

R  
234178

JPRS-CEA-85-053

17 June 1985

CONFIDENTIAL STATEMENT A  
Approved for release;  
Distribution unlimited

# China Report

ECONOMIC AFFAIRS

DTIC QUALITY INSPECTED 3

19980911 120

**FBIS** FOREIGN BROADCAST INFORMATION SERVICE

REPRODUCED BY  
NATIONAL TECHNICAL  
INFORMATION SERVICE  
U.S. DEPARTMENT OF COMMERCE  
SPRINGFIELD, VA. 22161

4  
184  
A09

#### NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [ ] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

#### PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

17 June 1985

# CHINA REPORT

## ECONOMIC AFFAIRS

### CONTENTS

#### PEOPLE'S REPUBLIC OF CHINA

##### NATIONAL POLICY AND ISSUES

Leading PRC Economist on Realizing Prosperity (Susan Moffat; KYODO, 8 May 85).....	1
PRC Planning To Set Up Progressive Income Tax (Susan Moffat; KYODO, 8 May 85).....	2
RENMIN RIBAO on Economic Supervision of Reform (Wang Shulin; RENMIN RIBAO, 13 May 85).....	3
State Council Trial Depreciation Regulations (XINHUA Domestic Service, 8 May 85).....	7
Higher Living Standards of Urban Workers Reported (Ma Yingqun, Ye Changlin; JINGJI DIAOCHA, No 2, Jan 83).....	14

##### PROVINCIAL AFFAIRS

Shanghai Mayor's Report on Government Work (JIEFANG RIBAO, 2 May 85).....	23
Gansu Planning Chief Reports at People's Congress (Gansu Provincial Service, 13 May 85).....	45
Gansu Governor Stresses Invigorating Enterprises (Gansu Provincial Service, 17 May 85).....	46
Shandong: Commentary on Developing the Economy at Stable Speed (Shandong Provincial Service, 16 May 85).....	47
Report on Shanghai 1985 Economic, Social Plan (Zhu Zhongbao; JIEFANG RIBAO, 3 May 85).....	48

Report on Shanghai Congress Committee Work (Shi Ping; JIEFANG RIBAO, 3 May 85).....	54
Tianjin: Li Ruihuan's Government Work Report (Li Ruihuan; TIANJIN RIBAO, 3 May 85).....	65
Briefs Sichuan Enterprise Leaders Meet	94
<b>ECONOMIC PLANNING</b>	
Xizang Notes Reforms Occurring in Planning System (Xizang Regional Service, 16 May 85).....	95
<b>ECONOMIC MANAGEMENT</b>	
Hubei's Guan Guangfu Speaks on Shashi City's Multifunctional Role (Hubei Provincial Service, 13 May 85).....	96
Hangzhou City Pays Attention to Economic Levers (Li Feng, Fu Shanglun; XINHUA Domestic Service, 17 May 85)..	98
Hangzhou Curbs Blind Rural Enterprise Development (XINHUA Domestic Service, 19 May 85).....	100
Nei Monggol: Bu He Inspects Jirem League 4-17 April (NEIMENGGU RIBAO, 2 May 85).....	102
Briefs Hunan Rules on Hong Kong, Macao Vehicles	106
<b>FINANCE AND BANKING</b>	
Finance Minister Addresses Tax Institute Congress (Wang Bingqian; ZHONGGUO SHUIWU, No 2, 12 Feb 85).....	107
New 'Accounting Law' Discussed (CAIWU YU KUALJI, No 2, 20 Feb 85).....	109
State Treasury Bonds Publicized (CAIZHENG, No 2, 8 Feb 85).....	113
<b>MINERAL RESOURCES</b>	
Briefs Hebei Marble Deposits	119
<b>INDUSTRY</b>	
PRC Rural Industry Undergoing Rapid Growth (CHINA DAILY, 21 May 85).....	120

## CONSTRUCTION

### Briefs

Taiyuan Business Town ..... 122

## DOMESTIC TRADE

Joint Venture With Shenzhen Profits Hinterland City  
(Liu Tianjiang; DAZHONG RIBAO, 2 Feb 85)..... 123

## FOREIGN TRADE AND INVESTMENT

Swedes Analyze Disappointing Trade Results After Zhao Visit  
(Goran Leijonhufvud; DAGENS NYHETER, 9 May 85)..... 125

Companies' Efforts Faulted ..... 125  
Trade Growing Despite Problems ..... 127

Norwegians Hold Seminar in China To Air Energy Ventures  
(Ole N. Hoemsnes; AFTENPOSTEN, 23 Apr 85)..... 129

Norwegians To Transfer Electric Power Technology  
(Ole N. Hoemsnes; AFTENPOSTEN, 23 Apr 85)..... 131

Norwegian Venture To Start Offshore Oil Drilling  
(Ole N. Hoemsnes; AFTENPOSTEN, 22 Apr 85)..... 133

LIAOWANG Article on Sino-Polish Economic Relations  
(Zhu Minzhi; LIAOWANG, No 14, 8 Apr 85)..... 134

## SPECIAL ECONOMIC ZONES

Shenzhen SEZ Foreign Capital Use From 1980-1984 Discussed  
(Tang Huozhao; GUOJI MAOYI, No 2, 27 Feb 85)..... 137

## LABOR AND WAGES

Shenzhen's Wage Reform Discussed  
(Li Kehua; XUESHE YANJIU, No 6, 20 Nov 84)..... 140

Implementation of Composite Wage System Discussed  
(Hong Dengyong, Luo Zhengfeng; CAIJING YANJIU, No 1,  
18 Feb 85)..... 151

Briefs  
Shaanxi Youth Unemployment Solved ..... 158

## TRANSPORTATION

Yunnan To Build Important Railroad Line  
(Yunnan Provincial Service, 14 May 85)..... 159

Wuhan Shipyard To Build Two Cargo Ships for FRG (Zhang Hua; Beijing Domestic Service, 9 May 85).....	160
Future Tasks for Electrical Department Outlined (TIEDAO TONGXIN XINHAO, No 10, Oct 84).....	161
Harbor Highway Construction To Be Stepped Up (Zhao Jiamin; GONGLU, No 12, 25 Dec 84).....	167

TAIWAN

Economics Ministry Reports First Quarter Exports (CNA, 22 May 85).....	176
Economics Minister Urges New Product Development (CNA, 23 May 85).....	177

HONG KONG ECONOMIC TRENDS

<b>Briefs</b>	
Airline for PRC Routes	178

NATIONAL POLICY AND ISSUES

LEADING PRC ECONOMIST ON REALIZING PROSPERITY

OW081209 Tokyo KYODO in English 1155 GMT 8 May 85

[Article by Susan Moffat]

[Text] Beijing, May 8, KYODO--Chinese policy is to "let some people and some regions get rich first," Huan Xiang, a member of the standing committee of the people's congress, told Chinese and foreign bankers and manufacturers here Wednesday.

"The fact of some people becoming rich first as a result of their hard work will serve as an example to reward the diligent and punish the lazy and will get more people to join the ranks of the hardworking people to march towards the goal of common prosperity," the leading economist and advisor to the Chinese Academy for Social Sciences said.

Speaking at a conference called "China Faces the Future," he continued:  
"Common prosperity is not simultaneous prosperity.

"It is impossible to realize the goal of common prosperity for a large country such as China with its one billion people all at one go."

Huan also criticized China's former "extremely brittle and irrational" overcentralization, saying it had "emasculated what would otherwise be a vigorous economy."

"The consequences of overcentralization are: the more centralized, the more rigid; the more rigid, the lazier the people; the lazier the people, the poorer they are and the poorer the people are the greater the need for centralization, forming a vicious circle."

Many of the Western foreign bankers and industrialists present expressed surprise and pleasure at Huan's choice of words.

"It was a refreshingly right-wing speech. Mr. Huan sounded more right-wing than Mr. (U.S. President Ronald) Reagan," commented one British businessman who declined to be named.

The conference was sponsored by the Bank of China and Euromoney publications and aimed at building personal contacts between the 200 Chinese bankers and provincial officials and 400 foreign financiers and manufacturers participating.

CSO: 4020/227

NATIONAL POLICY AND ISSUES

PRC PLANNING TO SET UP PROGRESSIVE INCOME TAX

OW081217 Tokyo KYODO in English 1200 GMT 8 May 85

[Article by Susan Moffat]

[Text] Beijing, May 8, KYODO--The Chinese government is drafting a law to enact a progressive income tax, Huan Xiang, a member of the standing committee of the people's congress told a conference here Wednesday.

The purpose of the tax will be to regulate income disparities that are the inevitable consequence of China's liberalized economic policies, the leading economist told an audience of foreign and Chinese bankers and businessmen.

He said that a progressive income tax, "a method universally used in the world" was preferable to arbitrary equalization of wages.

"We hold that even in socialist countries, due to the differences in mental and physical powers, cultural and technical levels, skill of management, and attitudes towards work among laborers, there cannot and should not be equal pay for all.

"The question of polarization (of rich and poor) does not arise here," Huan said.

"The government is also taking measures of all kinds to help the poor areas to gradually become rich," he added.

CSO: 4020/227

NATIONAL POLICY AND ISSUES

RENMIN RIBAO ON ECONOMIC SUPERVISION OF REFORM

HK160701 Beijing RENMIN RIBAO in Chinese 13 May 85 p 5

[Article by Wang Shulin [3769 2885 2651]: "Structural Reform and Economic Supervision"]

[Text] Reform Requires Economic Supervision

Large-scale socialized production has added new content to economic supervision and turned it into an important means for the state in controlling economic life. Economic supervision essentially means supervision over material interests. With reform of the economic structure depending step by step, strengthening economic supervision has become a very urgent task.

Our reform of the economic structure is aimed at invigorating the economy. Reform has enabled the law of value to play a much greater role and the material interests to become more influential in economic activities. In our country, the material interest of the state is fundamentally identical to, but may sometimes conflict with, that of an enterprise. Because of its position and its own interest, an enterprise is apt to proceed from its own partial interest and do things which are advantageous to itself but disadvantageous to society. For this reason the state must, through strict supervision, guide and force the enterprises to give first priority to the interests of the state and consumers in the course of seeking to attain its economic goals.

As reform of the economic structure develops, the cooperation and exchanges between enterprises will increase with each passing day. In developing this kind of cooperation and exchanges, some enterprises may violate contracts and may even benefit themselves at the expense of others and encroach upon the lawful rights and interests of others. The state is therefore necessitated to strengthen supervision over the economic exchanges between enterprises and to fairly and reasonably settle the "disputes" between them so as to maintain normal order in the economic life.

Practice shows that since the start of reform of the economic structure, the economy as a whole has begun to flourish and, at the same time, some new problems have cropped up, such as indiscriminate issue of awards in cash or in kind, unauthorized increase of commodity prices, or increase of price in a distinguished form. Especially when some kinds of commodities are in short

supply, some units or individuals take the opportunity to make exorbitant profits. Although these problems are not caused by reform, they will have evil influence on reform if they are not put under close supervision and are allowed to spread unchecked.

Supervision also plays a part in the seeking and feedback of information in the course of economic operations. Through supervision the situation of the economic operations and the new conditions and problems arising in the course of the economic operations are reflected to the economic decision-making system, which will adopt relevant measures to maintain healthy operation of the economic mechanism.

Some comrades worry that strengthening economic supervision may restrict the initiative of enterprises and impede the efforts to invigorate the economy. They have misunderstood. In a capitalist society, economic supervision is like a spider's web reaching every corner of society, and yet the economy there has not suffered from rigid control. A characteristic of the new economic structure we want to set up is that the unified leadership of the state is combined with the independence of an enterprise. Only when necessary supervision is exercised to curb the illegal activities of a few enterprises will it be possible to defend the legal and proper economic rights, interests and initiative of the vast majority of the enterprises and to insure orderly and lively economic operations.

#### Strengthen and Replenish the Supervisory Organs

The several main aspects of economic supervision are as follows: 1) Financial supervision. This comprises supervision over budgeting, supervision over taxes, and supervision over monetary affairs; 2) Supervision over planning. This means supervision over the accomplishment of norms set in the state plan. As the guidance plans are to be readjusted chiefly by means of the economic levers, supervision in this respect is to be exercised chiefly over the mandatory plans; 3) Market supervision. This means control of and supervision over the quality, prices, quantities, trademarks and contracts of commodities in the market; and 4) Credit supervision. Through credit loans and settlement of accounts, the banks exercise supervision over the production and business activities of and the use of funds by the enterprises and establishments. In addition, economic supervision includes supervision over the environment, labor (referring to protection and safety of workers), and so forth. Economic supervision means supervision over activities in economic life. Its contents and main aspects vary with the continuous development and changes in economic life. At present, the most important thing is to strengthen financial, credit and market supervision.

To exercise supervision in the various fields mentioned above, it is imperative to strengthen and replenish the supervisory organs of various types and at various levels. At present, the supervisory organs and the supervisory system are far from being perfect, and the supervisory forces are very weak. The existing supervisory organs of various types, such as offices in charge of financial, statistical and banking affairs and price control, practically exercise supervision on a part-time basis and side by side with their work, so

that their supervision is incomplete. Among the full-time supervisory organs, the industrial and commercial administrative bureaus were abolished twice. The auditing, patent and environmental protection offices, and the economic courts and procuratorates were set up only in recent years and have not been performing their supervisory functions regularly. [HK160702] In short, the economic supervisory organs of various types at present are lagging far behind the actual needs of economic life, as far as the size and quality of their staffs are concerned. A method to resolve this problem is that, from a long-term viewpoint, the schools of various kinds train large groups of personnel specialized in economic supervision at various levels; meanwhile, the leading organs of the enterprises (including companies of various descriptions) may transfer a number of competent cadres to replenish the economic supervisory organs. This not only meets the pressing need for personnel of economic supervisory organs but also will "allay the swelling" and promote reform of the leading organs of the enterprises.

The economic supervisory organs of various types usually adopt different means and proceed from different angles to supervise the economic activities in a given sphere. This easily gives rise to the situation in which some matters are handled by many supervisory organs at the same time and other matters are not attended to by any of the organs or are passed around them. For this reason it is necessary to establish an organ at the central level, such as the Economic Supervisory Committee under the NPC Standing Committee, which will consider the question of economic supervision all-sidedly, coordinate the work of various supervisory organs, and comprehensively bring their role into play so that they will complement each other in their work. Coordination between the supervisory organs means not just mutual complement, but also means mutual restriction. Among our economic supervisory organs, there is no coordination, still less mutual restriction, so that it is very difficult to discover and correct the deviations in supervisory work. Mutual restriction may effectively prevent some supervisory organs from malfeasance and such misdeeds as taking advantage of their functions and powers to demand and accept bribes and to engage in malpractices for selfish ends.

#### Strengthen Economic Legislation

In social economic life, the state has to lay down in explicit and specific terms in the form of law what it protects, what it opposes, and what it prohibits so that people will have the law to follow and the economic supervision may be exercised according to law. Our country's economic law is incomplete at present. This will directly impair the authority of the economic supervisory organs and restrict the effective exercise of their functions and powers.

A thorny problem at present in formulating the economic law is: Attention should be paid to the pressing need for solving the actual problems in economic life and maintaining normal economic order; it is necessary to adopt a prudent policy, to make the law scientific, and to avoid haste in legislative work, or otherwise this may end up in shortcomings. Two methods may be adopted in resolving this contradiction:

The first method is that some important economic laws and regulations should be laid down in the form of a draft, rules, or provisional regulations, and announced by the State Council for implementation. When conditions are ripe, they are to be promulgated in the form of law by the state legislative organs. This method has been confirmed recently by the NPC Standing Committee. It is necessary to go into detail here.

The second method is to strengthen economic legislation in cities, especially the large- and medium-size cities. Our country has a vast territory, and its various regions differ from one another in economic development. Under these circumstances, economic legislation should bring the role of the middle level, especially that of the large- and medium-size cities, into full play. In handling some problems which do not affect the overall situation, a city may formulate laws according to its situation to meet its needs of economic supervision. In handling some problems which affect the overall situation and before the state has promulgated unified rules and regulations, a city may formulate local rules and regulations in principle and in accordance with the general requirements of the economic reform. On this basis, the state may formulate unified laws and regulations. In the past in supervising economic work the city authorities directly meddled in the affairs of enterprises and took the work of enterprises into their own hands. In the future, in managing economic matters, the city authorities should on the one hand provide services for the economic activities of enterprises and on the other hand supervise the economic activities of enterprises. Economic legislation should become a fundamental, important part of the content of the urban economic management in the future.

It is necessary to point out that we should draw on the experiences of foreign countries, especially the Western countries, in economic supervision and legislation. For example, for the sake of protecting the rights and interests of consumers, some of these countries have formulated basic laws for protecting the consumers, which stipulate the state's basic policy of protecting the consumers' interests, the procedures of lodging complaints by the consumers, and the power to deal with violations of law. Encompassing these basic laws, a series of affiliated laws governing commodity and labor service supplies, safety and marks (indications) of commodities, supervision of advertisements, and responsibilities of manufacturers, have been laid down. A comparison shows that in our country the consumers' rights and interests are not protected by law.

CSO: 4006/625

NATIONAL POLICY AND ISSUES

STATE COUNCIL TRIAL DEPRECIATION REGULATIONS

OW160428 Beijing XINHUA Domestic Service in Chinese 0855 GMT 8 May 85

[Text] Beijing, 8 May (XINHUA)---Trial Regulations of Depreciation of State Enterprises' Fixed Assets

(Promulgated by the State Council on 26 April 1985)

Chapter I. General Principles

Article 1. These regulations are formulated with the objective of strengthening management of state enterprises' fixed assets, improving efficiency of their use, accurately calculating depreciation rates, putting depreciation funds to rational use, and improving the assets' economic performance.

Article 2. Depreciation of state enterprises' fixed assets is meant to compensate for the decreased value of fixed assets caused by wear and tear. The compensation takes the form of drawing depreciation funds on the basis of the fixed assets' original values and their prescribed depreciation rates, or of drawing funds for equipment replacement or technical transformation on the basis of output and prescribed standards.

Article 3. All state enterprises which practice independent economic accounting, including industrial enterprises; agricultural enterprises; commercial, foreign trade, and commodity supply and marketing enterprises; banking, investment and insurance enterprises; urban areas' public utilities, cultural and educational enterprises, as well as other state enterprises, must accurately estimate, withdraw, and spend the depreciation funds and institute systems of responsibility in administering fixed assets and depreciation funds according to these regulations.

Article 4. Depreciation funds (including funds for equipment replacement and technical transformation) must be used specifically for the prescribed purposes.

Chapter II. The Scope of Withdrawal of Depreciation Funds

Article 5. Fixed assets listed below are entitled to depreciation funds:

1. Houses and buildings;
2. machinery, meters and gauges, means of transportation, which are still in use;
3. equipment which is not used seasonally or for overhaul; and
4. economic forests owned by agricultural enterprises.

Article 6. Fixed assets listed below are not entitled to depreciation funds:

1. Land;
2. fixed assets that have been completely rebuilt through repeated partial overhauls; and
3. unused or nonessential equipment.

Article 7. Fixed assets that have exhausted their depreciation funds are not entitled to further depreciation funds. But those fixed assets which had exhausted their depreciation funds prior to the promulgation of these regulations are still entitled to depreciation funds, provided they are still functionally sound, they cannot be replaced by more advanced equipment for the time being, and they are still needed before 1990. They are not entitled to depreciation funds after 1990.

