengthen management. In so doing, we will be able to guide, promote, and protect our policy of opening up to the outside world. The localities which open their doors wider to the outside world should do better in their management work. With the passing of time, the door of our province will be opened wider to the outside world. In 1979, we decided to establish three special economic zones. In 1983, the central authorities decided to pursue the open-door policy in order to promote opening up to the outside world. In 1984, a decision was made that Guangzhou and Zhanjiang were to be coastal cities opening up to the outside world. In January this year, the Zhujiang Delta was regarded as a coastal economic zone opening up to the outside world. The expansion of the implementation of the open-door policy will bring about a more prosperous economy. The contents and forms of various economic activities will become increasingly complicated and enriched. This will inevitably place higher demands on management work. We should adopt efficient measures to promote the series of management work concerned. In so doing, our management work will catch up with and keep in line with the demands of the situation. The progress of our opening up should not be blocked or suffer setbacks because of backward management.

Strengthening management work has demanded that we go about things strictly according to the law governing social and economic development and that we meticulously plan, organize, guide, supervise and coordinate various social and economic activities in the course of implementing the open-door policy. It is

necessary to stress in guiding ideology that management must serve and promote opening up to the world. Here it is necessary to prevent and eliminate erroneous trends of setting opening up against management and evading and abandoning management. It is also necessary to guard against management methods that mechanically copy old systems and conventions, which would "stifle to death" the economy that has now started to liven up. This is a completely new work. Since our tasks are arduous and we still lack experience, it is obviously impractical to devise perfect plans and methods in one go. However, judging by the path Guangdong has followed in recent years, I believe that, at the very least, the following tasks must be seriously tackled well.

/1. Strengthen macroeconomic controls and planning guidance./ Our country is pursuing a planned commodity economy on the basis of socialist public ownership. After the implementation of the open-door policy, we are facing a situation of the great development of the commodity economy. To avoid certain blindness in the course of the extensive development of the commodity production and ensure a sustained, stable, and coordinated development of the national economy in a planned way, the state organs should do well in securing an overall balance and strengthening macroeconomic controls and planning guidance. Specifically speaking, in accordance with the guiding principle of "overall consideration and appropriate arrangements," we should do well in regulating the major proportionate relations between financial and credit balance, the direction of use of financial resources, material and manpower, industrial set-ups and overall arrangement of productive forces. In the meantime, we should also do well in regulating market demand and supplies, economic dealings with foreign countries, the balance between income and expenditure in foreign exchange, and so on. We should exercise control over the main aspects but liven up the minor ones. In this connection, we should give up traditional methods of relying purely on administrative means and mandatory planning. We should consciously rely upon and make use of the law of value to correctly integrate administrative methods with economic methods. On the basis of promptly grasping economic trends, we should fully make use of the economic means and give play to the regulating role of economic levers such as prices, taxes, credits, interests, wages and so on. We should appropriately tackle problems which have occurred, or might occur in economic work after opening up our door to the outside world. We should prevent and get rid of various negative factors and bring into play all positive factors to ensure normal operation of various links in the reproduction of the society, the smooth progress of enlivening the national economy without any confusion, and its healthy development.

We know that some localities and units intend to speed up their construction. Their intention is good. However, if they are impatient for success and compete with one another in growth rate disregarding capacity and conditions of the state in terms of funds (renminbi and foreign exchange), energy, transport, raw and processed materials, and so on, and blindly expand capital construction and blindly import goods so that investment in fixed assets grows too rapidly, our economic construction might suffer setbacks again. In this connection, we should strengthen control and regulation in terms of planning guidance, bank loans, management of foreign exchange and so on. Again, due to various reasons the price difference of certain commodities on domestic and international markets

is very great. Some localities and units squandered foreign exchange to import a great quantity of such commodities regardless of the fact that our country still lacks foreign exchange, in order to resell them and seek exorbitant profits. We should exercise control over all this through readjusting the customs duty rate, price, and so on, and adopting other administrative measures. Recently, in view of the problems arising in economic work the central authorities and State Council have adopted some important measures aimed at macroeconomic controls such as tightening money supply, strengthening control over foreign exchange and consumption funds, and others. It is absolutely necessary to take these measures. We must resolutely implement them in practical work.

/2. Extensively establish and strengthen economic legislation and judicial work./ Economic legislation is a fundamental work in economic management. Since the implementation of the open-door policy, the number of economic contacts with foreign countries are greatly increased. Economic contacts between various departments, enterprises, and units have become more frequent and close. Having decisionmaking power, numerous enterprises establish independent economic links with other units. Such economic relations will inevitably give rise to a series of contradictions and conflicts. Therefore, it is our imperative task to establish and improve various economic regulations and decrees so that we can regard them as criteria and bases for handling various economic relations with foreign countries and economic ties between units at home. In so doing, we will be able to maintain normal economic order. Since the founding of the People's Republic, we have enacted various economic regulations and decrees. They have played an important role in ensuring the development of our economic construction. Since the present conditions have changed, it is necessary to amend, or enact them again. At present, due to the fact that some of our economic regulations and decrees are poor in content and imperfect, we are not able to promptly and effectively deal with some chaotic phenomena in economic construction such as smuggling, illegal procurement of foreign exchange, speculation, increasing prices arbitrarily, and so on. This has further shown the importance of economic legislation work. We must grasp it firmly. On the basis of investigations and studies, we should enact a number of feasible and relatively stable economic regulations and decrees as early as possible to meet the demands of economic development.

While doing economic legislation work well, we should strengthen economic judicial work. We should make use of the coercive force of the state to ensure the enforcement of economic laws and regulations. Otherwise, they are nothing but a mere scrap of paper even if they are good in content. Economic judicial organs should strictly perform their duties and investigate and supervise the enforcement of economic laws and regulations. They should do well in arbitrating various kinds of disputes and handling cases. All units and individuals are forbidden to violate law. Those who violate laws and regulations, fail to execute contracts, or cause great losses because of issuing confused orders, acting recklessly, or dereliction of duty must be brought account economically and legally. We must go about things according to law, enforce laws strictly, and bring those who violate laws to account.

/3. Strengthen auditing inspections and put the accountancy system on a sound basis./ To strengthen financial management, inspections and supervision, in accordance with the spirit of instructions issued by the State Council, our province has in recent years established various kinds of auditing organs. These organs should continue to augment their strength, enhance their quality, and carry out various work in an all-round way. Through regular auditing inspections, we should urge various enterprises and units to strictly observe the financial discipline of the state, and correctly handle the relations between the state, the collectives, and individuals. We should put the accountancy system on a sound basis. We should stop illegal business and prevent tax evasion. Numerous enterprises have their own decisionmaking power now. Without a perfect auditing system, it is difficult to stop up loopholes and prevent illegal acts. If we follow a perfect auditing system and do our auditing work efficiently, enterprises must exert their efforts to enhance their labor productivity, improve their product quality and service, and open all avenues for business in order to make more profits. They cannot fish for ill-gotten wealth by relying on dishonest practices to undermine the foundation of the state.

/4. Continue to crack down hard on serious economic crimes./ In the process of implementing the open-door policy, carrying out reform and enlivening the economy, some lawless elements will inevitably seize this opportunity to carry out illegal and criminal activities in order to fish for ill-gotten wealth. In particular, smuggling and peddling of contraband are problems which have frequently occurred. Several years ago, we concentrated our efforts on cracking down on severe economic criminal activities such as smuggling, peddling of contraband, and others. We have achieved marked results in this respect. We have continued to grasp the work. However, due to complicated historical and practical reasons, it is impossible for us to stop the activities of smuggling and peddling of contraband completely although we once cracked down on them. Criminal elements will always vary their tactics and play tricks incessantly. Their criminal activities of all kinds sometimes rise and sometimes fall. When we grasp our work firmly, these criminal elements will restrain themselves. However, when we slightly relax our efforts, criminal activities such as smuggling, peddling of contraband, and so forth, will run wild again. Therefore, we should firmly grasp the struggle against severe economic criminal activities. Only thus can we ensure smooth progress of implementing the open-door policy, and carrying out reform.

/5. Vigorously step up ideological and political work./ Ideological and political work is the lifeblood of economic work and all other work. It is also an important guarantee for the success of our reform. We should vigorously strengthen ideological and political work rather than relaxing it. We should pay attention to guarding against the erroneous tendencies of certain units which neglect or relax ideological work, and attach importance to material interests alone without considering revolutionary spirit. Through forceful ideological and political work, we should arouse the enthusiasm of the broad masses of cadres and people for the four modernizations so that the line, guiding principles, and policies of the party, laws and decrees of the state, and reasonable rules and regulations formulated by various enterprises and units will become conscious

acts of the broad masses of cadres and people. Through unswervingly providing political and ideological education, we should enable the broad masses of cadres and people to become people who have revolutionary ideals and morals, attach importance to civilization, and observe discipline. Of course, while stressing ideological and political work now, we should avoid adopting the old rigid and formalist methods. We should devise a series of effective and new methods which are in line with the development of the new situation based on the practice of implementing the open-door policy and the central task of economic construction. At present, some units have integrated ideological and political work with the activities of building civilized enterprises, civilized villages, and civilized streets, commending the advanced, producing more famous brands of products and providing excellent service. They also integrate ideological and political work with the mass activities of "five stresses and four beauties," and let it permeate the training of workers and staff members and their sparetime activities. Their methods are worth advocating and popularizing.

In a word, we should do various kinds of work in order to strengthen management following the implementation of the open-door policy. It will not do to rely on a small number of units to grasp the work. Adopting one or two measures alone is insufficient. The entire party should set to work. Various departments and units should closely cooperate with each other and adopt various measures aimed at "tackling problems in a comprehensive way." Only thus can we achieve great results in our work. The fact that our management falls short of demands is closely connected with the lack of management personnel. Therefore, we should resolve to train various kinds of qualified personnel specialized in modern management as early as possible. As long as we are good at learning, proceed from reality in everything, and rely on the unswerving efforts exerted by cadres at various levels throughout the province, we will certainly be able to devise a management system and methods which are in accord with the situation of open-door policy and reform and meet the demand of the four modernizations program so that the implementation of the open-door policy in our province will progress along a broader path.

CSO: 4006/709

## ECONOMIC MANAGEMENT

### GANSU GOVERNMENT STRESSES IMPROVING ECONOMIC RESULTS

HK270231 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 26 Apr 85

[Excerpts] After hearing a recent report from the provincial economics commission analyzing economic activities, the provincial government pointed out that enterprises must constantly give priority to improving economic results. They must lower production costs, reduce losses, increase profits, and maintain sustained and steady economic growth.

This year the province's industrial output value has risen by 13.3 percent compared with the same period last year. Growth of output value and profits has been basically synchronous. The increase of production in enterprises under collective ownership has exceeded that in enterprises under ownership by the whole people, and output in light industry has risen faster than in heavy industry, with the result that the province's economic structure has been further readjusted. The development of production has stimulated higher revenue. Revenue this year has risen by 14.6 percent compared with the same period last year, and has outpaced the growth in output value.

However, a number of new problems arose in industrial production in the first quarter. Economic results were not good enough, production costs rose, the number of enterprises running at a loss and the amount of losses increased, and the tax and profit rate per 100 yuan of sales declined. A few products are stockpiled in large quantities due to lack of sales.

After analyzing this, the provincial government stressed that industrial and communications enterprises must improve their handling of the relationship between economic results and growth rate, and give priority to improving economic results.

CSO: 4006/709

INDUSTRY

ECONOMIC RESULTS OF 10 FUJIAN CITIES COMPARED

OW171153 Fuzhou FUJIAN RIBAO in Chinese 24 May 85 p 1

[Report by the Fujian Provincial Statistical Bureau Comprehensive Department:  
"Make a Comparison To See Whose Economic Results Are Better"]

[Text] The major indices for the economic results of industry in Fujian's cities in 1982-1984 differed considerably. Xiamen City's economic results in 1984 were better, and the rate of increase was higher. Each hundred yuan of funds and fixed assets at their original value generated 44.8 and 63.1 yuan of profits and tax, respectively. Labor productivity was 17,806 yuan. Yong'an City's economic results were poorer. In those 3 years the economic results in Longyan and Shaowu Cities were rising year after year. The rate of increase was fairly high. The economic results of Fuzhou and Yong'an were also somewhat higher than 1983, but still lower than 1982. The economic results of Sanming, Nanping, Quanzhou, and Zhangzhou Cities declined year after year. This shows that much remains to be done to considerably increase the economic results of industry in Fujian's cities.