Article 8. Equipment in workshops whose operation has been suspended for 1 month or more, and enterprises whose operation has been basically suspended, are not entitled to depreciation funds. Equipment from enterprises without sufficient production quotas, or which are only partly operational, is entitled to half the amount of depreciation funds, except those for which the state has prescribed otherwise.

Article 9. Owing to technological progress, outmoded equipment that must be replaced by advanced models, as well as equipment which consumes a great amount of energy and should be replaced according to state regulations, shall be scrapped with the approval of the enterprises' responsible departments. They are entitled to the unused portions of depreciation funds. However, fixed assets which have been scrapped ahead of time owing to mismanagement and the like are not entitled to the unused portions of depreciation funds.

Article 10. Mining enterprises' pit shafts, pit corridors, and their related surface and underground facilities and railway tracks, roads and other temporary facilities of mining and logging enterprises are entitled to funds for equipment replacement and technical transformation according to the standards set on the basis of their output and the state's regulations.

Chapter III. The Basis for Calculating and Withdrawing Depreciation Funds

Article 11. The original value of the fixed assets shall serve as the basis for calculating their depreciation.

The original value of fixed assets purchased and built with capital construction funds or loans shall be determined by the value their sponsor has registered in the property record.

The original value of fixed assets purchased or built with special allocations, special funds, or special loans shall be determined by the actual purchase or construction costs.

The original value of fixed assets acquired by payment shall be determined by their allocation rates or prices negotiated by both sides, plus the packaging fees, freight and installation fees.

The original value of fixed assets acquired free of charge shall be the value reported by the donor minus the original installation fees, plus the installation cost paid by the recipient.

[OW060429] Article 12. The composite-life method (that is, the straight-line method--this notation also applies below) and the work amount method [gong zuo liang fa [1562 0155 6852 3127]] are used in calculating and deducting depreciation.

Article 13. Depreciation on the following special equipment shall be calculated and deducted by the work amount method:

1. Depreciation on passenger and cargo motor vehicles owned by transportation enterprises and by automotive transportation teams of other enterprises shall be calculated and deducted according to the depreciation rate per unit of mileage and the actual mileage covered by the vehicle;
2. depreciation on large equipment shall be calculated and deducted according to the depreciation rate per hour and the actual working hours the equipment was used; and
3. depreciation on large construction equipment shall be calculated and deducted according to the depreciation rate per set-shift [tai ban [0669 3803]] and the actual number of set-shifts.

Article 14. Depreciation on fixed assets other than those specified in Article 13 shall be calculated and deducted by the composite-life method. That is, it shall be calculated and deducted at an equal yearly rate worked out on the basis of the asset's original cost, the number of years of depreciation, and the net remaining value of the asset.

Article 15. Depreciation shall be deducted on a monthly basis and the amount of depreciation included in the cost for each month.

With regard to production equipment of enterprises whose production is of a seasonal nature, the amount of depreciation for a year shall be deducted in full within the production period of that year and included in the cost for the production period.

## Chapter IV. Depreciation Rate and Depreciation Amount Per Unit

Article 16. Depreciation on fixed assets shall be calculated and deducted according to their categories. The life for depreciating different categories of fixed assets is determined by their actual and natural wear and tear. For equipment and large precision instruments for which technology is developing rather rapidly, appropriate consideration may be given to the intangible loss of value factor. The life for depreciating various categories of fixed assets is listed in the attached table.

Article 17. The depreciation rates and amounts of depreciation per unit are determined as follows:

1. Where the composite-life method is applied, the depreciation rate shall be determined on the basis of the amount obtained by subtracting the net remaining value of the fixed asset from its original cost and the number of years it has been depreciated. The net remaining value of the fixed asset is the amount of the remaining value minus the liquidation expense.
2. The depreciation rate for special equipment where the method of work amount (mileage, working hours and number of set-shifts worked) is applied shall be determined on the basis of the amount obtained by subtracting the net remaining value of the equipment from its original cost and the total work amount (total mileage, total working hours, and total numbers of set-shifts) that is set for the equipment.

Article 18. For all categories of fixed assets, the net remaining value shall be from 3 to 5 percent of the original cost. The actual ratio is to be determined by the competent authorities of the enterprise and reported to the financial department of the same level for records.

## Chapter V. Application of the Depreciation Fund

Article 19. The depreciation fund is the main source of funds for renovation and transformation. Its uses include the following:

1. Renovation of machinery and equipment and rebuilding of houses and other buildings;
2. technical transformation of fixed assets aimed at raising product quality, increasing product variety, and reducing the consumption of energy or raw and other materials;
3. measures for trial-production of new products;
4. measures for multipurpose use of materials and for disposal of the "three wastes" [waste gas, liquid and residue];
5. measures for insuring labor safety; and
6. purchase of odd fixed assets.

[OW160430] Article 20. The depreciation fund retained by the enterprise may be used for measures to renovate or transform its fixed assets and to make technological advances under a unified plan in conjunction with the production development fund and new product trial-manufacturing fund set aside from the profit the enterprise has retained after paying taxes. When the enterprise is carrying out the overhaul of a fixed asset in association with a technical transformation, the depreciation fund may be used in conjunction with the overhaul fund as long as such usage will insure normal progress of the overhaul work.

Article 21. The depreciation fund cannot be used for new construction projects and expansion projects or for expenses of a capital construction nature.

#### Chapter VI. Management and Supervision of the Depreciation Fund

Article 22. Enterprises and the competent authorities over them shall work out medium- and long-term as well as annual plans for renovation and transformation of their fixed assets. Major projects listed in the enterprises' plans for renovation and transformation of the fixed assets shall be reported to the higher-level leading organs for approval in accordance with the established procedure.

Article 23. In using the depreciation fund, the enterprise shall comply with the principles of setting aside the amount of depreciation before using it and keeping the expenditure within the limit of the depreciation amount. They shall see to it that this fund is truly used for renovating and transforming equipment and for making technological advances. Before each renovation and transformation project is started, it is imperative to analyze its economic benefits and to institute a strict responsibility system.

Article 24. The competent authorities over the enterprises shall be responsible for examining and supervising the use of the depreciation funds, the enterprises' implementation of the renovation and transformation plans, and the economic results achieved.

Article 25. Financial and taxation departments and banks with which the enterprises have accounts shall examine and supervise the establishment and use of depreciation funds and the enterprises' implementation of the renovation and transformation plans in their respective areas.

Article 26. Enterprises must accept examination and supervision, honestly reveal their situation, and provide information as needed.

Article 27. Enterprises that have violated these regulations and have committed any of the following acts shall be dealt with according to relevant provisions of the tax and financial rules:

1. Arbitrarily changing the life for depreciating various categories of enterprises established by the state and over- or under-depreciating;

2. Expanding the use of the depreciation fund without authorization and using it for something other than its intended purposes; and

3. Acting blindly to purchase or build fixed assets, resulting in serious losses and waste.

Article 28. If an enterprise commits any of the acts listed in Article 27 of these regulations, the financial department may ask the competent authorities over the enterprise to impose the following disciplinary sanctions on the enterprise and its personnel directly responsible for such an act:

1. Warning;

2. A fine less than twice as much as the amount over- or under-depreciated.

Either one or both of the above-mentioned disciplinary sanctions may be imposed.

Article 29. An enterprise or individual dissatisfied with the disciplinary sanction imposed by the financial department may appeal for reexamination by that department's superior financial department within 15 days after receiving the notification of such a sanction. When this higher financial department has received the appeal, it shall conduct a reexamination and make a decision within 1 month. If no appeal is filed within the prescribed period of time, the sanction shall be carried out according to the financial department's notification.

[OW160431] Article 30. Cases that violate these regulations and constitute criminal offenses shall be forwarded to the judicial organ by the financial department so that criminal liability can be affixed according to law.

Article 31. The state protects those who expose and report cases in violation of these regulations and gives them commendations or rewards as warranted.

#### Chapter VII. Supplementary Provisions

Article 32. The overhaul fund for fixed assets shall still be established and used according to relevant current rules set by the state. The amount put into this fund must not exceed or fall short of the prescribed amount because of a change in the method for calculating and deducting depreciation.

Article 33. For fixed assets of collectively owned enterprises, the life for depreciation may be decided by using these regulations as a reference.

Article 34. The Ministry of Finance is authorized to undertake the responsibility for making revisions, if necessary, of the "Table of Life for Depreciation of Various Categories of Fixed Assets of State-owned Enterprises" attached to these regulations. If it is necessary to reduce the number of years of depreciation on certain equipment of a few special enterprises in order to meet the needs of technological advance, approval shall be obtained from the Ministry of Finance.

Article 35. The Ministry of Finance is authorized to undertake the responsibility for explaining these regulations. Detailed provisions for the implementation of these regulations are to be worked out by the Ministry of Finance.

Article 36. These regulations take effect from the date of promulgation.

Note: The attachment to these regulations, "Table of Life for Depreciation of Various Categories of Fixed Assets of State-owned Enterprises," is omitted.

CSG: 4006/625

NATIONAL POLICY AND ISSUES

HIGHER LIVING STANDARDS OF URBAN WORKERS REPORTED

Beiming JINGJI DIAOCHA [ECONOMIC SURVEY] in Chinese No 2, Jan 83 pp 177-182

[Article by Ma Yingqun [9456 5391 5028] and Ye Changlin [0673 7022 2621]:  
"Indicators of Higher Living Standards of Urban Working Families in China"]

[Text] According to a sample survey conducted on 8,715 working families in 46 cities of 28 provinces, municipalities and autonomous regions, the average monthly income available for living expenses per person in working families in 1981 amounted to 38.64 yuan, an increase of 4.4 percent over the 37 yuan in 1980 and 46.9 percent over the 26.3 yuan in 1978. Even allowing for the rise in the cost of living, the actual increase would still be 1.8 percent higher than in 1980 and 30.8 percent higher than in 1978. This shows a fairly great improvement in the living conditions of China's working families in the past 3 years.

The improvement would be even greater compared with 1957 during the First 5-Year Plan and the 10 years of internal turmoil during the "Cultural Revolution."

Monthly Income Available for Living Expenses Per Person in a Working Family Increased 53.5 Percent Over 1957 and 76.8 Percent Over 1964.

In the first 8 years after the founding of New China, the national economy developed fairly rapidly, the people's living conditions improved remarkably, and the material and cultural standards of working families rose steadily. All these achievements are still praised by the broad masses of workers. The national economy was seriously disproportioned in 1958-1960. The state then experienced financial difficulties, the market was short of supplies, and the prices of many commodities soared, resulting in serious difficulties for working families. In 1961, however, the party and the government took resolute measures to readjust the national economy and in 1965, the national economy developed after a rapid recovery. The living conditions of working families also began to improve. Therefore, a study of the changes in the living conditions of China's working families by comparing the present with 1957 and 1964 should be highly significant. Now let us compare them in four different aspects as follows:

First, Rapid Increase in the Income Available for Living Expenses Among Working Families: Income available for living expenses refers to the portion to be used on the daily living expenses of the family after deducting the portions used for the parents' support or donations. This is a comprehensive index reflecting the working families' standards of living. In 1981, the average monthly income available for living expenses per person was 38.64 yuan, an increase of 96.9 percent over the 19.62 yuan in 1957 and 104.2 percent over the 18.92 yuan in 1964. If the cost of living increase were taken into account, the actual income would still be 53.5 percent higher than in 1957 and 76.8 percent higher than in 1964.

Second, a Marked Change in the Pattern of Workers' Household Consumption: The living expenses of working families are normally classified into two major categories--commodity expenses and noncommodity expenses--and then into some subcategories. The proportions of different expenses are closely related to the consumption level of the working families. Generally, the higher the consumption, the lower will be the proportion of food expenses, and the higher will be the proportions of expenses on clothing, articles for daily use, cultural entertainment and books, newspapers and magazines. Conversely, the lower the consumption level, the higher will be the proportion of expenses on food, and the lower will be the proportions of other expenses.

In 1981, the average monthly living expenses per person in a working family was 38.07 yuan, an increase of 105.8 percent over the 18.50 yuan in 1957 and 107 percent over the 18.39 yuan in 1964. The amount in 1981 included 35.03 yuan spent on the purchase of commodities which was 120.5 percent higher than the 15.89 yuan in 1957 and 123.1 percent higher than the 15.70 yuan in 1964. The changes in the expenses of various commodities and their proportions are as follows:

	Expenditures (yuan)					Proportions (%)		
	1981	1964	1957	Percentage of increase in 1981		1981	1964	1957
				1964	1957			
Commodity purchases	35.03	15.70	15.89	123.1	120.5	100.00	100.00	100.00
1. Food	21.57	10.89	10.81	98.1	99.5	61.57	69.36	68.03
2. Clothing	5.63	2.02	2.22	178.7	153.6	16.07	12.87	13.97
3. Articles for daily use	3.64	1.10	0.90	230.9	304.4	10.39	7.01	5.67
4. Cultural entertainment	2.16	0.20	0.51	9.8-fold	323.5	6.17	1.27	3.21
5. Books, newspapers, magazines	0.36	0.21	0.11	71.4	227.3	1.03	1.34	0.69
6. Drugs and medical supplies	0.23	0.34	0.34	-32.4	-32.4	0.66	2.16	2.14
7. Fuel	0.74	0.78	0.72	-5.1	2.8	2.11	4.97	4.53
8. Other	0.70	0.16	0.28	337.5	150.0	2.00	1.02	1.76

Apart from the expenses on drugs and medical supplies, all commodity expenses were considerably increased over 1957 and 1964. Expenses on food were nearly doubled in both cases; on clothing, increased 1.5-fold and 1.8-fold; on articles for daily use, increased 3-fold and 2.3-fold; on entertainment, increased 3.2-fold and 9.8-fold; and on books, newspapers and magazines, increased 2.3-fold and 71.4-fold. The reduction in expenses on drugs and medical supplies was due to the increased number of working persons in the families and their benefits of free medical treatment, while the number of those not enjoying these benefits were correspondingly reduced. Expenses on fuel were also less than in 1964 for the reason that following the development of gas industry in the cities, the number of working families using gas continued to increase resulting in increased gas expenses (which are not commodity expenses) and correspondingly reduced fuel expenses (on briquets, honeycomb briquets, petroleum, coal, charcoal and so forth). This shows the improved living conditions of working families in another respect.

Because of the different rates of increase in various commodity expenses, the proportions of these expenses in total commodity expenses have also changed considerably. In 1981, compared with 1957 and 1964, the proportions of expenses on food and fuel dropped, while those of expenses on clothing, articles for daily use and cultural entertainment rose. This change in consumption pattern shows the trend among working families toward increased expenses for clothing, articles for daily use and cultural entertainment after satisfying their wants for food.

If food is further broken down into grain, nonstaple foodstuffs, tobacco, liquor, tea and other foodstuffs, then the change in pattern becomes even more striking.

	Expenditures (yuan)					Proportions (%)		
	1981	1964	1957	Percentage of increase in 1981		1981	1964	1957
				1964	1957			
Food:	21.57	10.89	10.81	98.1	99.5	100.00	100.00	100.00
Grain	4.93	3.97	4.08	24.2	20.8	22.86	36.46	37.74
Nonstaple foodstuffs	11.69	5.32	5.09	119.7	129.7	54.19	48.85	47.09
Tobacco, liquor, tea	1.93	0.65	0.74	196.9	160.8	8.95	5.97	6.85
Others	3.02	0.95	0.90	217.9	235.6	14.00	8.72	8.32

Since expenses for nonstaple foodstuffs (such as meat, poultry, aquatic products and so forth), for tobacco, liquor, tea and others (such as fresh and dried fruits, candies, pastry, milk products, cold drinks and various types of canned food) were increased several times over, their proportions in the total food expenses were different from those of 1957 and 1964 in the following ways: grain, decreased from 36.5-37.7 percent to 22.9 percent; nonstaple foodstuffs, increased from 47.1-48.8 percent to 54.2 percent; tobacco, liquor and tea, increased from about 6 percent to 8.9 percent; and other foodstuffs, increased from about 8 percent to 14 percent. These notable changes in the food structure show fairly great improvement in the diet of China's working families.

In the past several years, because of the increased welfare measures and allowances for workers (such as nursery allowance and free heating) provided by the enterprises and establishments, the workers are now able to enjoy better material and cultural lives without increasing their expenses. In 1981,

the average monthly noncommodity expenses per person in a working family was 3.04 yuan, an increase of 16.5 percent over 1957 and 13 percent over 1964. The noncommodity expenses and their proportions were as follows:

	Expenditures (yuan)					Proportions (%)		
	1981	1964	1957	Percentage of increase in 1981		1981	1964	1957
				1964	1957			
Noncommodity expenses	3.04	2.69	2.61	13.0	16.5	100.00	100.00	100.00
1. House rent	0.53	0.48	0.43	10.4	23.3	17.43	17.84	16.47
2. Water & electricity	0.37	0.31	0.27	19.4	37.0	12.17	11.53	10.34
3. Gas	0.07	0.04		75.0		2.30	1.49	
4. Miscellaneous school expenses	0.22	0.23	0.12	-4.3	83.3	7.24	8.55	4.60
5. Nursery	0.23	0.30	0.24	-23.3	-4.2	7.57	11.15	9.20
6. Transportation	0.55	0.32	0.44	71.9	25.0	18.10	11.90	16.86
7. Posts, telecommunications								
8. Cultural entertainment	0.24	0.13	0.20	84.6	20.0	7.89	4.83	7.66
9. Repairs, services	0.43	0.46	0.47	-6.5	-8.5	14.14	17.10	18.01
10. Medical	0.12	0.18	0.08	-7.7	50.0	3.95	4.83	3.07
11. Others	0.28	0.29	0.36	-3.4	-22.2	9.21	10.78	13.79

Housing for working families in China is mostly allocated by their work units. In the past several years, despite the increase in the prices of certain commodities and services, house rents remained stable all the time. The average increase in the amount of monthly rents and in their proportions was to a certain extent due to the increase in floorspace and improved housing

facilities. The increase in water and electricity charges was mainly because of the use of radios and electric fans which has continued to increase. The use of TV sets, recorders, laundry machines, refrigerators and other household electrical appliances which have gradually become a part of household equipment also led to the increase in electricity consumption. The average monthly transportation expenses per person in working families have also increased considerably because of the continued increase in long-distance travel (particularly because of the vogue of wedding tours) year after year. This is another indication of the higher living standards of working families. The transportation expenses for the workers themselves in going on and off duty, however, decreased because of state subsidies. The increase in entertainment expenses shows the improvement of workers' cultural life. Miscellaneous school expenses and nursery expenses decreased partly because of family planning and the reduced proportion of children in families and partly owing to the increase in state subsidies for nursery. Expenses on repairs and other services also decreased, since the state is issuing free haircut and bathhouse tickets. All these changes show the improved living conditions of working families in China.