Due to the low utilization rate of fixed assets, some cities registered a higher increase in capital than in profits and taxes. For instance, in 1984 capital in Nanping and Zhangzhou cities increased by 28.7 and 9.3 percent respectively, but profits and taxes increased by only 19.1 and 1.7 percent respectively. Judging from the use of capital in the 10 cities in 1984, the amount of fixed-amount circulating funds used by industrial enterprises at the end of the year topped the previous year by 298 million yuan, a 19.9-percent increase. The funds used up by finished products were 129 million yuan more than the previous year, up 39 percent. This shows that the main reasons for poor economic results were excessive use of funds by enterprises, fairly low managerial level, and serious losses and wastes in the course of production.

Particularly noteworthy is the fact that in the past 3 years, labor productivity in the cities was rising year after year. The total volume of profits and taxes grew fairly rapidly. However, the increase in profits and taxes delivered to the state was small. In a sense, this shows that the relationship between the state, the collective, and individuals has not been handled properly.

A Comparison of the Economic Results of Industrial Enterprises in 10 Cities in Fujian

Amount of Profits and Taxes Generated by Each Hundred Yuan of Funds (in yuan)

|                | <u>1982</u> | <u>1983</u> | <u>1984</u> |
|----------------|-------------|-------------|-------------|
| Fuzhou City    | 22.8        | 20.7        | 21.9        |
| Xiamen City    | 44.1        | 38.9        | 44.8        |
| Quanzhou City  | 24.6        | 20.8        | 20.5        |
| Zhangzhou City | 31.1        | 23.9        | 22.3        |
| Putian City    | 0.0         | 29.8        | 30.9        |
| Sanming City   | 23.0        | 18.8        | 17.6        |
| Yongan City    | 11.5        | 9.7         | 10.8        |
| Nanping City   | 23.1        | 22.9        | 21.2        |
| Shaowu City    | 13.8        | 15.1        | 8.4         |
| Longyan City   | 30.9        | 32.9        | 45.1        |

Amount of Profits and Taxes Generated by Each Hundred Yuan of Fixed Assets at Original Values (in yuan)

|                | <u>1982</u> | <u>1983</u> | <u>1984</u> |
|----------------|-------------|-------------|-------------|
| Fuzhou City    | 28.4        | 25.3        | 26.8        |
| Xiamen City    | 62.0        | 53.9        | 63.1        |
| Quanzhou City  | 34.1        | 27.7        | 27.3        |
| Zhangzhou City | 38.5        | 29.9        | 25.9        |
| Putian City    | 0.0         | 35.0        | 34.2        |
| Sanming City   | 23.5        | 18.6        | 17.2        |
| Yongan City    | 11.1        | 9.7         | 10.4        |
| Nanping City   | 23.9        | 23.3        | 21.4        |
| Shaowu City    | 13.7        | 14.2        | 17.9        |
| Longyan City   | 32.4        | 34.4        | 46.4        |

Labor Productivity (Yuan Per Person)

|                | <u>1982</u> | <u>1983</u> | <u>1984</u> |
|----------------|-------------|-------------|-------------|
| Fuzhou City    | 10,444      | 11,377      | 13,263      |
| Xiamen City    | 14,895      | 15,371      | 17,806      |
| Quanzhou City  | 9,740       | 9,767       | 11,532      |
| Zhangzhou City | 10,154      | 10,279      | 11,710      |
| Putian City    | 0           | 13,351      | 14,896      |
| Sanming City   | 12,594      | 12,737      | 13,904      |
| Yongan City    | 10,196      | 10,125      | 11,638      |
| Nanping City   | 10,977      | 10,677      | 12,126      |
| Shaowu City    | 8,205       | 8,935       | 9,225       |
| Longyan City   | 7,658       | 8,397       | 10,459      |

INDUSTRY

SICHUAN MEETING DISCUSSES ENTERPRISE CAPITAL SHORTAGE

HK190845 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 18 Jun 85

[Text] From 15 to 17 June, a meeting of the directors of all prefectural, city, and autonomous prefectural township and town enterprise bureaus throughout the province was held in Chengdu. This meeting mainly exchanged information, analyzed the situation, studied measures, and overcame difficulties to make steady development and to strive for a breakthrough in the output value of the township and town enterprises throughout the province of 10 billion yuan this year.

According to a report of the meeting, the township and town enterprises in our province have continued to develop healthily this year. By the end of May, the output value of all township and town enterprises throughout the province was 4.57 billion yuan, their income was 3.88 billion yuan, and the gross output value and the total income steadily increased. A good trend where the speed of the increase in income was faster than that of the output value also emerged.

However, township and town enterprises have had many new situations and have faced a new problem of shortage of capital. Leading comrades of the provincial CPC committee and the provincial government have shown great concern for this situation and have proposed that, at present, to solve the shortage of capital, we must enliven the enterprises although we run short of capital, we must run the enterprises well although we have little capital, and we must make concerted efforts so as to overcome difficulties. They also hoped that comrades of all departments would rely on the masses, fully tap potential, expand the sources of capital, and run the enterprises well.

CSO: 4006/709

TRANSPORTATION

BRIEFS

JIANGSU DEEP-WATER BERTHS--The No 1 and 2 10,000-ton class deep-water berths, which are part of the first-phase construction project at Dagang Port, in Zhengjiang, Jiangsu Province, were successfully put into trial operation yesterday. The first-phase construction project at Dagang port began in February 1982. The project calls for construction of four 10,000-ton class deep-water berths, with a combined annual handling capacity of 2,360,000 tons. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 24 Apr 85 OW]

HEILONGJIANG OPENS AIR ROUTE--A ceremony marking the opening of Harbin-Daqing-Hailaer air service was held at (Chengfengzhuang) Airport in Daqing, Heilongjiang Province, recently. In order to accelerate the construction of the Daqing Oilfield and to suit the demands of the prospecting work outside the oilfield, Daqing Oilfield signed a contract on renting cargo planes with the China (Feilong) airline company. The contract stipulates that the company will constantly transport the equipment, materials and instrument to the construction sites outside the oilfield in line with the demands of production. [Excerpt] [Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 29 May 85 SK]

WEI HE HIGHWAY BRIDGE--Xian, 9 Jun (XINHUA)--A highway bridge crossing the Wei He was completed and opened to traffic on 1 June in Xinfeng Town, near Shaanxi's Lintong County. The bridge is built with reinforced concrete, and is 1,145.16 meters long and 10.05 meters wide. [Excerpts] [Beijing XINHUA Domestic Service in Chinese 0008 GMT 9 Jun 85 OW]

HEILONGJIANG SUIBIN HARBOR CONSTRUCTED--Suibin harbor has been opened for users after 5 months of construction. The Ministry of Communications invested 2.04 million yuan in building this inland harbor. The total length of this harbor is 686.5 meters, which includes a 228 meter-long deep-water wharf for coal delivery, an 84-meter-long wharf for passengers and freight transport, and a 374 meter-long slope protection project. The total earthwork involved 12,000 cubic meters, including sinking 120 caissons, driving 273 central piles, pouring 5,000 cubic meters of concrete, and backfilling 4,900 cubic meters of earth. [Summary] [Harbin HEILONGJIANG RIBAO in Chinese 30 Apr 85 p 1 SK]

CSO: 4006/709

LABOR AND WAGES

FUJIAN LEADERS ATTEND TU CONGRESS CLOSING

OW050056 Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 3 Jun 85

[Excerpts] The Seventh Fujian Provincial Trade Union Congress closed on the afternoon of 3 June. An important meeting in the history of the development of the workers movement in Fujian Province, the congress called on trade unionists as well as workers and staff members throughout the province to rally close around the party; be determined in making reforms; struggle hard; advance as pioneers; strive to build a contingent of workers and staff members who have lofty ideals and who are morally good, well-educated, and well-disciplined; bring about fundamental improvements in party work style, the financial and economic situation, and social conduct; achieve the grand goal of quadrupling the annual industrial and agricultural output value ahead of schedule; and create a new situation in the workers movement and the work of trade unions in our province.

Chen Xu, Zhang Yimin, Jia Jiumin, He Minwue, Huang Changxi, Wang Yishi, and other leading comrades attended the closing ceremony. The meeting deliberated and endorsed a work report made by Comrade Liu Shaoqing on behalf of the Sixth Committee of the Provincial Trade Union Council and a financial report by Comrade (Chen Qibo). It elected full and alternate members of the Seventh Committee of the Provincial Trade Union Council and members of the Funds Examination Committee of the Seventh Committee of the Provincial Trade Union Council. Liu Shaoqing was elected chairman of the Seventh Committee of the Provincial Trade Union Council. (Guo Chengfu), (Huang Haokun), (Huang Mouding), and (Huang Zixiang) were elected vice chairmen.

During the session, the participants heard a report by He Shaochuan, director of the Provincial CPC Committee's Propaganda Department, on ideological and political work; and a report by (Jin Xun), chairman of the Provincial Planning Commission, on Fujian's economic situation.

CSO: 4006/709

HONG KONG MEDIA ON CHINA

NEW COMPANY TO RAISE FUNDS FOR FUJIAN'S DEVELOPMENT

HK100625 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 10 Jun 85 p 3

[Text] Fujian will inaugurate a new company in Hong Kong this week, mainly to raise funds for the province's development programme.

It will act on behalf of the Fujian Investment and Enterprise Corp (FIEC), a state-owned company specialising in attracting foreign investment.

FIEC's chairman, Mr Zhao Zongxin, said the new firm, FIEC (HK) Co, will raise funds through bank loans or by issuing bonds.

FIEC (HK) will be Fujian's second trading office here.

The other is Fujian Enterprises Co Ltd, which engages in a wider range of businesses, including shipping and industrial investment.

Mr Zhao, who is also director of the province's Commission of Foreign Economic Relations and Trade, said the Xiamen Aviation Co plans to operate daily flights from Xiamen and Fuzhou to Hong Kong.

Xiamen Aviation, the first regional airline in China, operates four flights a week from Xiamen, a special economic zone in Fujian, to Hong Kong, and three flights a week from Fuzhou, the province's capital, to Hong Kong.

"A more frequent air service will facilitate businessmen and tourists from Hong Kong and other parts of the world," he said.

Xiamen Aviation, which has only one Boeing 737, leased from the Civil Aviation Administration of China, plans to buy three Boeing 737s and three 48-seat aircraft to expand its fleet.

On Fujian's industrial development, Mr Zhao said a petrochemical base will be built in Meizhou Bay.

As a first step, the State Council has approved the building of a refinery with an initial annual processing capacity of 2.5 million tons.

Mr Zhao said a joint venture agreement has been signed with the Ministry of Petroleum and an unidentified consortium formed by overseas Chinese to build the refinery.

The total amount of investment is not known but it is estimated at several hundred million renminbi.

The refinery, fed with oil from northern China, will be built in several stages, with the final phase reaching an annual production capacity of 10 million tons.

A final contract between China and the foreign partners is likely to be signed later this year.

Mr Zhao said Meizhou Bay can accommodate vessels of up to 200,000 tons and has abundant land to build the petrochemical complex.

CSO: 4020/251

HONG KONG MEDIA ON CHINA

YUNNAN TRADE DELEGATION CONCLUDES INVESTMENT SEMINAR

Deals Total \$290 Million

HK110500 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 11 Jun 85 p 3

[Text] China's southwest province of Yunnan has wrapped up 276 deals worth US\$290 million during its 12-day investment symposium held here.

About 60 percent of the contracts were signed with Hong Kong firms, said the province's vice-governor, Mr Zhu Kui.

He also pledged that the province would have enough foreign exchange to honour the contracts.