Third, Consumption of Many Varieties of Major Consumer Goods in the Daily Life of Working Families Was More Than in 1957 and 1964:

Food: In 1981, the average monthly consumption of nonstaple foodstuffs per person was much more than in 1957 and 1964. This led to a corresponding decrease in grain consumption. The details were as follows:

	Unit	Monthly consumption per capita			Percentage of increase in 1981	
		1981	1964	1957	1964	1957
Grain	Jin	24.2	25.2	26.6	-4.0	-9.0
Fresh vegetables	"	25.4	21.7	18.2	17.1	39.6
Edible oil	"	0.8	0.37	0.7	116.2	14.3
Pork, beef, mutton	"	3.1	1.37	1.32	126.3	134.8
Poultry	"	0.32	0.08	0.20	300.0	60.0
Fresh eggs	"	0.87	0.34	0.55	155.9	58.2
Fish, shrimp	"	1.21	0.78	1.27	55.1	-4.7
Sugar	"	0.48	0.27	0.24	77.8	100.0
Tobacco	Case	2.99	1.96	2.31	52.6	29.4
Liquor	Jin	0.73	0.17	0.42	329.4	73.8
Tea	"	0.09	0.014	0.02	542.9	350.0
Candy	"	0.23	0.06		283.3	
Pastry	"	0.64	0.35		82.6	

Along with the increase in average monthly food consumption per person in working families, the amount of food nutrition for workers and their dependents also underwent certain changes. According to an estimate, the average daily amount of calories for each urban resident in 1978 was 2,715 kilocalories [sic], slightly more than the standard amount of 2,600 kilocalories [sic]. In 1981, the amount was increased to 2,966 kilocalories [sic], 251 kilocalories [sic] or 9.2 percent higher than in 1978. The average daily amount of protein per person was 84.1 grams, a 3.1 percent increase. The average daily amount of fat per person was 63.4 grams, an increase of 29.4 percent. It is true that because of the fairly weak productive forces in China, the food nutrition for workers and their dependents at present is mainly derived from plants. However, their consumption of meat, poultry, aquatic products, milk products and other animal products is continuing to increase.

Clothing: The use of cotton fabrics and cotton garments has decreased, and that of chemical fiber fabrics, woolen fabrics, silk and chemical fiber garments, woolen garments and leather shoes has increased several times over. (Details in the following table.)

	Unit	Annual consumption per capita			Percentage of increase in 1981	
		1981	1964	1957	1964	1957
Cotton fabric	Foot	13.91	11.28	21.60	23.3	-35.6
Chemical fiber fabric	Meter	1.67	0.48		247.9	
Woolen fabric	"	0.22	0.08	0.05	175.0	340.0
Silk	"	0.43	0.18	0.09	138.9	377.8
Cotton garment	each	0.47	0.36	0.72	30.6	-34.7
Chemical fiber garment	"	0.73				
Woolen garment	"	0.11	0.024	0.04	358.3	175.0
Silk garment	"	0.024	0.012	0.013	66.7	84.6
Woolen yarn, jackets & trousers made of it	Jin	0.24	0.07	0.06	242.9	300.0
Leather shoes	Pairs	0.46	0.15	0.23	206.7	100.0

Fourth, Large Increase in Number of Durable Consumer Goods in Working Families: At the end of 1981, every 100 working families owned 136 bicycles, 70 sewing machines, 241 wrist watches and 101 radios. The "four major items" are now used on a basically universal basis. In addition, they also owned 58 TV sets, 43 electric fans, 13 recorders, 6.3 laundry machines, 4.3 cameras and 0.22 refrigerators. These durable consumer goods were rarely seen in 1957. In

In Beijing, for example, TV broadcasting began in 1958, and in 1978, every 100 working families owned 19 TV sets. After 1978, when the income of working families had increased considerably, the number of sets they owned increased every year and in 1979, every 100 families owned 42 sets. The number of sets they owned further increased to 66 in 1980 and 82 in 1981. The popularization rate was fairly high. The number of recorders owned also gradually increased in the past several years. In 1978, every 100 households owned only 0.6 set. The number was increased to 2.4 in 1979, 10 in 1980 and 20 in 1981. In 1979, every 100 households owned only 0.1 washing machine. The number was increased to 2 in 1980 and 12.3 in 1981. Before the liberation, many working families were so poor that they could not have enough of the most essential means of subsistence (such as grain). Since they had problems with even food and clothing, these people had no hope of owning any durable items at all. After the liberation, their income continued to increase, and after solving the problems of food and clothing, the workers added some durable items to their household equipment. The situation now is greatly different. It is true that this situation represents only the average standard of all working families, and there are still fairly large variations among individual households. Some of them have had larger increases in their income and their living conditions have improved more rapidly; some have had smaller increases in income and their living conditions have improved slowly; a few had decreases in their actual income and have become even worse off either because the number of working persons has not increased, or because their wage-grade has not been raised since 1957. These are problems to be dealt with later on.

The Relationship Between Workers' Income for Living Expenses on the One Hand and the Size of their Families, the Number of Working Persons, and the Level of Income From Work on the Other.

The average monthly income available for living expenses per person in working families can be affected by many factors, of which, the size of the family, the number of working persons, and the level of income are the main ones. Generally, the monthly income for living expenses per person in working families is directly proportional to the number of working persons and the income level, and inversely proportional to the size of the family.

In 1981, for example, the average monthly income per person to be used on living expenses increased 19.72 yuan, a 1.04-fold increase, over 1964. The effects of various factors, according to an estimate, are as follows:

1. About 63 percent of this increase was attributed to the increase in the number of working persons. In 1964, the average number of working persons per family was only 1.56, which increased to 2.39 in 1981. According to the estimate, this factor accounted for an increase in monthly income per person for living expenses by 12.42 yuan, 63 percent of the total increase.
2. About 13.3 percent of the increase was attributed to the rise of the workers' income level. Since 1964, the state has on four different occasions--namely, in 1971, 1977, 1979 and 1981--increased workers' wages by a fairly wide margin. These increases, with the addition of bonuses and

allowances paid in the past 3 years, raised the average income level to a certain extent. According to the estimate, this factor accounted for an increase of 2.62 yuan, 13.3 percent of the total increase.

3. About 23.7 percent of the increase was attributed to the reduced size of working families. In 1964, the average number of persons in a working family was 5.3. In 1981, this number was reduced to 4.24 because of the publicity work on family planning, the lower birth rate, and the new homes set up by many young people after marriage. According to the estimate, this factor accounted for an increase of 4.68 yuan, 23.7 percent of the total increase.

These conditions illustrate the following two points:

1. Improvement in the living conditions of working families is closely related to national economic development. China's national economy has been under the influence of "leftist" thinking for a fairly long time resulting in a one-sided quest for high speed and high accumulation. Production and construction, on the one hand, and the people's standard of living, on the other, were not well coordinated, and the economic results were poor. This hampered the improvement of living conditions of working families. The disruptions by Lin Biao and the "gang of four" in the 10 years of internal turmoil in particular brought tremendous losses to the national economy. The wage scale was readjusted only once in 10 years, and the readjustment was only intended for a small number of people of the low wage brackets. This led to the abnormal phenomenon of a continued lowering of the wage level over a long period. In 1976, the average wages of workers in state-owned units was 31 yuan less than in 1966. Furthermore, since the newly emerging work force could not be given regular jobs, the increase in the average monetary income per capita for the urban working families was very slow.

In the past 3 years, the party and the government has adopted a series of measures to raise the workers' living standards. Besides increasing job opportunities, restoring the systems of piece-work wages and rewards and trying out the new method of floating wages, they also drastically revised the wage scale several times, increased the wage differentials for some regions, and raised allowances and welfare benefits. As a result, the average monthly income per person for living expenses in working families was increased by a wide margin and their living conditions were greatly improved.

2. Strict control of the growth of urban population is of great significance in the improvement of the working families' living conditions. Notable success has been achieved in family planning in the past several years, and the situation of an unplanned population growth has been initially changed. As a result, the size of families is being gradually reduced and the burden for workers is no longer so heavy. In 1964, each worker had to support an average of 3.4 persons (including the worker himself); in 1981, the number of dependents was reduced to 1.77. This is an important factor in the improvement of living conditions for working families in 1981. We must continue to carry out our family planning program effectively in order to further improve the living conditions of the urban working families in China.

(May 1982. Edited by Li Ziqi [2621  
0031 0368])

PROVINCIAL AFFAIRS

SHANGHAI MAYOR'S REPORT ON GOVERNMENT WORK

OW140125 Shanghai JIEFANG RIBAO in Chinese 2 May 85 pp 1, 2

["Shanghai's Economic Work at Present"--A report on the government work made at the third session of the Eighth Shanghai Municipal People's Congress on 23 April 1985 by Wang Daohan, mayor of Shanghai Municipality]

[Text] Deputies:

New progress has been made in the city's economic and social development over the past year, and the Municipal Statistics Bureau has published a statistics communique regarding the implementation of all plans. Beginning with the latter half of last year, we collected opinions from all sectors and drafted strategic outlines for reforming and revitalizing Shanghai which have been approved by the State Council for implementation. These two documents have been printed and distributed to all deputies.

The report I will make to this session is chiefly on Shanghai's present economic situation and the problem of how to do this year's economic work well.

I. Shanghai's New Economic Development in 1984

Last year, Shanghai's industrial and agricultural production increased quite remarkably, progress in major state projects and urban construction was accelerated, the urban and rural population's life continued improving, the market was still more prosperous and enlivened, the economic results of all industries and trades markedly increased, and the social order obviously turned for the better. The whole year's gross national product<sup>1</sup> was 37.8 billion yuan, 9.8 percent over the previous year; national income<sup>2</sup> was 33 billion yuan, an increase of 8.8 percent; total industrial and agricultural output value<sup>3</sup> was 79.2 billion yuan, an increase of 10.1 percent; total retail sales of social commodities, 12.98 billion yuan, an increase of 21.7 percent; investment in fixed assets, 7.19 billion yuan, an increase of 16.5 percent; revenues, 15.96 billion yuan, an increase of 4.2 percent; and bank loans were kept within the state plan with more savings deposits than loans and more currency withdrawn than put into circulation. All the targets of the various plans set by the Municipal People's Congress last year have been fulfilled. They include the tasks in the 10 fields, the 6 campaigns and the 15 things closely related to the people's daily life. New situations and outlooks have been created in many aspects of the economic construction. In the

economic situation, 1984 witnessed a sustained, stable and more harmonized development and marked achievement in raising economic results on the basis of the readjustment of the national economy and the implementation of the policy of reform, opening to the outside, and stimulating the economy.

The economic work in 1984 was mainly focused on the three major items--reform, opening to the outside and study of strategy.

#### 1. New Progress Made in Reforming the Urban Economic System

Early last year, the State Council issued a number of documents concerning economic restructuring. In May, Premier Zhao Ziyang clarified the policy and tasks of reform in his "Report on the Work of the Government" made to the National People's Congress. In October, the 3d session of the 12th party Central Committee passed "The Decision of the Central Committee of the CPC on Reform of the Economic Structure" setting forth the program for guiding the reform of the whole system, and drawing a blueprint. In light of Shanghai's practical condition, we successively formulated over 30 implementation documents, beginning with correctly solving the relationships between the state and enterprises and between enterprises and the working personnel; carrying out the second-phase replacement of profit delivery with taxes; expanding enterprises' self-decision rights to stimulate enterprises and workers' initiatives; and further developing the multifaceted economy and business operation in urban and rural areas to strengthen the vitality of enterprises and the urban and rural economy.

In 1984, in the industrial sector, we selected 58 factories and 3 companies, that is, the bicycle, light machinery and standard articles companies, to experiment with the "3-implementation"<sup>4</sup> reform; selected the Shanghai No 17 cotton textile mill, the Shanghai lathe plant and the Shanghai No 2 radio plant to experiment with the "4-implementation"<sup>5</sup> reform; and only levied income taxes without imposing regulating taxes from 207 small state-run enterprises whose original fixed assets were each below 5 million yuan with annual profits below 500,000 yuan. In the transportation sector, 13 specialized companies operating as enterprises were organized in the Chang Jiang and inland river navigation and harbor departments; in the area of motor vehicle transportation, seven operating entities, which handle their accounting independently, were set up according to their specializations. In the building sector, the system of determining a certain percentage of the output value as wages was generally carried out, the contract system for construction was actively promoted, and 90 construction projects were open to public bidding. In the commercial department, the wholesale system for daily-use industrial products was reformed. Except for the general merchandise wholesale station, all the first-level stations were merged with the corresponding city companies, thus simplifying the administrative structure. One large comprehensive daily-use industrial products trade center, 12 specialized trade centers, and 38 farm and sideline products markets and trade warehouses were established. In the supplies department, five specialized markets for chemical raw materials, semifinished metal materials, machinery and electrical products, farm machines and auto parts, one supplies trade center, one means of production market, and one timber market were established. The comprehensive

departments, including the planning, finance and labor departments, all formulated reform measures to revitalize enterprises and the economy. The science-technology, educational and cultural departments also conducted some reform. Although the reform made by the above-listed departments was preliminary, it nevertheless increased the vitality of enterprises and institutions, aroused the initiative of the masses of cadres and people, and resulted in better economic results and social benefits.

[OW140129] 2. New Breakthrough in Opening to the Outside World and Developing an Open Domestic Economy

The party Central Committee and the State Council have always attached importance to Shanghai's opening to the outside world. In 1983, the State Council approved Shanghai's report on accelerating the development of foreign economic relations and trade. We have put forward the tasks of forcing our way into the international market, forming economic associations at home, transforming and developing to create a new situation in Shanghai's economic development. The State Council last year decided to further open 14 coastal cities.<sup>6</sup> The decision has created more favorable conditions for Shanghai. We have further expressed our welcome for other localities in China and for foreign enterprises to set up factories, run business firms, or build houses in Shanghai in the form of cooperative projects, joint ventures, or exclusive investments. Our proposal has evoked great responses at home and abroad.

In 1984, Shanghai achieved positive results by sponsoring such economic activities as an import-export trade fair, an international symposium on investment legislation, and a discussion meeting on investment environments, and by participating in such activities abroad. In 1984, we signed contracts and obtained approval from higher authorities for 24 Chinese-foreign joint ventures, 21 Chinese-foreign cooperative business operations, and 2 enterprises with exclusive foreign investment. The agreements on foreign investment concluded that year amounted to \$950 million; the approved contracts amounted to \$440 million quadrupling the 1983 figure. In 1984, 372 deals on technology imports were concluded, an increase of 91 percent in dollar value compared with 1983. In the technological imports, the number of production lines, technologies and large items increased, and the quality of the imports improved. Exports from Shanghai Port amounted to nearly \$3.6 billion, overfulfilling the export plan by 36 percent. The turnover period of funds was shortened, export costs were lowered, and the situation of profits and losses remarkably turned for the better. In economic and technological cooperation with foreign countries, we signed contracts to build four construction projects, and about 1,000 of our workers were working overseas.

We have made efforts to develop an open domestic economy in many respects, at all levels, through many channels, and in various forms. We have enlarged the scope and increased the items of economic and technological associations. In 1984, more than 600 economic associations were set up between Shanghai and fraternal regions, and Shanghai was engaged in 779 economic and technological cooperation projects with various provinces, municipalities and autonomous regions. Even more economic and technological agreements were signed directly

between Shanghai's districts and counties and units under the province, municipality and autonomous region. Fraternal regions have set up more than 260 companies and stores in Shanghai.

### 3. Economic Development Strategy Has Been Formulated To Transform and Revitalize Shanghai

We have regarded the study of a strategy for Shanghai's economic development as a fundamental task and have made it an important item on our daily agenda. In the last few years, Shanghai has laid a good foundation in economic readjustment and achieved preliminary good results in reform and in opening to the outside world. These achievements are the basic conditions for our study of the strategic question. The most important thing is that we have the correct leadership and cordial attention of the party Central Committee and the State Council, and we have the earnest urgings and joint efforts of the broad masses of the cadres and the people. Premier Zhao Ziyang pointed out during his July inspection in Liaoning last year that Shanghai and Liaoning, two old bases, must be transformed and revitalized. In August, we briefed the State Council and the central financial and economic leading group on Shanghai's economic and social development, and on our problems and opinions. We proposed our tentative plan to them for transforming and revitalizing Shanghai. In September and October, an investigation and study group for Shanghai's revitalization, dispatched by the State Council, helped us conduct a systematic investigation and study. At the same time, we held a symposium on the strategy and tactics for Shanghai's economic development, with the participation of experts and scholars well known in China. Then, the Municipal People's Government and the State Council investigation and study group jointly submitted an "Outline of Shanghai's Economic Development Strategy" to the State Council and the central financial and economic leading group. In December, Premier Zhao Ziyang, Vice Premier Yao Yilin, and the leading comrades of the central departments, ministries and commissions concerned visited Shanghai. They affirmed Shanghai's economic development strategy, made some important policy decisions, and gave Shanghai their energetic support. In February 1985, the State Council formally approved our economic development strategy and its implementation.

[OW140151] The State Council has pointed out that reforming and revitalizing Shanghai is a major event, not only concerning Shanghai, but our country's four modernizations drive. Under the new historical conditions, Shanghai should give full play to its role as a pivotal city, and be the vanguard in our country's four modernizations campaign. Proceeding from this basic viewpoint, we have decided that the strategic aim of Shanghai's economic development is: To strive, through reform and revitalization, to build Shanghai into an open, multifunctional modern socialist city, with a high level of culture and technological expertise and a rational structure of enterprises, by the end of this century. To achieve this aim, six main principles and/or tasks have been clearly defined. They are: 1) Open Shanghai both to the outside world and to the whole country, with the former being emphasized, to play the role of a bridge between the outside world and the whole country; 2) adopt advanced technologies and, in the immediate future, make special efforts to import technology and selectively transform traditional industries;

3) develop new technologies and, in the immediate future, go for the counter-direction [ni xiang [6627 0686]] development to quicken the growth of new industries; 4) readjust the industrial structure and energetically develop "tertiary industry," to serve the whole country; 5) accelerate the building of basic urban facilities, quickly open new urban community areas, and begin transforming existing areas; 6) lay stress on simultaneously developing socialist material and spiritual civilization. These six principle tasks are organically connected and mutually promoting, as well as interdependent. The key to fulfilling these tasks lies in economic restructure as a whole, which requires Shanghai to lead in reform. We should carefully organize people to study the strategy for Shanghai's economic development in the course of carrying on our present tasks; formulate implementation plans and set out tactical objectives and tasks in clear terms; create conditions to comprehensively balance the distribution of manpower, materials and funds, and arrange for their effective implementation; and carry out intensive propaganda to mobilize the people of the whole city to work determinedly, concertedly and cooperatively to reform and revitalize Shanghai.

In 1984, like the country as a whole, Shanghai's economic situation was very good, and yet some attention-catching problems awaited immediate solution. Chiefly, they were consumer funds increasing too fast, issuance of bonuses not being under strict control, and panic purchasing of some market commodities. Last year, the average per-capita income Shanghai's peasants received from collectives increased 49.2 percent over the previous year, and the average wages of workers and staff, 23.8 percent. Wages for Shanghai's workers and staff increased by 1.8 billion yuan last year. Of this, retroactive payment for 1983 wage adjustment accounted for over 400 million yuan, allowances for new employees, and for workers and staff of suburban county institutions, over 200 million yuan, and bonuses, including the above-quota piece-work payment, over 400 million yuan. Generally speaking, bonus-issuance conformed to the state's regulations and helped encourage the workers' working enthusiasm which, in turn, helped boost production. However, as the methods of issuing bonuses increased, necessary control and administration were lacking, consumption rose faster than production, and certain quick-sale market commodities were in short supply. Last year, commodities shipped out of Shanghai to other regions were 11 percent more than the previous year, while the total retail sales of social commodities increased 21.7 percent. In the fourth quarter, as a large amount of currency was put into circulation, as purchasers from local organizations and from other areas increased drastically, and as their purchasing concentrated on some quality daily-use industrial products, thereby causing tremendous pressure on the market's supply-demand situation, the number of categories of commodities in very short supply rose from 10, at the beginning of the year, to 88 by the end of the year. During the same period, residents' savings deposits increased, leaving 5.6 billion yuan in deposits at the end of the year, representing a 22 percent increase over the year before. This also gave tremendous potential purchasing power. In particular, during the fourth quarter, several new unhealthy tendencies emerged, such as abusing power to gain private interests, indiscriminate issuance of bonuses in cash and in kind, illegal hiking of prices, and benefiting oneself at the expense of the public interest: To a certain extent,

these interfered with reform, and ideologically confused the cadres and the people. Although these problems were secondary to our advance, we can, by no means, lower our guard. Since our understanding of the situation lagged behind, our timely comprehensive analysis and foresight of the new situation in the course of economic development was lacking, our legal system for guiding economic activities was incomplete, and our timely review of, and correct guidance to solving, the new problems were lacking, we should conscientiously sum up our experience, draw lessons therefrom, and make corrections and improvement.

[OWI40243] In March this year, in conveying and implementing the guidelines of a national conference of governors, chairmen of autonomous regions, and mayors of municipalities, we analyzed the situation and questions Shanghai faces, achieved unity of thought and understanding, and persisted in making reforms, opening to the outside world, and invigorating the economy; we controlled the total amount of cash in circulation, cut down administrative expenses, strengthened consumption fund management, and sped up withdrawal of currency from circulation; and we firmly checked new unhealthy practices, drew a clear demarcation line by conducting investigations and study, and earnestly dealt with each case on its own merits, thus bringing about a marked improvement. We believe that, by firmly implementing the principles, policies and overall plan of the party Central Committee, we can surely consolidate and develop the excellent situation.

## II. Major Tasks of Shanghai's Current Economic Work

Nineteen eighty-five is the last year of the Sixth 5-Year Plan, and the first year of the implementation of the decision concerning the economic structural reform adopted at the 3d Plenary Session of the 12th CPC Central Committee. It is also the starting year for implementing Shanghai's economic development strategy approved by the State Council. It is very important to do a good job in this year's economic work, because it has an important bearing on the future, as well as the present. The first quarter of 1985 has passed. The economic situation in the quarter was good. The total quarterly industrial output value was 19.6 billion yuan, accounting for 24.5 percent of the annual plan, and registering an increase of 11.3 percent over the same period last year; total retail sales stood at 4.3 billion yuan, an increase of 43 percent over the same period last year; and total revenues stood at 4.1 billion yuan, accounting for 25 percent of the annual plan, and registering an increase of 9.2 percent over the same period last year. The task of fulfilling the annual economic and social development plan is still rather heavy, and requires the utmost effort.

The major tasks for this year, to insure that a good job is done in the early stage of the implementation of Shanghai's economic development strategy, are:

### 1. Organize Commodity Production and Circulation According to Market Needs

Facing the new technological revolution surging throughout the world, and competition on domestic and overseas markets, Shanghai should give full play to its role as the biggest commodity distributing center, and the most

important foreign trade port in China, take a step further to open to the outside world and invigorate the domestic economy, and vigorously develop the planned socialist commodity economy. This requires that Shanghai adapt to the needs and changing trends of domestic and overseas markets, continue to readjust the structure of industrial production and the mix of products, speed up technological transformation, actively and cautiously, promote economic structural reform, and consciously apply the law of value in organizing commodity production and circulation. We should bear this in mind in all our economic activities.

To develop industrial production according to market needs is the country's demands on Shanghai. It is also the basis for invigorating Shanghai's economy. We should constantly increase the proportion of Shanghai's commodity export in its economy, continue to increase the total commodity volume supplied on the domestic market, and make an all-out effort to satisfy the growing demand of consumer goods on Shanghai's retail markets. We should also supply the country with more metals, industrial chemicals, and such technologies and equipment as advanced machinery and electronic instruments and meters, supply in large quantities such agricultural means of production as agricultural machines, chemical fertilizers and pesticides, and supply power equipment, and vehicles in large quantities for urban and rural construction. All these require that Shanghai increase its industrial production accordingly. We should adhere to the policy of seeking truth from facts and advancing at a steady pace. We should not blindly seek unrealistically high economic growth which brings low efficiency. Shanghai's industrial output will surely increase from now on, along with the completion of its new backbone projects, such as the Baoshan Iron and Steel Complex, petrochemicals, ethylene, cars, aircraft, electronics, telecommunications, power equipment and float glass, with the improved quality and increased varieties of daily-use industrial products, and with the development of new, town- and township-run, and neighborhood industries. All these projects lay the foundations and prepare for Shanghai's economic invigoration in the next 10 years, which can be achieved with subjective efforts.

It is necessary to attach great importance to quality upgrading as well as increase in quantity in developing Shanghai's industrial production. We should speed up the introduction, digestion, improvement, and spread of advanced world technology; transform traditional industries with advanced technology, and develop new industries; and increase the output of innovative, famous-brand quality products, which have a ready market, according to the needs of domestic and overseas markets. Great efforts must be made so that by 1990 the technology and equipment of Shanghai's major industries, and the technical performance of its major products will attain the advanced world level of the early 1980's.

[OW140437] This year, efforts should be made on production work and circulation in the following fields:

It is necessary to actively increase the production of goods having a ready market. Efforts should be made to actively develop industrial production, on the basis of raising product quality, increasing variety, and lowering

production costs. While implementing the measure of "giving priority in the six fields"<sup>8</sup> in the production of durable consumer goods, it is necessary to strive to increase, by relatively big margins, the output of, in particular, famous brand quality products in great and urgent demand, including TV sets, washing machines, cameras, tape recorders and refrigerators, as well as textile products, clothes, foodstuffs, beverages, chemical engineering products for daily use, stationary and small commodities. While striving to increase commodity production in rural areas, it is necessary to gradually readjust the industrial setups in the order of trade, industry and agriculture, and establish all kinds of production and processing bases for agricultural and subsidiary products<sup>9</sup> in order to fully and rationally utilize agricultural resources and rural labor forces, and cope with the needs of the continuous improvement of the urban and rural residents' livelihood, and the expansion of foreign trade exports.

The key to increasing production lies in overcoming the shortage in the supply of raw and semifinished materials and energy. Aside from the quotas distributed, according to the state plan, all trades and professions must do everything possible to insure supply from other sources. Raw and semifinished material industries should strive to increase production. It is necessary to step up coordination and exchanges with fraternal localities, and purchase their overfulfilled raw and semifinished materials not covered by the state plan. It is also necessary to cooperate with resources-producing areas in jointly developing production of coal, lumber, pig iron, nonferrous metals and building materials. Efforts should also be made to expand cooperation with foreign countries, in order to use the imported technology to raise the quality of export goods. At the same time, all enterprises must strive to update technology, strengthen management and make relentless efforts to conserve raw and semifinished materials and energy.

It is necessary to accelerate technological upgrading and technical transformation. We should use advanced technology to improve the consumption pattern and product mix, and step up the transformation of, first of all, old enterprises. This year, technical transformation should be focused on 45 enterprises in 11 industries, namely household electrical appliances, knitwear, radio and TV sets, communications equipment, photographic apparatus, pharmaceutical products, microelectronics, textile machinery, low-voltage electrical equipment and plastics. At the same time, efforts should be made to insure the construction and completion of 252 key engineering projects (including 152 imported projects) on time. The focuses for developing new industries this year should be microelectronics, new materials and fiberglass communications equipment. In spreading the achievements of scientific research projects, the municipality should raise the rate of transferring scientific research projects from the current 52 percent to around 70 percent. At the same time, it is necessary to speed up the import of technologies and equipment, and the production of Chinese-made components.

It is necessary to unclog and expand circulation channels. It is necessary to build closer relations between circulation and production departments, by organizing coordination and joint operations to support the development of production. Commerce departments should do a good job in setting up various trade centers and exchange markets, and maintain contacts with trade centers

of other localities, in order to gradually form a management network for commodity exchanges between Shanghai and other localities. In the supply of means of production, while continuing the practice of combining state unified allocation and distribution with individual enterprises' efforts to seek production means themselves, it is necessary to gradually expand links between supplying, producing and marketing units, and purchase and supply means of production through various channels. It is also necessary to bring into full play the leading role of state-run commerce in insuring the supply, regulating the market, satisfying the needs and curbing the prices. Supply and marketing cooperatives in rural areas should become comprehensive service centers for the rural economy.

## 2. Concentrate Economic Activities on Expanding Foreign Trade Exports

As an open city, Shanghai should rely on the economic zone in directing economic activities to serve the whole country and the world via the Pacific Ocean it faces. Shanghai's opening to the outside world and the interior areas are like two sectors of a circle radiating from its center, Shanghai. To enhance Shanghai's radiating and absorbing capabilities, based on the idea of "two sectors and one center," it is necessary to obtain cooperation and support from the interior areas in order to use the vast hinterland as a powerful backing. We must organically combine opening to the outside world with opening to the interior areas, and regard them as an interrelated entity to promote a virtuous cycle in the economy and further common development and prosperity of Shanghai and the hinterland.

Shanghai's opening to the outside world should take precedence over its opening to the interior. In a recent instruction on further opening Shanghai to the outside world, the State Council pointed out: It is necessary to gradually build Shanghai into a center for foreign economic relations, with great capabilities to attract foreign businessmen, absorb advanced technology, and quickly adapt to the needs of the international market, as well as into a base for promoting exports and increasing foreign exchange. To this end, the State Council approved the scope for further opening Shanghai to include, in addition to the municipal area, the capitals of the 10 counties and, with the approval of the municipal government, the construction of centralized key satellite towns for industrial and scientific research projects, and of projects using foreign funds, to build and develop agricultural, forestry, animal husbandry and aquicultural production and processing for export commodities. It is necessary to foster the idea of giving priority to exports and subordinate the domestic to the international market, whenever contradiction in supply arises. It is necessary to compete in the international market by increasing exports in order to accelerate the upgrading of products. It is also necessary to strive to earn more foreign exchange, and import and assimilate more advanced technologies, as well as enliven the economy through cooperation with the interior.

[OW140517] We should further develop our foreign trade. We should give priority to supplying raw materials to enterprises, increase the percentage of foreign exchange enterprises are allowed to retain, and take other measures to encourage the production of export commodities. At the same time, we

should continue to strengthen cooperation between the manufacturing and trade industries, between the agricultural and trade industries, between the technological circle and the trade industry, between the import and export industries, between the enterprises of Shanghai and other localities; as well as develop direct cooperation, in various forms, between production and foreign trade enterprises, and promote export through foreign trade agents. Professional foreign trade companies should make efforts to consolidate the international markets they have developed, and work hard to open new markets. With approval, large- and medium-sized enterprises responsible for export business may directly deal with foreign firms, and reach business agreements with them. As to the use of foreign capital, the emphasis is on developing industrial and agricultural production, raising our technological level, expanding exports, and stepping up construction of basic installations in urban areas. Regarding import of technologies, we plan to reach 400 agreements this year. We should arrange everything beforehand, so that we shall be ready for negotiations. In particular, we should insure the timely delivery of imported equipment, and that the work schedule is properly followed. We must also do our best to shorten import time, so that good economic results can be achieved at an earlier date. We should bring into full play the initiative of the Shanghai Investment Company, Aijian Company, and other industrial companies and foreign economic and trade organizations in Shanghai, and encourage them to make joint efforts to promote business as a body.

We should further strengthen cooperation with the interior. Early this year, the Shanghai Municipal Government sent a delegation to Jiangsu, Zhejiang, Anhui and Jiangxi Provinces in the Shanghai Economic Zone. The delegation exchanged views with these provinces on stepping up cooperation, and signed a number of agreements on economic cooperation projects. Although Shanghai has made relatively good progress in cooperating with other areas in the Shanghai Economic Zone, as well as the whole country, it is just a beginning. In the future, we should speed up various kinds of cooperation in different forms, lay emphasis on jointly developing the processing industry, make joint effort to exploit natural resources, jointly establish nonstaple food production and processing bases, cooperate in the communications, transportation, foreign trade and tourism industries, and make common efforts to speed up economic development.

### 3. To Give Full Play to the Role of a Central City With Multiple Functions

Shanghai is not only one of the most important industrial bases of the nation, it is also the nation's largest port city, trade, scientific and technological center, as well as an important finance and information hub. For this reason, the sphere of Shanghai's economic activities should be expanded, according to the role it plays. The priority of precedence is: 1) the economic unification of the urban area and the suburban counties of Shanghai; 2) forming the Changjiang Delta and Shanghai Economic Zone into a well-planned and properly-structured economic system; 3) promoting economic cooperation between all areas of the Changjiang valley; 4) establishing nationwide economic cooperation; and 5) developing foreign economic relations. Implementation of these steps would enable Shanghai to bring into full play

its role as the nation's largest economic center. In order to further invigorate its economy, Shanghai, in addition to material production, should provide more services in trade, finance, transportation, post and telecommunications, science and technology, education, information, consultative services and in supplying trained personnel to the nation's four modernizations drive. From this year on, the ways to evaluate Shanghai's economic performance will be revised as necessary. The total industrial and agricultural output value should no longer be used as the only major criterion for evaluation. Instead, the total economic output value of Shanghai, which reflects the actual performance of all industries of the city, should be used as the prime criterion for evaluation. This indicates the more stringent requirements the state has made on Shanghai's economic work.

[OW140549] In the past, Shanghai paid great attention to the construction of an industrial base, but failed to coordinate the development of its multiple functions. Its industrial structure is quite irrational. Currently, of the total value of the national economy, the "first and second industries" constitute 77.2 percent, while the "third industry" constitutes only 22.8 percent. To bring the role of a central city with multiple functions into full play, we must make efforts to readjust the industrial structure, and develop the "third industry" in particular to serve, primarily, the "first and second industries" in Shanghai Municipality and the people's livelihood, secondly, the Shanghai Economic Zone and the whole country's economic activities, and thirdly, opening to the outside world. These three are mutually integrated. The goal set by the strategy for Shanghai's economic development is to raise the proportion of the "third industry" in the total value of the national economy to more than 30 percent by 1990, under the prerequisite of the increase in the absolute value of the "first and second industries." In other words, the absolute value of the "third industry" must be increased by more than 100 percent. We must reach this goal, do business with all nations, attract businessmen, satisfy people near and far, and make Shanghai still more prosperous.

The focal points in developing the "third industry" this year are:

Readjust and strengthen commerce, service trades and social welfare institutions. It is necessary to increase the number of retail stores and shops for the people's livelihood. It is necessary to increase from 7 per 1,000 people, which is the average number of retail stores and shops now, to 9 per 1,000, and strengthen the contents of services to ease the shortage of hotel rooms, eating houses, repair workshops, and shopping centers. It is also necessary to pay great attention to social welfare institutions. It is necessary to mobilize all forces to run nurseries and kindergartens, to ease the shortage. The municipal and district authorities must, in line with local conditions, restore and develop, a number of eating-house, garment and culture streets, and other service centers with special features. It is necessary to increase the number of stores and eating houses, according to population density in residential areas, if they are scarce. We should incorporate country fair trade markets into plans for both construction of new districts and revamping of old ones. The number of stores in towns and rural areas in all counties must also be increased. It is necessary to run peasants' country fair trade and small commodity markets well.

Improve communications and transport. It is necessary to grasp the work of dredging harbors well, speeding up rail loading and unloading at stations, and transport of key goods and materials. It is necessary to make full use of cargo owners' exclusive railroads, wharves, warehouses, vehicles and vessels. It is necessary to organize rail and highway transport, and develop inland river transport by water. Local civil airlines founded in Shanghai must quicken their pace in combining with other transport means. Along with the gradual improvement of city streets, we must increase the number of buses and taxis, to ease their shortage.

Expand information and advisory services. It is necessary to consolidate and improve the more than 400 information and advisory organizations now available. It is also necessary to form, through association, coordination and other approaches, a number of high-standard, highly efficient and reputable software service companies, science and technology development companies, project tendering companies, and books and data centers, to offer firms at home and abroad advisory services concerning the economy, science and technology, engineering, accounting and law.

Develop tourism. The number of foreign travelers and tourists in Shanghai this year will increase more than 20 percent over last year. It is necessary to continue to build hotels, apartments and office buildings for foreign businessmen. In addition, it is necessary to promote association with scenic areas at home to form travel and tourist networks, and improve the quality of tourism in an overall way.

#### 4. To Continue To Strengthen Construction of Basic City Facilities

City facilities are the basic condition for Shanghai's revamping and development. Improving Shanghai's basic city facilities is long overdue. To ease the contradiction in this connection, we must continue to revamp and disperse the old city on the one hand, and speed up the construction of satellite cities and develop new districts on the other. This is a herculean task. The State Council has approved the increase in Shanghai's local outlay base this year. The funds will be spent mainly on construction of basic city facilities, and the improvement of investment environment. There is a lot of work to do in this field. We need overall planning, and to systematically carry out our plan.

[OW140551] To accelerate the construction of the urban infrastructure, it is necessary to strengthen planning and improve management work. Presently, the overall urban plan for Shanghai has been drawn up and approved; however, plans for various systems, trades and districts have not been completely worked out. This will affect the implementation of major construction projects. Thus, we must complete detailed plans within this year. We must particularly step up efforts for drawing up plans for the revamping and construction of underground pipelines, as well as drawing up programs for implementation by stages. We must organize construction work according to the sequence of first doing underground work, then doing aboveground construction work. We must change the backward situation of urban infrastructure as quickly as possible. To properly manage land for construction, it

is necessary to step up land acquisition and resettlement work. The municipal government has decided to set up the Land Management Bureau to take care of management work at different levels. In the future, the county governments will take up unified responsibility for land acquisition in the rural areas. To insure the needs of construction, they will also be responsible for expenses involved in the acquisition of land. In general, the district governments should be responsible for organizing and enforcing the dismantling and resettlement measures within the municipal areas. The various units must show consideration for the overall situation, subordinate themselves to arrangements, and actively take up responsibility and duty for resettlement work. The departments concerned must strengthen resettlement construction and use economic subsidies to encourage residents to find temporary accommodations.