It is understood that foreign businessmen attending the investment symposium had expressed concern about the effects of the foreign exchange squeeze imposed by Beijing.

"We have enough money to cover all the projects signed...in fact, Beijing has allocated more funds to us this year to assist our development," he said.

The symposium, which was held in the China Resources building, closed yesterday.

Of the 276 projects, the biggest investment will come from Tian Development Co Ltd in a joint venture between Sun Hung Kai Co Ltd, the Bank of China and China Resources (Holding) Co Ltd.

Mr Zhu said Tian Co will co-operate with Chinese agencies to build a \$12 million hotel in Kunming City, the capital of the province.

The 500-room Tian Kunming Hotel is one of seven hotel projects concluded by Yunnan officials here.

These projects will offer a total of 2,000 rooms in Kunming and cost more than \$27 million.

Yunnan also secured seven loan packages totaling \$95 million from various financial institutions here, including China Development Finance Co, a member of the Bank of China group and two Japanese banks.

Mr Zhu said the loans will be used to finance the technical renovation of export-oriented industries and the exploitation of natural resources in the province.

Other business deals signed include six compensation trade agreements worth a total of \$15 million, 64 technology transfer agreements worth \$94 million as well as \$25 million worth of export contracts and an equal amount of import contracts.

Mr Zhu said an interesting "compensation trade" agreement was once signed with a foreign firm whereby it will supply Yunnan with steel in exchange for coal.

Yunnan produces 15 million tons of coal a year and its quality was described as "fair" by Mr Zhu.

He said he would like to sign more counter trade agreements of this nature, but added the province's backward transportation systems was a major stumbling block.

"We have a rich coal reserve and other mineral resources...but they are not connected by efficient transport links," he said.

Unless a better infrastructure is developed, Yunnan is unlikely to be involved in much counter trade.

Mr Zhu said negotiations were also proceeding with United Restaurant to open a Yunnan restaurant here.

The symposium was attended by representatives from more than 1,000 firms from Southeast Asia, the U.S., Britain, France and Japan.

#### Contracts Worth \$120 Million

HK100726 Hong Kong SOUTH CHINA MORNING POST in English 10 Jun 85 p 7

[Article by Albert Chan]

[Text] The Yunnan trade delegation headed by the province's senior vice-governor will have signed about US\$120 million (about HK\$936 million) worth of contracts after 10 days of hectic trading here.

The team organized a symposium on international economic and technological cooperation which started on May 30 and closes today.

A spokesman for the province said about 80 contracts had been signed just over the weekend. The biggest was a loan arrangement with the Beijing-backed China Development Finance Co totaling US\$30 million (about HK\$234 million) but he declined to say how the money will be used.

Most of the contracts can be divided into three types: joint venture agreements, technology transfer including the import of equipment, and export.

The biggest number of deals were concluded with Hong Kong and Macao businessmen, the senior vice-governor and leader of the delegation, Mr Zhu Kui, told the SCM POST.

More than two dozen joint venture contracts and two dozen export agreements were signed.

The most popular products for buyers have been tin and tea while a large portion of the joint venture agreements involve building hotels.

These are in the Kunming region but the provincial authorities hope more hotels will be built in tourist regions such as Dali, the Stone Forest and Xishuangpanna.

Yunnan has also bought tobacco processing machinery from a major West German firm, Hauni-Werke Korber and Co.

During his brief stay in Hong Kong, where he turned a floor of the China Resources building into a makeshift office, Mr Zhu met businessmen and diplomats from the United States, Britain, France, Canada, West Germany, Japan and Singapore.

The Canadian ambassador to China and a French commercial attache flew in from Beijing specially for the seminar, Mr Zhu said.

"The response has been far better than we expected," he said.

Not only did the delegation meet those with whom it had made appointments, but it also received many unexpected guests who had heard of the symposium and called in at China Resources to inquire about possible deals, he said.

Yunnan officials are most eager to seek joint venture partners in hotel development.

At present, Kunming, the provincial capital, has only three acceptable hotels with a total of 1,000 rooms.

Mr Zhu also said transport was a main stumbling block to tourism development.

Among the biggest investments to improve the situation were the construction of two airports and the purchase of two Boeing 737s.

The planes are expected to be delivered in November.

The state-owned CAAC [Civil Aviation Administration of China] currently uses Tridents on the twice-weekly Hong Kong-Kunming route.

An official said the frequency of flights may increase in future. This is still under discussion with Hong Kong aviation authorities.

Asked if the province can afford is a through-train service between Guangzhou and Kunming.

"Both the Guangdong and Yunnan provinces have expressed interest in establishing this service and we are awaiting final approval from the Ministry of Railways," Mr Zhu said.

There is also a comprehensive road-building programme underway.

To follow up trade connections established during the symposium, the province is preparing to set up a company in Hong Kong called Todam.

It will have about 10 staff from the province to improve links with Hong Kong and other countries.

CSO: 4020/250

HONG KONG MEDIA ON CHINA

HONG KONG DELEGATION INTRODUCES FUTURES MARKET TO PRC

HK110455 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD Supplement) in English  
11 Jun 85 p 1

[Article by Chito Santiago]

[Text] China is keen to enter Hong Kong's futures market.

And if Hong Kong futures exchange authorities introduce certain new products Chinese participation is a certainty.

Entry into futures trading will be yet another revolutionary step down the road of "liberalisation" China has chosen for itself.

Mr Joseph S. Y. So, general manager of the Hong Kong Futures Exchange [HKFE], told BUSINESS STANDARD yesterday that China has mentioned maize contract as one of the new products.

China has emerged as one of the world's leading maize exporters because of record crops over the last few years, which built up a surplus of six million tonnes, according to official Chinese estimates.

Mr So was in China last week, accompanied by HKFE chairman, Dr Kim Cham, an HKFE director, Mr R. B. M. (Rory) Nicolas, and two HKFE research staffs, at the invitation of the China Cereals Oils and Foodstuff Import-Export.

"The purpose of our trip was to introduce the futures market to them," said Mr So. "We had wonderful discussions with the Chinese officials. We presented the Hong Kong futures industry to them and they were very interested," he added.