Initial arrangements have been made for the construction of the urban infrastructure this year. In 1985, it is planned to complete 5 million square meters in floor space of residential construction and public ancillary facilities, as well as to complete urban ancillary projects in a number of new residential areas. Regarding cultural facilities, one cultural hall and one cinema will be built this year. The Shanghai library and the Lujiazui TV tower and cultural center are in the early stages of construction. Regarding medical facilities, seven hospitals will be built or expanded, with four of them being completed this year. Regarding communications, one vehicular overpass will be built along Zhenbei Road, and six overpasses will also be built within the municipality. The international container wharf project will be completed, and 32,000 city telephones and 400 international telephone lines will be added. Also under construction are the cross-river tunnel at Yanan Road, a new railway passenger terminal, the Hujia and the Xinsong Freeway, and the long-distance telecommunications network. Overpasses along Caoxi Road and Zhongshan Road, the cross-river tunnel at Ningguo Road, the Huangpujiang Bridge, the underground railway, a freeway from Caoan Road to Anting, and expansion of the Hongqiao Airport and the Luojingxin Harbor area are all in the early stages of construction. Regarding municipal public facilities, a 125,000-kilowatt generating unit will be built at the Minxing power plant, which will begin power generation before National Day. The expansion project of the Tianshan waste water treatment plant and the infrastructure of the Minxing Development Area will be completed this year. The Pudong coal gas plant and the water diversion project at the upper reaches of Huangpu Jiang are under construction. The municipal waste water treatment project and an underground parking area are in the early stages of construction. Regarding high-rise buildings, eight buildings will be completed this year and will be used as either tourist hotels, residential apartments, or office buildings for foreign firms. Two hotels for domestic tourists will also be completed. Under construction are the Huating Guesthouse, the Hongqiao Guesthouse, and the Jinjiang Guesthouse. The municipal administrative building is in the early stage of construction.

To reform the management system, it is necessary to bring into play the initiative of all quarters. In view of the larger scale of construction of the urban infrastructure this year, it is essential that we have unified command and careful organization. With regard to residential construction, we must

properly organize and manage the designing and construction teams on various fronts in the municipality, districts and counties. We must extensively unfold public bidding and fully utilize the designing and construction forces in foreign localities. If necessary, we can also cooperate with designing and construction enterprises in foreign countries or in Hong Kong and Macao. Presently an important link in construction is properly pulling together, controlling and utilizing the various building materials. To insure progress for the key construction projects, we must integrate state distribution with municipal overall planning and arrangements by other quarters. The newly established material contract companies must take up more responsibilities in this respect.

[OW140945] 5. Strengthen Financial Management and Fund Raising; Make Good Use of All Funds

The State Council has decided to change the financial arrangement for Shanghai beginning this year as a step toward putting into practice the strategy for developing Shanghai's economy. Instead of using the method of "fixing the revenue and expenditure once each year, linking expenditure proportionately to revenue, and taking revenue share at a fixed ratio to the total sum," Shanghai will now adopt the financial system which calls for "fixing the base figures and the ratio of revenue share for a period of 6 years without change." The municipal government will likewise improve its financial arrangements for the city's districts and counties to raise the ratio of their revenue share for the increased portion of revenue. Shanghai can expect some increase in its local financial resources after practicing this financial system. In spite of the increase, however, Shanghai will still find itself financially far behind the need of the development of its economic construction. We must strive to increase production and income and insure that revenue grows simultaneously with the increase in output value. The higher the revenue, the higher the local share of the revenue. This is the most fundamental source of financial income. In addition, it is also necessary to raise funds in every way possible, make flexible transfers of funds, and strengthen management to insure that all funds are used well and with practical results.

The role of the banks should be brought into full play in raising funds. The Municipal People's Bank will be responsible for unified planning and management with regard to such measures as actively collecting idle capital in society by preparing for the issuance of stocks or local bonds in accordance with the different fund raising purposes. Foreign capital may be utilized when it is needed for a renovation or development project. It may be obtained by negotiating a loan or rental or through a joint venture. A specialized organization may be selected to issue bonds in foreign countries. We should attract foreign capital to invest in Shanghai by formulating a regulation as soon as possible that offers preferential terms to such investments. Banks should constantly broaden the scope of deposit and loan operations; develop ties with other localities for funds accommodations; and launch such operations as handling trust funds, bill payments and discount cashing. They should keep abreast of financial and banking information, analyze financial and banking activities, channel idle capital in a desirable direction, and regulate and promote social production and circulation.

We will strive to enhance the capabilities of foreign trade and other sectors to earn foreign exchange so as to constantly increase our foreign exchange income. At the same time, we will pay attention to saving foreign exchange and exercise rigid control over our foreign exchange reserves. Foreign exchange should be used mainly for the following purposes: to import in order to expand production and build up export capacity, to carry out technological renovations of industry, to develop new products and improve quality, and to be used in those areas where its use is necessary. To create more foreign exchange and use it with good results is an obligation of all economic departments in this open city of Shanghai.

Financial management, fund raising and foreign exchange control must be carried out through overall planning and arrangements and with overall balance. The municipal government will do a good job in exercising unified leadership and in coordination work. The various economic departments and enterprises should also improve their financial work. We should strive to achieve the goal of both making the needed funds available for Shanghai's economic construction and delivering as much revenue as possible to the state treasury.

#### 6. Speed Up Training of Competent People

Shanghai is facing an increasingly keen problem of qualified people as it advances in its economic and social development. It is planned that Shanghai should attain the following targets in bringing up competent people by 1990: The rate of schooling at the senior middle-school level should increase from 55 percent of the youths of the corresponding age group to between 70 and 80 percent (90 percent or above within the urban area, and 50-70 percent in the suburban counties); the number of students studying in institutions of higher learning should grow to 170,000 from the present 90,000; the total number of people with special skills in the city as a whole should rise to 970,000 as compared to 480,000 in 1983; the percentage of middle- and high-level technicians among all technicians will increase from 32 percent at present to 60 percent; among young and middle-aged cadres of all categories, 75 percent will have attained an education at the special or technical secondary school level and 50 percent at or above the college level.

An urgent task at present is to focus attention on the continued education for cadres at their posts, leading cadres at all levels in particular. This is to enable them to even more quickly raise their ideological level and their understanding of policies and learn modern knowledge and managerial skills. All departments in charge of them should conduct such training in accordance with the differing needs of cadres and through various approaches. It is necessary to insure that cadres at their posts will take a certain amount of leave to receive training in order to improve the knowledge structure and quality of our cadres.

[OW141115] Schools of all categories at all levels should continue to undergo reform so as to bring up a greater number of qualified personnel. It is necessary to pay attention to preschool education, promote a 9-year compulsory education from the primary to the junior middle level, improve

teaching quality at secondary and primary schools, further reform the structure of secondary education, and energetically develop vocational and technical education. Institutes of higher learning for general purpose and for adults should enroll more students and improve their teaching standards. TV, radio and other modern means of teaching should be fully used to expand the scope of evening colleges, TV universities, workers' universities, and correspondence universities. Examinations for self-taught students at the college and secondary education levels will be continued in order to encourage the people to achieve success through self-study. Further efforts will be made to train qualified personnel who are urgently needed by the suburban counties and to help fraternal provinces and municipalities train qualified personnel.

Greater efforts will be made to train professionals in finance, economics, banking, foreign trade, accounting and law. More than 1,000 project managers will be trained this year in order to meet the need in enlivening the domestic economy and opening to the outside world.

The key to fulfilling the aforementioned tasks lies in your conscientious efforts to implement the Decision of the Communist Party of China on Reform of the Economic Structure and to successfully carry out this year's reform. We should resolutely follow the principle of steadfastly and prudently carrying out the work in the initial stage so as to be assured of its success. We should promptly take the first and important step in reforming the price and wage structure and promote reforms in all fields. Economic work in all fields should keep up with the demands of reform; each step of reform should effectively promote the current economic work. The economy will be further enlivened in order to considerably boost the economic results in all aspects.

Reform of the price structure this year takes account of the state's present financial capability, the enterprises' ability to digest it, and the masses' readiness to accept it. We follow the principle of combining efforts to liberalize and to regulate the prices and of advancing in small steps. This means that the prices of some commodities will be gradually liberalized and will be readjusted by the state in a unified manner. This will gradually put an end to the situation of the current prices of many commodities failing to reflect their value or the relationship between supply and demand, and of the price parities being unreasonable. We should take small steps while making reform, watch our step and proceed steadily. This reform program is positive and reliable. The main features of reform of the price structure in Shanghai this year are: reasonably readjusting the purchase and sales prices of grain and oil in rural areas; liberalizing the prices of pork and other nonstaple foods; and appropriately raising the freight rate for short-distance railway transport and widening the gaps between products of different quality and localities.

Since April, Shanghai has abolished the policy of making unified purchase of grain in rural areas and has switched to the system of making purchases through contracts. Meanwhile, the purchase and sales prices of grain and oil in rural areas has also been readjusted. Grain and oil supply and prices in urban areas have remained unchanged in accordance with the original

stipulations. The purchase and sales prices of pork and other nonstaple foods have been liberalized, the system of state purchase of hogs in rural areas has been abolished, guidance has been given to purchase and sell hogs at negotiated prices, and the prices of other live nonstaple foods have also been liberalized. While liberalizing the purchase and sales prices, we have given appropriate price subsidies to city dwellers, so that most residents do not feel overburdened by the fluctuating prices of pork and other nonstaple foods. Meanwhile, measures have been taken to increase the varieties of vegetables, exercise control over big issues, allow for flexibility in smaller issues, and gradually liberalize vegetable prices in order to insure the relative stability of market supply and prices. The adoption of these reform measures has won popular support, market prices have remained stable, and the situation is normal. We will follow the State Council's unified plan and proceed fully prepared in a well-guided manner step by step in reforming other aspects of the price structure.

[OW141345] Currently, what the masses of people are universally concerned about is how to achieve price stability in the course of reform of the price system. To maintain a basic price stability is a principle adhered to by our country on a long-term basis and is a requirement for the continued development of a socialist economy. However, basic price stability does not mean fixed, unchanged prices; nor does stabilizing prices mean freezing prices. The reform of the price system which we are carrying out is a readjustment of the price structure, not an across-the-board price increase. Instead, it means that we should lower the prices that should be lowered and increase those that should be increased. The purpose of rational readjustment and proper relaxation of prices is to bring about smooth economic relations in order to facilitate the coordination and development of the national economy, while adopting various necessary measures in order to maintain a general basic price stability. All industrial production departments should try every means to increase the production of commodities suitable to market demands, and commerce departments should positively organize sources of supply and expand the circulation of commodities. In order to insure the supply of nonstaple foods for the municipality, it is necessary to consolidate and develop the bases of production of various kinds of agricultural and sideline products.

It is necessary to adopt effective measures to prevent the occurrence of large price fluctuations. Each major measure of reform of the price system must be carried out under the State Council's unified planning, and no departments and units are allowed to do what they decide on such matters. All state-, collective-, and individual-run economic entities must strictly enforce the stipulated standards of prices and fees; no unscrupulous price increases and collection of fees are allowed. Artificially forcing up prices, willfully raising prices, increasing prices in a disguised form, or other acts of disrupting the market by taking advantage of the reform should be sternly handled and resolutely banned. Price organizations, industrial and commercial administrative organizations, tax organizations, banking organizations, and auditing organizations at all levels should closely cooperate in strengthening the control, supervision and inspection of prices to insure smooth progress of the reform.

The emphasis of this year's wage reform is to gradually eliminate the egalitarian practices in the current wage system and to preliminarily establish a new wage system which better embodies the principle of carrying out distribution according to work. State organizations and institutions in the municipality will enforce a structural wage system which stresses the work-post wages, including basic wages and longevity allowances to link the wages of staff members and workers with their work, responsibilities and contributions. This work will be carried out in the latter half of this year as arranged. In enterprises owned by the whole people, where conditions permit, methods of allowing the total amount of wages of staff members and workers to fluctuate with the enterprises' economic results should be gradually promoted in order to link the wages and bonuses of staff members and workers with the levels of their respective enterprises' economic results and with the magnitude of their own contributions. In enterprises where conditions do not permit, the current methods can be continued and improved. The current wage reform will bring about a definite increase of wage levels for staff members and workers; however, limited by the conditions for the growth of production and economic results, such levels cannot possibly be raised greatly. In the past few years, our country's economy has developed greatly, and people's living standards have also been greatly enhanced; however, generally speaking, our country's foundation is still very weak. Only by a protracted adherence to the principle of hard struggle and thrift in the construction of our country can we be able to increase our country's economic strength and create solid material foundations for sustained improvements of the people's living standards. Through reform, the wage system and wage work will be shifted onto a new track, and the wages of staff members and workers will also be steadily increased with the development of production and the growth of the national income. All units should do a good job in making full preparations for actually strengthening the leadership over the wage reform under unified planning.

[OW141752] The large- and medium-sized enterprises owned by the whole people of Shanghai are the backbone and main driving force for the development of productive force and technological progress. In carrying out this year's economic reform programs, we should fully implement all regulations concerning the expansion of enterprises' self-decision powers which have been affirmed by the state. We should pay particular attention to invigorating large- and medium-sized enterprises. Continued assurance of the reform of the management system of specialized companies is an important step in separating an enterprise's administrative and management functions, in streamlining an enterprise's administration, in delegating powers to lower levels, and in invigorating enterprises. We should classify existing companies into different categories, readjust and reorganize them under unified leadership and in a planned manner, separate their administrative and management functions, hand over the government administrative functions to a higher authority, delegate all production and management powers to factories, make appropriate decisions to facilitate these companies' systematic production development and enhancing their flexible management, and properly exercise the administrative powers entrusted to us. All large- and medium-sized enterprises should work hard to tap their potential, reduce costs, reduce energy and material consumption, and make an effort to enhance their

self-improvement and self-development ability. These enterprises also should institute various forms of economic responsibility systems, divide their accounting departments into smaller units, delegate powers to lower levels, develop horizontal economic connections, and step up economic and technical cooperation. Rural areas should continue to perfect the various forms of systems of contracted responsibility based on the household and enterprise with remuneration linked to output, and reform the system of state monopoly for purchase of farm products and the system of setting purchase quotas for each unit, so that they can make a new step forward in carrying out the second stage of economic reform centering on the readjustment of agricultural and industrial structure.

In addition to invigorating enterprises and the economy, we must also reform our planning system, expand the scope of directive planning and market regulation, improve financial management, strengthen supervision over enterprises while giving them more vitality, restructure the financial system, and make good use of and properly manage credit loans. The CPC Central Committee's recent decision on reforming the scientific and technological system is a major step with strategic significance in promoting the four modernizations drive. We are formulating an implementation plan for promoting technology updates, expanding technology markets, and speeding the commercialization of technology. All reform efforts should be aimed at giving enterprises more management powers and flexibility on minor issues, and insuring that principle matters are properly carried out. Only thus can we strengthen supervision while invigorating the economy, and fully arouse the initiative of all sectors and maintain the socialist course at the same time. All general affairs and management departments should seriously carry out their responsibilities; study policies; and strengthen planning coordination, supervision and inspection in order to insure the healthy development of the economic system's reform.

Fellow delegates:

Comrade Deng Xiaoping recently pointed out: "Only with ideals and discipline can we unite together to build a socialism with Chinese characteristics." With the central task of economic development in mind, we should persist in mobilizing the people with lofty ideals, organize the people with strict discipline, and educate the vast number of cadres and staff members and workers, urging them to be the builders of socialist modernization with ideals, good moral sense, education and discipline. We should continue to make an extensive and in-depth study of the "decision" of the 3d Plenary Session of the 12th CPC Central Committee; and we should study the policies on reform, opening to the outside world, and invigorating the economy as well as Shanghai's economic development strategy in order to unify the thinking of the cadres and masses of the whole city and make more contributions to reforming and vitalizing Shanghai. Our study should be closely integrated with reality. We should analyze the situation and problems existing in our own departments and units, and make proper arrangement for this year's economic work according to its degree of importance and priority. In carrying out all work, we should educate cadres to foster the idea of taking the overall situation into consideration; to correctly handle the relations between the

part and the whole, and between the individuals and collectives; to take into consideration the present situation as well as long-term planning; and to persist in carrying forward the fine traditions of building up the country through thrift and hard work. At the same time, we should step up the building of socialist spiritual civilization; continue to promote "five-stresses, four-beauties, three-loves" activities in a penetrating manner; and build more civilized units. All propaganda instruments, culture fronts and literary and art works should arouse the people's initiative and ambition with healthy, civilized and scientific content. We should continue to step up the propaganda and education on democracy and the legal system and popularize legal knowledge among all people of the city. In particular, leading cadres at all levels must take the lead in abiding by administrative discipline and the law, and follow all orders strictly. In addition, we should draft provisional rules or regulations necessary for speeding up legislative work on economic matters so that all economic activities can be carried out according to established laws. Organs responsible for carrying out the law should strengthen supervision and inspection, strictly follow and execute the law, and thoroughly investigate all cases involving violation of the law. All serious economic criminals and other criminal elements must continue to be dealt with sternly in order to further improve social order and insure a good environment for reform and for carrying out the work in opening to the outside world and invigorating the economy.

[OW141815] Deputies:

The glorious and arduous task of reforming and revitalizing Shanghai is now before us. We firmly believe that, with the correct leadership of the party Central Committee and the State Council, with the energetic support and close cooperation of all the central departments concerned as well as the fraternal provinces, autonomous regions and municipalities, and with the joint efforts of the workers, peasants, intellectuals, people from all walks of life and the PLA commanders and fighters of the whole city, we will certainly overcome the difficulties ahead and win victory after victory. We must make concerted efforts, work hard, be eager to make progress, bend our minds to Shanghai's advancement and strive to create a new situation of great vigor, great unity and great prosperity in order to fulfill the historical mission entrusted to us by the state and the people.

I submit the above report for your consideration.

#### FOOTNOTES

1. Gross national product is the sum of the total value of all products and services provided by all departments in a given period minus the material consumption in the course of production (not including depreciation) and expenses for services provided by units outside Shanghai. It is computed in terms of the prices of the same year.

2. National income is sum of the total value of new material products created by the agricultural, industrial, building trade, communications and transportation, and commercial (including the service trade and supply and marketing of materials) departments (in other words, the net output value). It is computed in terms of the prices of the same year.
3. Total industrial and agricultural output value is the sum of the total output value of industry and agriculture in a given period, including material consumption. There are duplicate computations among factories producing raw and semifinished materials, factories producing parts and accessories and general assembly factories. At present, the figures are computed in terms of the "comparable prices of 1980" (a special statistics base).
4. "Three-implementation" means: (1) The implementation of the state Council's "Ten-Point Regulation on Expanding the Self-Decision Rights" regarding enterprises; (2) the implementation of the system of responsibility for plant directors (managers); and (3) the implementation of the bonus issuance without upper and lower limits.
5. "Four-implementation" means implementation of the system of responsibility for the total wages which may fluctuate in connection with enterprises' economic results in addition to the "three-implementation."
6. The 14 coastal cities further opened to the outside world: The Beijing meeting held by the CPMCC Secretariat and the State Council on some coastal cities from 26 March to 6 April 1984 proposed that the following 14 coastal port cities be additionally opened to the outside world-- Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang and Beihai. On 4 May, the CPC Central Committee and the State Council approved and transmitted the summary of this discussion meeting. Premier Zhao Ziyang formally announced the opening of these 14 cities in his "Report on the Work of the Government" to the second session of the Sixth National People's Congress.
7. "Tertiary industry": There are many different ways of categorizing the industry structure. Here we categorize it according to the three major industries. "First industry" refers to agriculture, forestry, animal husbandry and fishery. "Second industry" refers to the mining, manufacturing and building industries. "Tertiary industry" refers to commerce, transportation, postal and telecommunications services, banking, tourism, service trades, medical services, public utilities, science and technology, education, journalism, publications, cultural services, physical culture, accounting, lawyers, information and consultation.
8. "Priority in the six fields" means giving priority support in the following six fields to units producing more light industrial products urgently needed by the society: (1) Supply of raw and semifinished materials and energy; (2) bank loans; (3) technical transformation (4) capital construction; (5) communications and transportation; and (6) utilization of foreign exchange and import of technology.

9. The meeting on rural work recently held by this city called for gradual establishment and expansion of bases for producing fresh and live commodities, including bases for producing pigs, poultry and eggs; bases for producing freshwater fish; bases for producing fresh milk; bases for milk cow breeding; bases for producing vegetables in remote and medium-distance suburbs; and bases for producing flowers and plants.
10. At the end of 1982, the State Council decided to establish the Shanghai Economic Zone which embraces Shanghai, Jiangsu's Suzhou, Wuxi, Changzhou and Nantong cities, as well as Zhejiang's Hangzhou, Ningbo Shaoxing, Jiaxing and Huzhou cities, and the 55 counties under these 10 cities. The State Council later decided again that beginning in December 1984, the area of the Shanghai Economic Zone would be expanded to include Shanghai city as well as Jiangsu, Anhui, Zhejiang and Jingxi Provinces which, with a total area of 517,000 square kilometers and a total population of 199 million, has 32 provincial cities, 17 prefectures and 301 counties.

CSO: 4006/625

PROVINCIAL AFFAIRS

GANSU PLANNING CHIEF REPORTS AT PEOPLE'S CONGRESS

HK140221 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 13 May 85

[Excerpts] As commissioned by the provincial people's government, Li Ping, chairman of the Provincial Planning Commission, delivered a report to the third session of the Sixth Provincial People's Congress on the draft plan for the province's national economic and social development in 1985. He pointed out: Gansu achieved new success in the national economy and all social undertakings last year. The province's economic situation is good.

Li Ping said: There are also a number of problems on our advance. First, urban collective economy and township enterprises remain a weak link. Second, the product mix is unable to keep abreast of changes in the consumption mix. Enterprises are very slow in switching to new and updated products. Third, some raw materials are in short supply. Fourth, preparatory work for projects in opening up to the world cannot keep up with requirements. Fifth, preparatory work for capital construction cannot keep up with needs. This affects the speed of construction.

He said: We must take steps to seriously solve these problems. The year 1985 is the initial year for carrying out all-round reform of the economic structure. There are three major tasks we have to carry out simultaneously: 1) We must make a start on price reforms. 2) Wages reform must be carried out in a measured way. 3) We must maintain a certain scale of key construction and technological transformation.

Li Ping said that the specific tasks for each sector this year as set out in the draft plan are as follows: We must vigorously readjust the rural production structure, speed up the pace of planting grass and trees and developing animal husbandry, and strive for all-round growth in agriculture; under the premise of improving economic results, we must insure sustained growth in industrial output; we must continue to control the scale of capital construction, insure key construction work, speed up the progress of construction, and improve investment results; we must take effective steps to solve shortages of materials; we must speed up the work of opening up to the world, and strive to expand external economic and technological cooperation and exchanges; we must further enliven the markets, and strengthen leadership over reform of the price system; we must step up the exploitation of brain-power, and insure that science, technology and education are geared to economic construction and produce more results and talent; and we must vigorously develop township enterprises, urban collective enterprises and tertiary industry.

PROVINCIAL AFFAIRS

GANSU GOVERNOR STRESSES INVIGORATING ENTERPRISES

HK180147 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 17 May 85

[Excerpts] In his government work report delivered at the third session of the Sixth Provincial People's Congress, Governor Chen Guangyi pointed out that invigorating the enterprises, especially the large and medium state-owned ones, is the cardinal link in the entire economic structural reform. Large and medium enterprises are the main producers of financial revenue and the dominant force in stimulating social productivity and economic and technological progress.

This year, while continuing to invigorate small enterprises, we must tangibly invigorate large and medium enterprises and implement the regulations on expanding enterprise decision-making powers:

1. We must give the large and medium enterprises greater powers in production operations and planning, reduce the scope of mandatory planning, and expand the scope of guidance planning and regulation by market mechanism.
2. We must reform the management structure within the enterprises and appropriately reduce the size of accounting units within large and medium enterprises. These enterprises must turn their eyes inwards, practice diversification while focusing on one trade, and actively develop comprehensive use.
3. We must expand the scope and proportion of products sold by the enterprises themselves. Apart from fulfilling the state's mandatory tasks, regulation by market mechanism should be practiced regarding the portion of products sold by the enterprises themselves according to the regulations and also products for which they have organized raw material supplies themselves. The policy of high prices for high quality and low prices for low quality is to be practiced.
4. We must expand the scope of awarding bonuses for practicing economy.
5. We must open up production materials trading centers.
6. We must increase the depreciation rate of large and medium enterprises in planned and measured ways, and appropriately readjust the regulatory tax.
7. It is necessary to establish pioneering leadership groups and fully implement the plant manager responsibility system.

CSO: 4006/625

PROVINCIAL AFFAIRS

SHANDONG: COMMENTARY ON DEVELOPING THE ECONOMY AT STABLE SPEED

SK170438 Jinan Shandong Provincial Service in Mandarin 2300 GMT 16 May 85

[Station commentary: "The Economy Should Be Developed at a Normal Speed"]

[Excerpt] The resolution on the government work report adopted at the third session of the Sixth National People's Congress definitely points out: While implementing the 1985 plans for the economic and social development, we must continually adhere to the principles of seeking truth from facts and making progress in a stable manner, prevent and correct the practice of putting one-sided emphasis on increase rate, continually regard the improvement of economic work, and develop the economy at a stable speed, on the premise of improving the economic results.

At present, the general situation on the economic development is very good across the country, and there is a new situation in which the economy develops in a stable, sustained and coordinated manner. This is credited to the implementation of the principles of readjusting and invigorating the economy and opening ourselves to the outside world. What merits our attention is that some localities, departments and enterprises put one-sided emphasis on output value and increase rate to the neglect of economic results. They blindly expand the scope of capital construction and develop the town and township enterprises regardless of the market demands and practical conditions. They get a great amount of the circulating funds from the banks to increase the investment in the fixed assets, and use a great amount of foreign exchanges to import raw materials with the aim of surpassing the others in the growth rate. If we fail to correct such situations in a timely manner, the failure will result in encouraging the evil trends of telling a lie, handling affairs in a mechanical way, being boastful and exaggerating, and wantonly raising funds to develop production. The failure in correcting such situations will also aggravate the pressure on energy resources and transport facilities, sharpen the imbalance between the raw materials industry and the processing industry, and conceal the situation of the product quality becoming poorer and product variety fewer. All these will bring out a disorder in the economic life, and hamper the smooth development of the reform.

CSO: 4006/625

PROVINCIAL AFFAIRS

REPORT ON SHANGHAI 1985 ECONOMIC, SOCIAL PLAN

OW160801 Shanghai JIEFANG RIBAO in Chinese 3 May 85 p 3

["Excerpts" of Report on the 1985 National Economic and Social Development Plan of Shanghai Municipality by Vice Mayor Zhu Zhongbao at the Third Session of the Eighth Shanghai Municipal People's Congress on 23 April 1985]

[Text] 1. Implementation of the 1984 Plan

The tasks set in Shanghai's 1984 national economic and social development plan were all fairly successfully fulfilled or overfulfilled.

There was an all-round increase in production and income and some improvement in efficiency. Shanghai's GNP reached 37.8 billion yuan, up 9.8 percent from the year before, and its national income 33 billion yuan, up 8.8 percent. There was a balanced development of light and heavy industries, and the year's output targets for 78 of the 89 major products were fulfilled or overfulfilled. Industrial economic results continued to grow. The production of farm and sideline products increased by a large margin. The municipality's financial revenue reached 21.58 billion yuan, up 5.6 percent from the previous year.

Passenger and cargo transport and posts and telecommunications departments all exceeded their plans. A large increase was registered both in the number of passengers and the volume of cargo handled; Shanghai Harbor's handling capacity surpassed 100 million metric tons, which elevated it to the ranks of the world's largest; and the total amount of fees collected for posts and telecommunications services rose 13.6 percent compared with the year before.

The year brought about new vistas for opening to the outside world and cooperating with the inland areas. A total of 53 contracts calling for foreign capital use were approved during the year, with the total sum of the contracts reaching \$440 million, a four-fold increase over the previous year. Exports handled by the foreign trade ports had a total value of \$3.59 billion, 36 percent above the target set in the plan. The municipality entered into various kinds of economic associations with 23 other provinces, municipalities and autonomous regions.

Investment in fixed assets and construction of key municipal projects were gaining speed, and investment environments were improved. Investments in fixed assets made by all units owned by the whole people in the municipality

involved a total of 7.7 billion yuan. Of this, 4.7 billion yuan was invested in capital construction, projects, up 10.3 percent from the year before. Construction of basic urban facilities was accelerated and strengthened, and the investment environments were improved.

Circulation expanded in scope, and the market was prosperous and brisk. The volume of industrial products purchased by the municipality's commercial departments and that transferred by them to other localities both registered a more than 12 percent increase over the previous year. The volume of commodity retail sales in society in this municipality reached 12.98 billion yuan, 21.7 percent more than a year ago.

New achievements were made in science and technology. The municipality achieved 1,585 major scientific research results. Of these, 52.6 percent have already been popularized and applied to varying extents, with economic and social results already gained.

Social development plans, including those for education, culture, public health and physical education were all fulfilled relatively well. The education departments intensified the training of competent people through various channels, at various levels, and by various means. The number of graduate students and students enrolled in general institutions of higher learning, special or technical secondary schools, polytechnic schools and vocational schools showed increases over the year before. The number of adults taking various training courses totaled 810,000. Cultural, movie, radio, television, journalism and publishing departments all fulfilled their plans. In addition to an increase of 1,400 hospital beds, more than 20,000 sick beds were installed in various families' homes. The natural population growth rate of the municipality dropped further from 8.5 per thousand the year before to 7.8 per thousand.

The total output value of the "tertiary industry" showed an increase of 14.5 percent over the previous year. Its proportion in the municipality's GNP rose to 22.8 percent.

Incomes for the people in urban and rural areas increased fairly fast, and their living standard was raised further. The total payroll of the municipality's workers and other employees was 5.37 billion yuan (including bonuses), up 25.2 from the previous year. The average income obtained by suburban peasants from collective distribution reached 549 yuan, up 49.2 percent from the year before. Urban and rural savings deposits amounted to a total of 5.6 billion yuan at the end of 1984, a net gain of 1 billion yuan over the beginning of the same year.

## [OW160803] 2. Tasks and Plans for 1985

### 1) Strive to increase the production of readily marketable goods.

According to preliminary estimates, the total value of exports from Shanghai Port will be \$3.323 billion, of which \$3 billion will be exports from Shanghai Municipality, which will be 6 percent more than in 1984; institutional

purchases will be 14.8 billion yuan, a 14-percent increase over 1984; and manufactured goods shipped out of Shanghai will be 13.6 billion yuan, a 1.5-percent increase over 1984. The "three markets" mentioned above call for an increase in the amount of goods by 3.7 billion yuan over 1984. Based on the demands of the "three markets," Shanghai's industrial production plan sets the total output value at 80.4 billion yuan (83.05 billion yuan if village-run industries are included). This will be 8 percent more than in 1984. After the state plans have been fulfilled, efforts will be made to improve product quality, produce more brand-name and quality goods, and develop new products to meet the changes in market supply and demand.

2) Speed up the import of advanced technology and the use of foreign capital, selectively transform traditional industries and develop new industries.

In the electronics industry, it is necessary to concentrate on formulating plans for and speed up the construction of the electronics industrial base in Shanghai. This year's emphases are on drawing up a well-conceived plan and design and doing other preliminary work for the Caohejing microelectronics industrial zone; finalizing the plans for the two integrated establishments, one for electronic computers, the other for large-scale integrated circuits; promoting the development of the computer industry by popularizing computer applications and related technical services; and paying close attention to the construction of the imported projects on large-scale integrated circuits and microcomputer production.

As regards the essential raw and semifinished materials, it is necessary to take into account the readjustments in the trade structure and product mix of Shanghai, and speed up the development of products in short supply which can replace imported goods, and which are needed but have not yet been produced.

In light and textile industries, new technologies, techniques and materials will be used to swiftly replace and upgrade old products; new products will be developed; and greater efforts will be made to produce more readily marketable brand-name and exports products of good quality badly needed by the market.

In developing new technologies, it is necessary to concentrate the efforts of all sectors on trial manufacturing and research of microelectronics technology, computer components, new types of materials, optic fiber communications, bio-engineering, laser technology, robotics and offshore oil development equipment. The plan calls for producing 2,000 kilometers of optic fiber and some optic cable; actively promoting laser application in cutting, heat treatment and welding; and establishing a research office in genetic engineering application. We will strive to make new progress in the new year.

3) Draw up a good plan for the investment in fixed assets, with the emphasis on strengthening the urban infrastructure.

Shanghai's projected funds for investment in fixed assets, in the form of local financial appropriations, self-raised funds and bank loans, total 7.66 billion yuan, topping 1984 by 8 percent. It is necessary to give priority to urban infrastructure. The major construction projects in the preliminary stage this year are: The Luojing new port zone, the Hongqiao airport expansion

project, the Caoan Expressway (from Caoan Road in Puto district to Anting), the 13.5-km subway from Shilong Road (Xinlonghua) to the new railway passenger terminal, the north-south suburban expressway, the Caoxi Road interchange, the Zhongshan Road elevated transport route, the Ningguo underwater tunnel, the Huangpu Jiang Bridge, the municipal main sewage system, the gas plant, the municipal mansion, the Shanghai library, the cultural center, the large-scale underground parking lot, the Xinghuo farm's pulp-making facilities, and others.

[OW160805] Major municipal projects under construction this year include the water diversion project on the upper reaches of the Huangpu Jiang, the cross-river tunnel on the East Yanan Road, the new railway station, the key telecommunications project, the Pudong gas plant, and the Hujia and Zisong freeways, as well as expansion projects involving the Huating, Hongqiao and Jinjiang Guesthouses and the Xinhua, Huadong and contagious disease hospitals, and so forth. Efforts are being made to complete these mainstay projects on time so that they will become operational at an early date.

Capital construction projects scheduled to be completed in Shanghai before the end of the year include 4.6 million square meters of living quarters, 400,000 square meters of supplementary public facilities, and ancillary facilities in some small residential areas; an overpass on Zhenbei Road for vehicles, and six other overpasses for pedestrians in urban areas; an international container wharf with a capacity for 800,000 metric tons of cargo; a cultural center and a theater; the expansion of 4 hospitals to accommodate 350 sickbeds; the installation of 32,000 telephones and 400 international telephone lines; the infrastructure of the Minhang development district; the expansion of the Tianshan sewage processing plant, which will increase the city's sewage handling capacity by 75,000 metric tons; the installation of a 125,000-kilowatt generator at the Minhang power plant before National Day, and the completion of the Quyang, Tianshan, Luban and 5 other small substations; the completion of 8 tourist hotels, apartments, and office buildings for foreign businessmen, with a total of 620 hotel rooms, 140 offices and 197 apartment suites; and 2 guesthouses, with a total space for 600 beds.

#### 4.) Develop the "tertiary industry."

It is expected that the total output value of the "tertiary industry" this year will reach 9.58 billion yuan, topping that of last year by 11 percent and representing 23.4 percent of Shanghai's GNP. The specific requirements for 1985 will be: a) setting up more retail centers and readjusting their operating hours to solve the people's dining, shopping and clothesmaking problems; b) whenever they can, all enterprises and establishments should fully utilize their available facilities and staff to develop the "tertiary industry" to serve themselves and other units; c) expand banking, insurance and trust services to speed up capital circulation and enliven banking services; d) promote information and consultation services, open the technology market, and give full scope to the role of information by promoting the development, application and transmission of information; e) raise capital by various means, and organize various types of companies to develop and manage real estate so that more and more houses will gradually be sold as commodities; f) encourage the setting up of more taxi companies and increase the number

of taxis to solve the taxi shortage; g) improve the management of existing hotels and guesthouses, improve the quality of their service, build more new hotels, develop tourism service, and expand the tourism network.

5) Gradually restructure the rural economy in the order of trade, industry and agriculture.

The rural areas' principal agricultural tasks are to develop their commodity economy to serve the urban areas and expand export. We should seize the current opportunity and speed up restructuring agricultural production. While planning agricultural production, we must make an effort to develop production of agricultural and nonstaple foodstuffs in short supply and increase the supply of pork, vegetables, fowl, eggs, fish, dairy products, melons, fruit, and so forth.

6) Pay attention to the development of intellectual resources and speed up the training of competent personnel.

This year Shanghai plans to enroll 36,000 full-time undergraduate students and 2,880 postgraduate students, an increase of 20 and 22 percent, respectively, over last year. This year institutes of higher education in Shanghai will enroll 31,500 adult students, an increase of 12.5 percent; and various special and technical schools will enroll 20,500 students, an increase of 15.7 percent.

Urban population growth will continue to be strictly controlled. Shanghai's natural population growth rate will be kept under 0.8 percent.

On the basis of the above plans, it is expected that Shanghai's GNP in 1985 will reach 41 billion, an increase of 8.5 percent over 1984, and that natural revenues will total 35.18 billion yuan, an increase of 6.6 percent over 1984.

[OW160807] 3. Projects To Be Accomplished in Order To Achieve the 1985 Plan

1) Expedite economic reform.

In addition to actively and steadily reforming the price and wage systems in accordance with the State Council's centralized plans, other major reforms include simplifying the administration, delegating more authority to lower departments, reinvigorating enterprises--especially large- and medium-sized ones--promoting lateral economic ties, applying economic leverage in a comprehensive manner, and normalizing economic relations. Reform of the planning system primarily means reforming it in a planned manner in accordance with the commodity economy theory, curtailing mandatory plans, and expanding the scope of guidance planning and market regulation. Reform of scientific and technological institutions should include exploring and enlivening the technology market, reforming the fund-allocation system, integrating scientific research with production, and applying the results of research in production.

2) Strengthen the management of macroeconomic activities, strictly enforce financial and economic discipline and combat unhealthy tendencies.

First, we must intensify credit management so that more currency can be withdrawn from circulation. The Shanghai branch of the People's Bank should do a good job in achieving an overall balance in Shanghai's banking operations, and strengthen the management and adjustment of the various specialized banks' credit funds. It should control investment in fixed assets and extension of loans for circulating funds, in accordance with plans. It should, by tightening credit, force the various enterprises to speed up capital circulation and tap their capital potential. It should also work energetically to recover more currency from circulation.

Second, we must tighten control of consumption funds. In principle, welfare funds and award funds an enterprise retains from its profits should be spent at a rate that has been approved. Recklessness in raising wage grades and issuing awards and allowances in cash or in kind in violation of state regulations must be resolutely combated. Turning production funds into consumption funds is prohibited. Group purchasing power should be strictly controlled.

Third, we must control the size of investments in fixed assets. Investment in capital construction projects and technical transformation projects must be executed strictly in accordance with the municipal government's plan, and no additional new projects should be added. With approval, these projects, in the course of their execution, may be appropriately readjusted within the scope of investment. Investment with funds raised by local authorities or enterprises themselves may be readjusted within 10 percent of the investment.

3) Shortage in the supply of raw and semifinished materials should be solved by exploring other resources and cutting consumption.