Mr So said the futures market will help Chinese to formulate their future production plans. For instance, in soybeans, the Hong Kong market, if ever the Chinese use it, will hedge them in their production. The standard soybeans now being traded at the Hong Kong futures market are unselected China yellow soybeans.

Mr So said their trip to China was a good start in attracting the Chinese to use the Hong Kong futures market. He added that there will soon be a followup visit in this respect.

Dr Cham first announced plans to attract China's participation in Hong Kong futures trading while addressing a world gold conference held here last year.

He said that through futures trading, China can achieve a more efficient allocation of resources in view of the world market conditions. He added that by providing an active futures market, Hong Kong can provide hedging opportunities, on which production centres in China can adjust its levels of production in accordance with changes in the futures market.

Dr Cham also pointed out that the HKFE can provide an international pricing mechanism which China is familiar with. "Furthermore, it will provide a clear assurance of China's commitment," he added.

Hong Kong Futures Exchange officially came into being on May 7. In reality it is a reincarnation of the Hong Kong Commodities Exchange which, after a slow growth, decided to change itself into a futures exchange.

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HONG KONG MEDIA ON CHINA

XIAMEN TO GET PRC'S FIRST JOINT VENTURE BANK

HK080732 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 8 Jun 85 p 6

[Article by Olivia Sin]

[Text] China's first joint venture bank will be set up in the Xiamen special economic zone in two months, a visiting Chinese official said.

The bank--Xiamen International Bank--will be formed by three Chinese agencies and a "consortium of overseas Chinese," according to the director of Fujian's Commission of Foreign Economic Relations and Trade, Mr Zhao Zongxin.

He declined to name the consortium members.

The establishment of the bank comes hard on the heels of China's new laws on foreign banks which were announced in April.

Under the new laws, foreign and joint venture banks are allowed to open branches in special economic zones and operate a broad range of businesses, including loans, deposits, remittances and trading in foreign shares and bonds.

It is understood several foreign banks have applied to set up similar ventures in Xiamen, but only one has been approved.

The Chinese partners of Xiamen International are Fujian Investment and Enterprise Corp, the Fujian branch of Industrial and Commercial Bank of China and the Xiamen Economic Development Corp.

Mr Zhao said the bank's shares are about equally held by the Chinese and foreign partners.

Sources said Xiamen International would have a registered capital of \$450 million and it might open branches in Hong Kong and Macao.

It has been learned the bank will place emphasis on attracting foreign investment to Fujian.

Xiamen is one of the four special economic zones set up in 1979 to speed the absorption of funds and technology.

Apart from joint venture banks, Mr Zhao said foreign banks are also interested in opening representative offices in Fujian.

Currently, only two foreign banks have representative offices in Xiamen--the Hong Kong and Shanghai Banking Corp and Chiyu Zank, a sister bank of the Bank of China group.

Ka Wah Bank and Standard Chartered Bank are also keen to establish a presence in the zones.

Mr Zhao is the head of a Fujian delegation here to promote China's first international transportation and communications exposition which will be held in Fuzhou, the province's capital, in December.

He said transport and communications are China's two key development areas and hundreds of Chinese officials from various provinces will be invited to shop at the exhibition, which is organised by the Fujian authorities and the Hong Kong-based Edward Promotion Co.

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11 July 1985

HONG KONG MEDIA ON CHINA

REAL ESTATE EXPERT WARNS OF POSSIBLE PROPERTY GLUT IN SHENZHEN

HK110440 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 11 Jun 85 p 3

[Article by Reobert Mayerson]

[Text] Shenzhen, the premier site of China's modernisation programme, faces a property glut in two to three years, a Richard Ellis China real estate expert warned yesterday.

"There are more than a dozen multi-use developments of varying sizes in Shenzhen either under construction or planned within the next 12 months. There is likely to be an oversupply in the near term," said Mr Michael Sinfield of the international property consultants newly-established China services department.

"There is tremendous interest in Shenzhen. The demand has been noticed, and that demand is going to be filled very quickly," he said.

The China services unit, set up initially to advise Richard Ellis clients on site selection, legal and financial requirements, land and construction costs, negotiation procedures and other factors involved in property-related investment in China, has prepared studies of the accommodation situation in Shenzhen and Zhuhai.

The company is now involved in a similar study in Guangzhou and has received inquiries about hotel, office and commercial developments in Beijing, Shanghai and Xiamen.

A glut in Shenzhen could be averted, Mr Sinfield said, if developers chose not to proceed with some of the hotel, office and retail complexes planned.

"A decision could be taken overnight," he said.

Mr Sinfield said the predominantly high-rise design of new developments in Shenzhen is a result of the influence of Hong Kong where a limited land supply and hilly terrain make high-density accommodation necessary rather than a reflection of realities across the border.

Despite the overbuilding which seems likely in Shenzhen, Mr Sinfield said the construction of office and residential complexes for expatriate workers in joint

ventures with Chinese partners is still a good investment in most major centres of China.

"Most expatriate businessmen in China are still living and working out of hotel bedrooms. There is virtually no alternative office or residential accommodations available," he said.

This demand has been recognised in the biggest cities, such as Beijing and Shanghai, Mr Sinfield said, but "wherever there is going to be foreign investment you have demand for offices and residences."

In Guangzhou, he said the progress of oil exploration in South China Sea oil-fields may be the key to development prospects.

"In the past three or four years three major luxury hotels have been built and more are planned. There are also two or three modern office blocks. But the demand for office and apartment space could jump as the oil business grows," he said.

Mr Sinfield added the long-term prospects for development in Guangzhou are bright in any case because of the city's long-standing role as a trading centre.

He added the construction of luxury hotels is still a promising field although "some areas in China look as though they may well be overdeveloped."