In addition to expediting the delivery of major supplies allocated by the state, we should also take advantage of Shanghai's economic and technical advantages to develop regional economic and technical cooperation in an active and selective manner to promote the exchange of supplies. When necessary, certain supplies may be imported. We should also organize Shanghai enterprises that produce raw and semifinished materials to increase output, give full play to the role of the various production means trading centers, invigorate the market, and expand the trading of supplies. We must also work energetically to conserve consumption.

4) Expand exports to earn more foreign exchange.

First of all, we must carry out various policies to encourage exports. In addition to giving preferential treatment to export commodities in terms of prices and taxes, we should also adopt other incentives. Second, we should permit grassroots enterprises to share one-half of the retainable foreign exchange, permit them to open special accounts with banks, and work out measures that will help them in spending their foreign exchange properly. Third, we should thoroughly review the various units' needs for foreign exchange this year, making sure that the funds are available for importing what they need. Fourth, we should increase our foreign exchange revenues by promoting tourism and other services of a nontrading nature.

PROVINCIAL AFFAIRS

REPORT ON SHANGHAI CONGRESS COMMITTEE WORK

OW161001 Shanghai JIEFANG RIBAO in Chinese 3 May 85 p 2

[Report on the work of the Shanghai Municipal People's Congress Standing Committee by Vice Chairman Shi Ping at the third session of the Eighth Shanghai Municipal People's Congress on 26 April 1985]

[Text] Fellow deputies:

Entrusted by the Standing Committee of the Eighth Shanghai Municipal People's Congress, I now submit to the present session a report on the work of the Standing Committee over the past year.

Since the conclusion of the second session of the Eighth Municipal People's Congress, the Standing Committee of the Municipal People's Congress has striven to do its work around the central task of economic construction in accordance with the resolutions adopted by the second session of the Eighth Municipal People's Congress, the guidelines laid down by the second session of the Sixth National People's Congress, and the functions and powers vested in it by the law.

The Standing Committee of the Municipal People's Congress held six plenary meetings in the past year. These plenary meetings discussed 38 bills; adopted 5 local regulations; heard and deliberated more than 10 work reports by the Municipal People's Government on finance, economic affairs, reform, opening to the outside world, foreign affairs and other matters; adopted 9 decisions and resolutions; and appointed and removed 184 municipal government functionaries.

Now I will report to the present session on several major tasks undertaken by the Standing Committee over the past year.

1. Organizing deputies to make inspections around the two major tasks of carrying out reform and opening to the outside world.

In accordance with the guidelines laid down by the second session of the Sixth National People's Congress and the second session of the Eighth Municipal People's Congress, a chairmanship meeting decided to organize groups of deputies to inspect, according to each group's specialized field, the work of the Municipal People's Government from mid-September to late November 1984. Six hundred thirty deputies to the Municipal People's Congress and 24 NPC deputies

in Shanghai participated in such inspections. Groups of deputies respectively inspected 160 units, including industrial, commercial and building enterprises, institutions of higher learning, scientific research institutes, and medical and public health units, around the work of carrying out reform and opening to the outside world in order to acquaint themselves with the situation in carrying out reforms, importing advanced technologies from abroad, using foreign funds, and developing rural specialized households. Meanwhile, they also inspected social order and the progress of 15 items bearing on the livelihood of the people in which the Municipal People's Government should do well in 1984.

Through such inspections, the deputies saw with their own eyes that, in accordance with the plans of the party Central Committee and the State Council, the municipality was reforming the economic structure and opening itself to the outside world in a well-guided and systematic way, achieving initial results. Enterprises strengthened their vitality to some extent, and economic results improved. The sustained and stable growth of production was maintained, and the living standards of workers and staff improved. The deputies fully affirmed the achievements made in reform and opening to the outside world. At the same time, they put forward a number of constructive opinions and suggestions on some new situations and problems arising in reform and in opening to the outside world. The deputies held: In the reform of industrial enterprises, there are still such problems as the reform not being carried out in a coordinated way, overconcentration of powers in higher-level departments, and a lack of vitality in enterprises. They hoped that government departments and specialized companies would further streamline their administrative structure, delegate more authority to lower-level units, serve basic-level units and enterprises better, and insure that enterprises really have decisionmaking powers. In restructuring commerce, it is necessary to accelerate the reform of the commodity circulation system according to the requirement for building an open, multichannel system with fewer intermediate links in order to meet the needs of the people in daily life. Conscientious efforts should be made to solve the problems of damaging consumers' interests and of poor-quality services. In the reform of the building industry, it is necessary to further improve the various forms of the economic responsibility system and to set up or strengthen organizations for supervision over the quality of construction projects. In addition, efforts should be made to effectively solve problems of building materials and architectural designs failing to timely meet the needs of construction projects. In the reform of the science and technology management system, it is necessary to solve institutionally the problem of scientific research being divorced from production and to vigorously open a technology market in order to transform scientific and technological achievements into a productive force as quickly as possible. In reforming institutions of higher learning, it is necessary to adhere to the orientation of "being geared to modernization, the world and the future," to put stress on training talented people and achieving results in scientific research, and to prevent concentrating the main efforts on earning an income or making money. In the reform of medical service and public health work, efforts should be made to effectively improve the quality of medical service, to make things convenient for people, and to mainly solve the difficulties people might have in seeing a doctor or getting hospitalized. In making use of foreign funds, the deputies held: It is all right to build some high-rise

buildings in appropriate sections of the municipality to meet the needs of opening to the outside world, but they must be distributed rationally according to the urban construction plan, and there should be a complete set of basic facilities for such buildings; they should not be built in central areas of the municipality. Coordination should be strengthened in negotiating and signing contracts, carrying out such contracts, and engaging in production and management at all levels. Multilevel and multichannel methods should be adopted to accelerate the training of qualified personnel for handling foreign economic relations and trade. [OW161003] In importing advanced foreign technology, it is necessary to simplify the formalities for examination and approval and to strengthen planning, management and trade guidance. It is necessary to select projects in a conscientious way in accordance with the principle of choosing the advanced, suitable, economical and feasible so as to speed up the transformation of traditional industry and greatly develop new industry. It is necessary to produce complete sets of facilities in China, reduce duplicate imports, study the imported equipment and technology well, and bring forth new ideas so as to raise our capability of developing independently and narrow the gap between the national level and the advanced international level in industry, science and technology as soon as possible. With regard to the new situation in the circulation of qualified personnel at present, the deputies held that we should study and formulate policies and measures on the circulation of qualified personnel in accordance with the principle of insuring rational circulation so as to bring the role of the available qualified personnel into full play. The deputies also pointed out: People should not use simple administrative means to stifle questions arising in reforms. Instead, they should adroitly guide action according to circumstances while retaining advantages and getting rid of disadvantages. In making reforms, we must not only further enliven the economy but also strengthen macroeconomic control and management, improve the legal system, and speed up the formulation of Shanghai's local economic laws and regulations and other laws and regulations so as to guarantee smooth progress and healthy development in economic reform and opening to the outside world.

All the inspection groups separately wrote inspection reports, all of which have been turned over by the General Office of the Standing Committee to the municipal government's departments concerned for study and handling. Some prominent questions have been turned over to Mayor Wang Daohan in special reports. The 12th Standing Committee meeting also heard reports on the deputies' inspections and conducted discussions. The municipal government and its departments concerned studied the deputies' suggestions one by one, solved some of the questions, and reported their handling to the Municipal People's Congress Standing Committee. The Standing Committee General Office has reported all this to the Standing Committee members and Municipal People's Congress deputies through the PEOPLE'S CONGRESS BULLETIN or the PEOPLE'S CONGRESS WORK NEWSLETTER.

The deputies were satisfied with last year's inspections. They pointed out: The inspection activities were all organized and arranged by the Municipal People's Congress Standing Committee. We not only heard reports from departments concerned of the municipal authorities, but also visited some typical units for inspection. By combining areas with key points, we achieved better

results. The contents of our inspections were mainly reform and opening to the outside world, suited to the practical needs of Shanghai's four modernizations. Summing up their inspections, the deputies said: The inspections were helpful to the deputies' participation in managing state affairs, to strengthening the ties between the Shanghai government and the People's Congress deputies so that the deputies can understand the government's work, and to supervising the government's work and promoting Shanghai's reform and opening to the outside world.

2. Organizing members to conduct investigation and study on prominent questions in Shanghai's urban construction and production.

Since the 3d Plenary Session of the 11th CPC Central Committee, Shanghai has speeded up the construction of housing projects and achieved very great results. However, Shanghai's basic facilities are still poor, and the problem of inadequate facilities for public use and other questions remain prominent. According to the masses' ideas and deputies' suggestions and the decision reached at a meeting sponsored by the chairman after studying them, the Municipal People's Congress Standing Committee last year organized members to inspect some new residential areas. They analyzed typical cases and conducted investigation on the planning and building of Tianlin new village. They pointed out: To improve the masses' housing conditions, we must not only further speed up the construction of housing projects in Shanghai, but also pay great attention to the beneficial results of these housing projects while keeping to the construction principle of "underground first, ground surface second." It is essential to finish the construction of the city's basic facilities first and complete all facilities in residential areas so as to make things convenient for the people's living. The members also made specific suggestions on further reforming housing development, construction and management, on planning and designing residential areas well, and on other questions. [OW161005] In the fourth quarter of last year, the Standing Committee Office informed the General Office of the Municipal People's Government of the opinions put forward by some of the Municipal People's Congress deputies on Shanghai's housing construction, public utility projects and environmental protection. Based on the opinions and suggestions put forward by the committee members and the deputies, the Municipal People's Government has conducted discussions and studies on questions concerning housing construction plans, relocation of occupants from land taken over for use, basic urban construction, auxiliary projects for public-owned commerce [gong jian shang ye [0361 1696 0794 2814]], building materials and components and design work.

How to improve the quality of the drinking water in this city is a question the people of Shanghai are greatly concerned about. In order to promote a solution of this question, the Standing Committee organized a specific study, conducted by its resident members, on how to protect the water sources on the upper reaches of the Huangpujiang and the Dingshanhu. The Standing Committee suggested that the municipal government make a decision at an early date so that the project to relocate the water intake on the Huangpujiang to its upper reaches could be started sooner. At the same time, it requested the municipal government to formulate regulations governing environmental protection for the scenic spots on the upper reaches of the Huangpujiang and the Dingshanhu. At

the same time, it requested the municipal government to formulate regulations governing environmental protection for the scenic spots on the upper reaches of the Huangpujiang and the Dingshanhu. At present, the construction of the water intake project on the upper reaches of the Huangpujiang has already started, and the regulations governing the protection of water sources on the upper reaches of the Huangpujiang, as local legislation, have been examined and adopted by the Standing Committee.

Last year, the production and finance and trade committees also organized specific investigations and studies, conducted by their resident members, on how to solve properly questions concerning "triple-cropping" of grain and acceleration of fresh-water fish breeding in Shanghai's suburban areas. They put forward constructive opinions helpful to the readjustment of the agricultural structure and to the development of agricultural and sideline production in our suburban areas.

Facts show that the practice of organizing committee members in a planned way to conduct thorough investigations and study of important questions concerning Shanghai's economic construction, and then putting forward opinions and suggestions to the Municipal People's Government helps the Standing Committee perform its functions and also helps the government improve its work.

3. Promoting local legislation and supervising the implementation of law for the purpose of improving the socialist legal system.

In accordance with the guidelines contained in Chairman Peng Zhen's speech on stepping up publicity for the socialist legal system, and in line with the opinions of the chairmanship meeting of the Municipal People's Congress Standing Committee, the legislative committee last August successively held discussion meetings on publicizing the legal system. The meetings were attended by personnel from the public security, procuratorial and judiciary departments, mass organizations and the media. The 11th meeting of the Municipal People's Congress Standing Committee discussed the special subject "Development of Socialist Democracy and Improvement of the Socialist Legal System," and listened to a briefing by the municipal department of justice on publicity for the legal system and to a suggestion made by the legislative committee on stepping up publicity for the legal system. The meeting called for efforts to popularize legal knowledge constantly among the people in Shanghai and institutionalize such education.

In local legislation, in the past year or so the Standing Committee enacted two pieces of local economic legislation--"Interim Provisions of Shanghai Municipality for Energy Conservation Industrial Enterprises" and "Regulations of Shanghai Municipality Governing the Protection of Water Sources on the Upper Reaches of the Huangpujiang." The two pieces of legislation play an important role in conserving energy, insuring steady industrial development, protecting water sources and protecting the people's health in Shanghai. The Standing Committee also enacted "Certain Provisions of Shanghai Municipality for Protecting the Legal Rights and Interests of Women and Children," which protects women's legal rights and interests to insure healthy growth of children morally, intellectually and physically. It enacted "Interim Provisions of

Shanghai Municipality for Handling Medical Accidents," which provides legal protection to the legal rights and interests of patients, their relatives and medical personnel and is conducive to the maintenance of a stable working and social order. In order to ban the crime of gambling and maintain good standards of social conduct, the Standing Committee enacted "Regulations of Shanghai Municipality for Strictly Prohibiting Gambling."

[OW161007] In accordance with the proposals put forward by the deputies at the second session of the Eighth Shanghai Municipal People's Congress on formulating municipal regulations on universal compulsory education, the Education, Science and Culture Committee conducted an in-depth investigation on the situation of general education in the municipality, extensively solicited opinions of the concerned quarters, and together with the concerned departments of the municipal government drew up the "Regulations of Shanghai Municipality on Universal Compulsory Education (Draft)." The concerned quarters held that formulation of this local regulation is of very important significance in developing the municipality's education, accelerating the training of qualified personnel, and building the four modernizations. In accordance with the central authorities' guidelines on reform of the educational system, the municipal government further revised the "Regulations of Shanghai Municipality on Universal Compulsory Education (Draft)" and then submitted it to the Standing Committee for examination.

On participating in state legislation, the Municipal People's Congress Standing Committee, according to the demands of the NPC Standing Committee and Chairman Peng Zhen on drafting the "Law Governing State-owned Industrial Enterprises (Draft)," organized an ad hoc committee to join the concerned departments of the municipal government to conduct voluminous investigation and study. It organized discussion meetings on several occasions for concerned personnel of the concerned municipal departments, directors of some 30 factories, secretaries of party committees, and chairmen of trade union councils; wrote the "Suggestions and Opinions on Formulation of the 'Law Governing State-owned Industrial Enterprises (Draft)'" ; submitted it to the investigation group of the NPC Standing Committee for study; and presented opinions on several occasions for revision of the "Law Governing State-owned Industrial Enterprises (Draft)." Also in accordance with the demands of the NPC Standing Committee, concerned special committees organized the concerned departments and experts to separately discuss and study the "Accounting Law," the "Statistics Law," the "Inheritance Law," the "Pharmaceuticals Control Law," and four other draft laws; they reorganized the opinions and suggestions for submission to higher authorities.

To insure implementation of the constitution, laws and administrative rules and regulations in local administrative regions is an important aspect of perfecting the legal system and an important duty of the various local people's congresses and their standing committees. Over the past year, the Financial and Trade Committee and the Legislative Affairs Committee have jointly organized the concerned departments to conduct investigation and study on implementation of the "Economic Contracts Law" and the "Trademark Law" in the municipality. The two committees have affirmed the results on enforcement of the laws, pointed out the existing problems, and presented opinions and

suggestions for improvement. To this end, the municipal administration of industry and commerce and other departments seriously studied and adopted improvement measures and promoted implementation of the "Economic Contracts Law" and the "Trademarks Law" in the municipality. The Education, Science and Culture Committee and the Urban Construction Committee also conducted supervision and inspection on implementation of the "Food Hygiene Law (Trial)," the "Regulations of Shanghai Municipality on Protection of Ancient and Precious Trees," and the "Provisions of Shanghai Municipality Governing the Dismantling of Houses and Relocation of Occupants"; they promoted the implementation of these laws and regulations in the municipality.

#### 4. Develop socialist democracy and strengthen ties with the deputies.

The Municipal People's Congress Standing Committee is a power organ for collective exercise of its functions and powers. Over the past year, the Standing Committee has paid attention to carrying forward democracy and implementing the principle of democratic centralism in exercising its functions and powers and in carrying out routine work. In holding meetings, Standing Committee members actively aired views and seriously examined the topics for discussion. Improvement has also been made in the work to appoint and dismiss government functionaries. The Standing Committee also paid attention to the criteria of hiring younger, better educated, more professional and revolutionary cadres. It seriously examined all appointments and dismissals, and exercised its power of appointing and dismissing government functionaries strictly in accordance with the procedures of law.

The Standing Committee has also made improvements in strengthening ties with the deputies and organizing the deputies in unfolding the various activities. Besides organizing the deputies to carry out inspection work, the special committees under the Standing Committee also invited some of the municipal people's deputies to take part in the examination of the local draft laws and regulations, to attend as observers the relevant meetings of the special committees, to participate in discussion and investigative activities on special topics, and to listen to the opinions and suggestions of the deputies in order to understand the voice and demands of the people. Through these activities, the ties between the Standing Committee and the deputies have been strengthened and the role of deputies in participating in administration of state affairs has been brought into play.

[OW161009] In accordance with the deputies' demands and suggestions, beginning in June 1984, the Standing Committee office compiled and published the "Communique of the Shanghai Municipal People's Congress Standing Committee" and the "Newsletters on the Work of the People's Congress." Mainly to publicize the laws, rules and regulations promulgated by the state and the municipality; important speeches by Chairman Peng Zhen; reports on the activities of the Municipal People's Congress Standing Committee; as well as publishing work experiences of fraternal provincial and municipal people's congresses, the two publications are for distribution to the deputies of the Municipal People's Congress and to NPC deputies elected in the municipality. The publications help to cement the ties between the Standing Committee and the deputies and enable deputies to become familiar with the state's laws and policies and the work of the state organs so that they can better perform their functions and duties.

Since the second session of the Eighth Shanghai Municipal People's Congress, the Municipal People's Congress Standing Committee and the Municipal People's Government have handled 912 written proposals presented by the municipal people's deputies. Among them, 403 proposals, or 44.2 percent of the total number of proposals, have either been implemented, are being implemented, or have been listed in future work plans for gradual implementation after favorable conditions have been created; 276 proposals, or 30.3 percent, have not been adopted either because of limited state financial and material resources and thus cannot be implemented in the near future or because of other reasons which must be explained to the deputies concerned; and 233 proposals, or 25.5 percent, require further research and study by the concerned departments. Over the past year, the Municipal People's Congress Standing Committee has also received 202 letters and 76 visits by deputies, as well as 5,174 letters and 2,075 visits by the masses. The number of letters and visits by the masses dropped last year in comparison with 1983. Letters of complaint, exposure and appeal in particular dropped by bigger margins. This is a reflection of further implementation of the various party and state policies, further strengthening of the concept of democracy and the legal system by the state organs and functionaries, and further improvement in the work style. Owing to implementation of reform policies, opening to the outside world, and enlivening the domestic economy, the number of letters requesting employment, change of household registration, transfer of work and improvement of livelihood also noticeably dropped. Currently, most of the letters show concern for labor wages, housing, urban administration, communications and environmental protection. In handling these letters and visits, the Standing Committee, in accordance with the principle of "giving responsibility to the various levels and referring letters and visits to concerned departments," handled those proposals coming under its jurisdiction and referred others to the government, court, procuratorate, or department concerned; however, it exercised supervision and inspection. Over the past year, the Standing Committee, in handling the various letters of appeal, has supervised and urged the judicial departments to redress and rectify over 30 cases. Some salient problems which affect the livelihood of the people have also been resolved through efforts by the concerned quarters.