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HONG KONG MEDIA ON CHINA

BRIEFS

CONTRACT SIGNED FOR FIRST CLASS HOTEL--A new 637-room first class hotel is scheduled to open in Shenzhen by the third quarter of 1987. The Overseas Forum Hotel will be managed by Intercontinental Hotels Corporation's London-based forum division. This will be Intercontinental's first hotel management contract in China and its 14th in the Pacific/Asia region. The announcement was made jointly by Mr Paul Sheeline, chairman of the board of International Hotels Corporation, Mr Li Ji, chairman of Shenzhen Overseas Chinese Building Enterprise (a joint venture between Guangdong Province Chinese Travel Service, Shenzhen Kouan Branch, and C-Ho Import Export, Hong Kong), the hotel's developers, and Mr Peter Scott, corporate banking director of the Barclays Bank, Hong Kong. The Barclays Bank is responsible for arrangement of financing for the project. Construction will begin with this month. Situated just 150 yards away from the Lowu Railway Station, the Overseas Forum Hotel is fully air-conditioned. It will feature a comprehensive range of facilities and services including shopping arcade, health club, swimming pool and closed circuit television. The hotel will also have four function rooms specially designed to cater to the needs of international business travellers. [Text] [Hong Kong HONG KONG STANDARD (BUSINESS STANDARD Supplement) in English 11 Jun 85 p 1 HK]

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11 July 1985

## HONG KONG ECONOMIC TRENDS

## HONG KONG TRADE FIGURES SHOW SLUMP IN DOMESTIC EXPORT GROWTH

HK120537 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 12 Jun 85 p 1

[Article by Peter Robinson]

[Text] The slump in domestic export growth was underlined yesterday when trade figures for the first four months of this year, released by the Census and Statistics Department, showed a marginal 0.2 percent increase to \$38.63 billion over the year-ago period.

This compares with a 47 percent surge in the corresponding period last year.

Exports to the US in the same period dropped three percent to \$16.18 billion, compared with a whopping rise of 64 percent last year.

Re-exports was the most buoyant sector, showing a 47 percent increase to \$34.97 billion.

Total trade rose 14 percent to \$147.4 billion, with imports rising 10 percent to \$73.79 billion.

A breakdown of the figures shows exports of office machines and automatic data processing equipment to the US slumped \$535 million, or 33 percent, and those of telecommunications and sound recording and reproducing equipment \$385 million, or 26 percent.

Increases of exports to the US, meanwhile, were recorded in clothing (\$561 million, or nine percent), watches and clocks (\$42 million, or five percent), and power generating machinery and equipment (\$33 million, or 44 percent).

Exports to China rose 94 percent for the four-month period to \$5.33 billion, and those to Britain dropped 13 percent to \$2.51 billion.

The value of exports to China in the office machines and automatic data processing equipment sector rose a whopping 1,660 percent, or \$767 million.

Exports to China of telecommunications and sound recording and reproducing apparatus went up 145 percent, or \$539 million, and those of electrical machinery, apparatus and appliances 202 percent, or \$296 million.

Clothing exports to Britain fell \$112 million, or nine percent, and those of textiles declined \$83 million, or 43 percent.

Exports to West Germany were down \$446 million, or 26 percent, in clothing, while those of telecommunications and sound recording equipment and reproducing equipment were down \$91 million, or 46 percent.

Clothing exports to Japan dropped 11 percent to \$44 million, but those of textiles grew 52 percent to \$15 million.

Meanwhile, total re-exports to China rose \$10.08 billion, or 158 percent, to the US \$788 million, or 22 percent, and to Japan \$404 million, or 27 percent.

Decreases were recorded in re-exports to Indonesia (down \$368 million, or 28 percent) and Singapore (down \$259 million, or 17 percent).

Imports from Japan of telecommunications and sound recording and reproducing equipment increased 83 percent to \$1.19 billion.

Road vehicle imports rose 78 percent, or \$783 million, office machines and automatic data processing equipment 122 percent, or \$665 million, machinery specialised for particular industries 62 percent, or \$238 million.

Imports of power generating machinery was up \$100 million, or 122 percent.

Decreases were recorded in textiles--down \$282 million, or 12 percent, and manufactures of metals down \$135 million, or 28 percent.

Imports from China showed large decreases in textiles, down \$927 million, or 21 percent, and meat and meat preparations \$165 million, or 30 percent.

Increases were registered for textile fibres (\$186 million, or 31 percent), and clothing (\$160 million, or six percent).

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HONG KONG ECONOMIC TRENDS

PRC NO LONGER BIGGEST SOURCE OF HONG KONG IMPORTS

HK100621 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 10 Jun 85 p 1

[Article by Suzanne Sim]

[Text] China lost its place to Japan as the biggest source of imports for Hong Kong during the first quarter of this year.

It was the first time since 1982 that China, consistently number one, slipped to second place and trade sources pointed to factors in China as well as in Hong Kong's markets for causing the decline.

During the quarter, Chinese exports to Hong Kong fell by about three percent to \$12.094 billion from \$12.524 billion in the first quarter of last year.

Japan's exports to Hong Kong, on the other hand, reached \$13.4 billion, up 21 percent from \$11.14 billion in the first quarter of last year.

According to industry sources, the decline in China's exports of major items, such as textiles, apparel, foodstuffs and petroleum products, was due mainly to poorer product quality as well as the effects of "parallel goods."

Parallel goods are products exported by China enterprises without licensing from the respective import and export corporations.

Some of these are exported through illegal means, but most are sold at below state-quoted prices.

A spokesman for China Textile Co said China's exports of yarn to Hong Kong were the hardest hit, down about 24 percent to \$24.59 million from \$32.35 million in the first quarter of last year.

Exports of petroleum products (refined) also dropped by about 12 percent to \$4.69 million.

According to the China Textile spokesman, the influx of parallel goods during the fourth quarter of last year had saturated the Hong Kong market, causing demand to drop.

China traders have been hit hardest as parallel goods accounted for almost 50 percent of the imports of yarn and other textile materials.

He added that in the first quarter of last year Hong Kong imported about 100,000 pieces of cotton fabric, out of which 40,000 were parallel goods.

It is estimated that Hong Kong imports about 1.5 million pieces of cotton textiles every year.

However, he said the soft demand was also due to Hong Kong's depressed export markets.

Hong Kong's total exports experienced a one percent drop in the first quarter of this year.

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HONG KONG ECONOMIC TRENDS

FRENCH BANK SET TO OPEN HONG KONG BRANCH IN JULY

HK110451 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD Supplement) in English  
11 Jun 85 pp 1, 8

[Article by Helem Sam]

[Text] France's Credit Agricole is set to open a full branch here next month, "pending some formalities and the filing of documents," operations manager Mr Alain Druet told BUSINESS STANDARD recently.

Wholesale banking operations will be set up in Exchange Square. Next steps call for expansions in Beijing and Tokyo, Mr Druet added.

The French business community here is buzzing with activities and, in the words of a banker, "the French have discovered Asia some centuries after Marco Polo."

Unlike the Canadians and the Americans, French businesses have yet to formalise their presence here with the establishment of a chamber of commerce.

French Deputy Trade Commissioner Mr Bernard Descamps said part of that function is being filled by French consular officials, while he did not rule out the setting up of such an organisation "if a need was felt for it."

Meanwhile, the French business circle here has scheduled its second tri-monthly dinner for tonight and, for the first time, has invited a local official to address the assembly. Guest speaker for tonight is Secretary for Trade and Industry Mr Eric Ho.

France is warming up to Hong Kong while its trade surplus with the territory follows an uptrend.

First quarter 1985 bilateral trade rose by 13 percent over the previous year at \$1313 million, with a surplus of \$313 million in favor of France.

France's 1982-1984 trade surpluses with Hong Kong rose from \$130 million to \$270 million to \$584 million respectively.

An official of the Hong Kong Trade Development Council said the organisation stopped leading trade delegations to the Paris fair last year "for lack of interests."

France imposes a quota restriction on Hong Kong watches, radio receivers and toys.

Reversing the trend, France led a "government group" each to two Hong Kong fairs in the past month.

Mr Descamps said some 20 French firms had set up operations here in 1984, and he expects the trend to continue, if not increase, in 1985.

Over 100 French firms are in Hong Kong. Banking forms the largest group at 13, next is construction. In the words of Mr Descamps, "France is not only perfume, cosmetics and fashion. France is more than a label."

The clear signals on Hong Kong's future, its position as the gateway to China, as well as China's opening, have all fueled French interests in the region. Mr Descamps said, "If you want to do something, you have to do something now, otherwise others will take your place."

The traditional French markets were in Latin America and Africa besides Europe and the U.S. While the first two "have gone broke," the Asia-Pacific region is flourishing, another reason for France's eastward turn, Mr J.M. Semonsu of Credit Lyonnais said.

For those setting up an operational base in the region, the choices narrow down to Hong Kong and Singapore, Mr Semonsu said.

Hong Kong usually wins out because of its "laissez-faire and savoir-faire," while Singapore is "not as free and at times the government bends the rules at its sole discretion."

Banque Indosuez will mark 100 years of its presence in China in 1997. With three offices in China. "We are probably in a better position to assist businesses over there."

General manager Mr J.C. Gruffat said 95 percent of its business in Hong Kong "depends on local people."

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HONG KONG ECONOMIC TRENDS

HONG KONG'S 'LEFTWING' CIRCLES' REACTION TO BANK'S FAILURE CITED

HK080843 Hong Kong SOUTH CHINA MORNING POST in English 8 Jun 85 p 9

[Text] The message from leftwing circles yesterday, hoping that government action on the Overseas Trust Bank [OTB] collapse incident would minimise any damage, was almost unanimous.

But leftwing newspapers doubted the efficiency of the existing government monitoring mechanism on the banking industry, noting that the OTB case was the second bank closure following the Hang Lung Bank episode two years ago.

The vice-director of the local branch of the NEW CHINA NEWS AGENCY, Mr Li Chuwen, yesterday said he hoped the damage to Hong Kong's prosperity as a result of the OTB incident could be kept to a minimum.

"A takeover by the government could be one of the means," he said before attending a private dinner hosted by the Baptist College Alumni Association last night.

Mr Li denied that the NCNA had had discussions yesterday with the local branch of the Bank of China over the OTB closure.

NCNA last night had a factual report without comment on the government's takeover decision.

However, it quoted local newspapers as having said that the money market was calm.

NCNA also quoted the papers as having said that the stock market, which plunged drastically after its opening yesterday morning, would possibly return to normal after the government's action.

Meanwhile, the WEN WEI PO urged the government, in a short commentary, to expedite a review of the banking industry as two banks had been declared insolvent in two years.

But it said Hong Kong was now on more solid ground in tackling the OTB problem and the situation was not as alarming as two years ago.

The paper recalled that the Hang Lung Bank incident had occurred at a time when the local money market was troubled by uncertainty and wide fluctuations in the local currency.

Now, however, public confidence in the future of Hong Kong had been restored and overseas capital was flooding the local market. In addition, the local currency was safeguarded by being tied to the U.S. dollar.

But the paper said the OTB's bigger scale of operation--compared to the Hang Lung Bank--would make it a more complicated issue and its repercussions could be more lasting.

The leftwing New Evening Post, in a brief commentary, however, highlighted the government's proclaimed commitment to protect the interests of small depositors.

The newspaper noted that public reaction towards the sudden OTB closure was relatively mild and hoped the government would do its best to minimise the incident's adverse effects.

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## HONG KONG ECONOMIC TRENDS

## BRIEFS

FOUNDERING BANK TO RESUME BUSINESS--Hong Kong, June 9 (XINHUA)--Hong Kong's foundering Overseas Trust Bank (OTB), which was taken over by the Hong Kong government Friday evening, will resume business on Monday, according to informed sources here. The bank will be run under a new management board headed by a top government official. It was the second bank taken over by the government in less than two years. In September 1983, the government took over the Hang Lung Bank following the collapse of a deposit-taking company connected with the bank. OTB, an international commercial bank with 43 branches in Hong Kong and several branches overseas including those in London, San Francisco, Vancouver, Toronto, Colombo, Seoul and Macao, is the fourth biggest bank in Hong Kong. Its acquisition cost the Hong Kong government two billion Hong Kong dollars (about 256 million U.S. dollars). The government ordered the closure of OTB on June 6 after it notified the commissioner of banking that it was insolvent. This was followed by the detention of four of its top executives after investigations by the Commercial Crime Bureau into the institution's affairs. [Text] [Beijing XINHUA in English 0130 GMT 9 Jun 85 OW]

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