Through various ways and means, the Standing Committee has also improved ties with the district and county people's congress standing committees. After consulting with the NPC Standing Committee, the Municipal People's Congress Standing Committee seriously and responsibly replied to questions by the district and county people's congress standing committees on the application of certain laws. The Standing Committee also assisted the districts and counties in the election work of the people's congresses at the county and the township levels, thereby further strengthening construction of the grassroots power organs. As of May 1984, in the municipality's suburban counties, government administration has been separated from commune management. With the establishment of 206 township governments, township construction work was triumphantly completed. As of the end of 1984, village committees had also been set up at all the villages.

[OW161011] 5. Send a friendship delegation to Japan's Osaka Prefecture and do a good job in foreign affairs reception work.

Last October, upon the invitation of the parliament of Japan's Osaka Prefecture, a delegation of the Shanghai Municipal People's Congress Standing Committee, with Hu Lijiao and Shi Ping as head and deputy head of the delegation, paid a friendly visit to Japan and achieved a complete success. The visit promoted friendship and understanding between the Shanghai Municipal People's Congress Standing Committee and the assembly of Osaka Prefecture, Japan and created new channels to exchange friendly visits between the people of Shanghai Municipality and Osaka Prefecture. In the past year, the Standing Committee also received 46 groups of foreign guests from 27 countries. In exchanging friendly visits with foreign parliaments, we stressed introducing the system of the people's congresses of China and the exercise of the functions and powers of the local people's congress and its standing committee. We also introduced the importation of advanced foreign technology and the use of foreign capital by the municipality in implementing the policy of making reforms, opening of the outside world, and invigorating China's economy. Facts show that conscientiously doing a good job in foreign affairs reception work and increasing the exchanges of friendly visits with parliaments of various countries are of great significance to developing foreign economic and technological cooperation, strengthening friendly relations with local parliaments of various countries, and promoting friendship with peoples of various countries. The Standing Committee will continue to strengthen such work.

The 9th and 11th meetings of the Standing Committee also heard a report on a Shanghai municipal friendship delegation's visit to Italy and Belgium, a report on activities celebrating the 10th anniversary of establishment of sister-city ties between Shanghai Municipality and Osaka City, and a report on a Shanghai Municipal friendship delegation's visit to Yokohama City, Japan, given by the Municipal People's Government. The Standing Committee held that these foreign affairs activities conducted by the Municipal People's Government were successful and played an important role in strengthening the friendship with the peoples of these countries and in developing economic and technological cooperation.

Fellow deputies:

The work of the Municipal People's Congress Standing Committee is new and requires constant exploration and summing up of experiences through practice. In the past year, although the Municipal People's Congress Standing Committee did a lot of work and achieved certain success, there were still some deficiencies in its work. The major ones were not paying close attention to formulating local economic laws and regulations, not providing adequate supervision of law enforcement, not providing stern supervision over municipal government work, and paying rather less attention to supervising the work of the courts and the procuratorates. All these areas need to be further improved and strengthened.

After the current session closes, the Municipal People's Congress Standing Committee should continue to focus on the key task of economic construction;

stress such major issues as restructuring China's economy, opening to the outside world, invigorating the domestic economy, raising economic efficiency, developing tertiary industries, developing intellectual resources, and training qualified personnel, using the constitution and other laws as the guideline; examine, discuss and decide on the important issues concerned; strengthen the building of socialist democracy and the legal system; and strive to create a new situation in the work of the Standing Committee.

[OW161013] First, it is necessary to strengthen local legislative work with emphasis on economic legislation.

"The Decision of the Central Committee of the Communist Party of China on Reform of the Economic Structure" pointed out: "More and more norms guiding economic relations and activities will have to be framed in the form of law in the restructuring of the economy and national economic development. State legislative bodies must produce economic legislation faster." The Municipal People's Congress Standing Committee should strengthen leadership over local legislative work as well as promptly formulate local economic and administrative decrees on opening to the outside world, enlivening the domestic economy, strengthening municipal construction, and on culture, education and public health, so as to guarantee the smooth progress of the development of material and spiritual civilization in Shanghai.

Chairman Peng Zhen recently said that the departments concerned of the NPC Standing Committee are present when the State Council formulates regulations and drafts laws. Similarly, the departments concerned of the State Council also send people to attend the meetings where the NPC Standing Committee examines, discusses and revises draft laws. While drafting and formulating local decrees, the departments concerned of the Municipal People's Congress Standing Committee should closely cooperate with the departments concerned under the municipal government, send people to attend each other's meetings, promptly conduct investigations and studies, and make common efforts to speed up and insure success in Shanghai's local legislative work.

Second, it is necessary to tighten supervision over the work of the municipal government, the court and the procuratorate.

Chairman Peng Zhen has pointed out that supervision over the organs of state power implies supervision over their work as well as over legal matters. Legal supervision is mainly concerned with overseeing the implementation of the constitution by the organs of state power to make sure that they have not violated the constitution and the laws, and have correctly implemented the state's principles and policies. Work supervision is mainly concerned with examining work reports, plans, budgets and final accounts. In the future, the Standing Committee will tighten supervision over the implementation of the constitution, the laws and the administrative decrees in this administrative region, as well as over the administrative, judicial and procuratorial work in Shanghai, so that local organs of state power can improve their functions. Now, particular attention should be paid to strengthening supervision and inspection over government departments to see how they have implemented the central authorities' policies and stipulations on correcting the new unhealthy practices,

and how they have observed financial and economic discipline and the pricing policy, and how they have streamlined their administration and overcome bureaucratism. This is to guarantee the sound development of the economic structural reform and the work to open to the outside world, and to guarantee the fulfillment of Shanghai's national economic and social development program as well as its financial budgets.

Third, the Standing Committee should do more to improve itself.

The work of the Standing Committee is undergoing tremendous changes. In order to successfully conduct its work, the Municipal People's Congress Standing Committee should thoroughly study the constitution and the laws, as well as Chairman Peng Zhen's important speech on the work of the People's Congress Standing Committee; make the people better understand the basic tasks of the People's Congress Standing Committee; promote the development of socialist democracy and legal system; and orient itself toward the general goal and task of socialist modernization. In order for the Standing Committee to focus its work on economic construction, its members and working personnel should earnestly study the "Decision of the Communist Party of China on Reform of the Economic Structure," and important works such as Comrade Deng Xiaoping's "Build Socialism With Chinese Characteristics," and the documents of the third session of the Sixth National People's Congress. They should also learn some socialist economics, and acquire knowledge in modern science and technology. In a word, by exerting ourselves in study, we should be able to adapt our thoughts to the era of great changes, and keep our knowledge in tune with socialist modernization.

We should further improve our work methods and styles, and conduct investigations and studies, which should be considered the basic work method of the Standing Committee in exercising its power and doing its work. It is necessary to conduct investigations and studies in a planned manner, and discover new situations and realistically study new problems. It is also necessary to further perfect the Standing Committee's work system, increase its working personnel, foster closer ties with the people's deputies and the masses, so as to carry out the Standing Committee's work in a more down-to-earth and energetic manner. We should be bold in making innovations and explorations, develop socialist democracy, perfect the socialist legal system, and bring out the power and role of local organs of state power in implementing the Shanghai Economic Development Strategy approved by the State Council.

CS0: 4006/625

PROVINCIAL AFFAIRS

TIANJIN: LI RUIHUAN'S GOVERNMENT WORK REPORT

SK160001 Tianjin TIANJIN RIBAO in Chinese 3 May 85 pp 1-3

[Apparent text of the government work report given by Li Ruihuan, mayor of Tianjin Municipality, at the 3d session of the 10th Tianjin Municipal People's Congress on 22 April 1985]

[Text] Fellow deputies:

The third session of the Sixth National People's Congress, which ended successfully recently, has evoked great repercussions throughout the municipality. The government work report given by Premier Zhao Ziyang has deeply analyzed the current economic situation, and defined the orientation for making the reform of the economic structure successful. We should resolutely implement it in line with the actual situation in Tianjin. Meanwhile, the development of economic construction and the new situation in reform and in opening to the outside world have urgently called for the formulation of the Tianjin municipal overall plan. I now submit a government work report concerning these two issues for examination and discussion by the present session.

On the Economic Situation and the Reform of the Economic Structure

1. The current municipal economic situation is good.

In the past year, in line with the plans of the CPC Central Committee and the State Council and the decision of the 2d session of the 10th Municipal People's Congress, the Municipal People's Government focused its work on economic construction, persisted in grasping the building of the socialist material and spiritual civilizations simultaneously, did an earnest job in reform and opening to the outside world, and stimulated progress in various fields of work. All fronts, as well as all trades and professions, made new achievements in creating a new situation.

The year 1984 witnessed sustained, steady and coordinated development in our municipality. It was a year marked by great changes in the urban areas, continued improvements in the people's livelihood, and vitality in various undertakings.

Total industrial and agricultural output value of the municipality reached 28.14 billion yuan, an increase of 11.6 percent over the previous year.

According to initial calculations, national income reached 11.7 billion yuan, an increase of 8 percent over the previous year. Financial revenue exceeded the annual plan and economic results in all fields increased.

Industrial production increased proportionately. Municipal total industrial output value stood at 25,149,000,000 yuan, an increase of 9.7 percent over the previous year. The output of some major products attained the targets set in the Sixth 5-Year Plan, 1 year ahead of schedule. Both light and heavy industries developed coordinately. The output of some products in short supply, including bicycles, refrigerators, color television sets, washing machines and dryers, electric fans, woolen piece goods and knitting wool, increased by a large margin. The quality of the major products improved steadily and the number of products that won state and municipal quality awards increased by 75 percent compared with 1983.

Agricultural production showed an overall bumper harvest. The total grain output exceeded 2.6 billion jin, an increase of 18.4 percent over the previous year. The output of cotton increased 1.9 times, that of oil-bearing seeds 78.7 percent, and that of vegetables 15.4 percent--all showing a record high. Great progress was made in rural diversified undertakings. A large number of specialized households and economic associations emerged. The production of nonstaple food for the urban areas showed a new breakthrough. The number of township- and village-run enterprises reached 7,200, an increase of 49.6 percent. Their output value reached 2.77 billion yuan, an increase of 36.1 percent over the previous year. The rural commodity output value showed an increase of 26 percent over the previous year.

The annual plans for communications and transport were fulfilled. The freight volume handled by railways and highways and by inland rivers and sea-ways topped annual plans by 1.6 percent and 30.4 percent, respectively. Cargo handled by seaports reached 16.1 million tons, exceeding the annual plan by 11 percent, an increase of 7 percent over the previous year--an all-time record.

[SK160005] Technical transformation was expedited. Investment in technical transformation in the municipality totaled 1.24 billion yuan, 36 percent more than the previous year. A total of 28 key projects were completed or basically completed. Operated with designed capacities, they can increase the output value by 1 billion yuan and the profit and tax by about 200 million yuan. Technical transformation enabled a group of old enterprises to improve the technical level, increase production capacity and promote updating and upgrading of products. The municipality developed through research 2,228 new products, of which 1,400 were put into production in the same year. A total of 259 of them reached advanced world levels.

Commercial purchasing and marketing became even more brisk. Increasingly growing commodity supplies made the markets flourish, and the commodities allocated to outside the municipality increased by a large margin. The total volume of commodity sales increased by 17.5 percent over the previous year. Such a large increase was rare in the history of our municipality.

Gratifying results were achieved in foreign economic relations and foreign trade. The total value of export of Tianjin in the whole year reached \$1,234,000,000 overfulfilling the quota by 17 percent. The scale and quantity of foreign capital utilization expanded remarkably. Contracts were signed on 78 projects involving China-foreign joint ventures and cooperative enterprises, and the total amount of foreign capital used was 1.8 times the total of the previous 5 years. Technology import projects concerning which contracts had been signed, and the money involved showed a 400-percent and a 530-percent increase, respectively, over the total of the previous 4 years. Among these projects, 70 percent were of the world levels of the late 1970's and early 1980's. The work concerning the economic and technical development zone progressed rapidly. Contracts on a group of projects with advanced technology and better economic results were signed, and some of the projects can go into operation within this year.

There was a new look on urban and rural construction. Total investment in capital construction of the municipality once again showed an increase over the previous year, and all construction tasks were fulfilled comprehensively. Houses of various types, totaling some 5 million square meters in floor space, were built, residential house construction task was overfulfilled by 3 million square meters. We completed building the Jizhuangzi waste water treatment plant, the No 1 coal gas plant, the project of diverting Luan He water to Tanggu District, and a number of urban public facilities, such as Xinhong Bridge and the Dongfeng Great Bridge, thus improving the functions of the municipality. We also completed a group of commercial, cultural and educational, and sports facilities, such as the Nanshi restaurant street, classrooms and laboratories of colleges and universities, and primary and middle schools and the tennis hall. We renovated 26 streets and roads in a comprehensive manner, repaired old houses, dismantled illegal shabby houses, expanded some roads, opened up public green land, and improved street appearance. A new situation appeared in village and town construction. Modern multistory houses covering 40,000 square meters were built in 44 pilot villages, more than 50 percent of rural households had tap water supply, and most townships and 1,780 villages throughout the municipality were linked by asphalt-surfaced roads.

The people's living standards improved markedly. The municipal government fulfilled all 20 good things it decided to do to improve the living standards of urban and rural people, and public welfare undertakings showed great development. More urban residents were employed. The income of staff and workers, and peasants continued to increase. The total wages of the municipality's staff and workers increased by 26.6 percent over the previous year. In staff and worker households, the per capita annual income for living expenses was 671 yuan, a 21.4 percent increase over the previous year. In peasant households, the per capita annual net income was 505 yuan, a 22.6 percent increase. By the end of the year, the savings deposits of urban and rural people reached 2,218,000,000 yuan, showing an increase of 33.1 percent over the figure calculated at the beginning of the year.

Further development was achieved in science, education, culture, public health and sports. Geared to the national economic construction, research in natural sciences won important achievements. Research in philosophy and social sciences became more vigorous. Theoretical workers cooperated with departments in charge of practical work to conduct investigations and study focusing on the important tasks of the four modernizations, and thus played a very good role in making policies more scientific. [SK160006] The enrollment of higher learning institutions and secondary vocational schools increased continually, the structure of secondary education was improved remarkably, adult education has developed vigorously, and a great upsurge in studying general and scientific knowledge was set off in both urban and rural areas. With the funds allocated by the governments and raised in rural areas, primary and middle schools in rural areas repaired and built more than 400,000 square meters of school buildings, thus basically resulting in the situation in which every school is built stably, every class has a classroom, every student has his desk and chair, and the building of many schools are the most beautiful ones in their villages. New achievements were scored in the fields of literature and art, press and publications, radio and television broadcasting, tourism and family planning.

In addition to the tremendous achievements scored in the economic and social development, our municipality further consolidated the construction of political power and the legal system. Various districts and neighborhoods played an increasingly important role in building and managing the urban areas and in organizing the people's livelihood. Public security and social order were continually improved, the number of criminal cases in the municipality dropped substantially, and the people's sense of security was strengthened. New progress was made in the fields of nationalities affairs, the overseas Chinese affairs, religious work, the people's air defense and militia work.

To sum up, over the past year, our municipality's political and economic situation was very good with the vast number of the masses having an ease of mind, and a positive and brisk situation prevailed on all fronts of our municipality. In seeing the economic and political situation becoming better and better, the people across the municipality profoundly have recognized the correctness of the line, principles, and policies adopted since the 3d Plenary Session of the 11th CPC Central Committee. They became more confident in the party and the government and in the bright prospects of the magnificent goal by the year 2000 and the socialist cause.

This achievement was credited to the cordial concern of the CPC Central Committee and the State Council, to the direct leadership of the municipal CPC committee, and to the arduous struggle of the people across the municipality. The Municipal People's Congress Standing Committee and the people's deputies gave great support and help to us by supervising the work of the people's government, and by frequently offering good criticism and suggestions. The CPPCC organizations, various democratic parties, various people's groups, and patriotic figures from various circles showed great concern over government work, and offered much advice to us, thus making contributions to our work. The broad masses of commanders and fighters of the PLA units stationed in Tianjin and the Tianjin Garrison District played their due roles in building

spiritual and material civilizations by boldly shouldering heavy burdens for the benefits of the people and the country. The relationships between the army and the government and between the army and the people became closer and closer and developed to a situation in which the army renders service to the people and the people love the army.

Fellow deputies, in the course of fully affirming the current excellent situation, we should also clearly notice the shortcomings and deficiency in government work and in many other fields of work. The readjustment of the product mix falls short of the changes of market demands, and the economic results are not good enough. In particular, the hasty bonus issuance and the abnormal situation in currency circulation at the end of last year expounded to a certain extent the stable market of the municipality, and led to the short supply of some expensive consumer goods and to the fluctuation of the prices of some commodities. Viewed from our work, these problems can be ascribed to the lack of experience in developing the reform, to the failure in overcoming obstructions to the reform, and to the laxity in controlling and managing the macroeconomy. The new unhealthy trends emerging under the new situation are very serious. If we do not pay any attention to these unhealthy trends, do not adopt measures to check them, and let them run their course, these unhealthy trends will seriously damage our economic structure reform, our production and construction, our social life and public security, and, worse still, will destroy a group of cadres.

[SK160010] In accordance with the instructions of the CPC Central Committee and the State Council, the municipal CPC committee and the municipal government resolutely formulated regulations on "10 prohibitions." Under the support of the broad masses of the people, unhealthy practices were basically eliminated. Viewed from the current situation, no greater damage was created by the unhealthy practices. In the first quarter of this year, industrial production continued to rise, showing an increase of 14.6 percent over the corresponding 1984 period. The net currency withdrawn from circulation reached 235 million yuan, more than a 2-fold increase over the corresponding 1984 period, changing the abnormal situation in which at the end of last year the currency put into circulation was higher than that drawn from circulation.

In short, great achievements were made in all work and the situation in the past year was very good. Some problems appeared though. As long as we conscientiously sum up our experience, keep sober-minded, judge the hour, size up the situation and check erroneous ideas at the outset, we will be able to make the people of the whole municipality understand the central authority's policy decision and plan and to ceaselessly consolidate and develop the excellent economic situation.

2. We should continue to promote reform of the economic structure.

Our conscientious attending to the reform of the economic structure is the important reason our municipality's economic situation is excellent. Over the past year, the municipal CPC committee and the municipal government issued more than 20 programs for the reform of the industrial, agricultural, port, capital construction, scientific, educational, cultural, public health,

sports and district and neighborhood structures. All undertakings in all fields were making progress in the course of reforms. Changes in 10 fields have taken place through reforms: The enterprises gradually turned their stress of work from production type into production-and-management type and started to take on the path of concentrating on improving the economic results. The enterprises were vitalized. The establishment of various forms of the economic responsibility systems with a focus on contracts has linked the payment for labor with the results of labor and smashed the "big pot" in distribution. Through readjusting the system for leading the technological transformation work, strengthening the centralized unified leadership, and firmly attending to the key points of work, the pace of technological transformation was accelerated. We enthusiastically implemented the central authority's principle on further opening to the outside world, used foreign funds, imported advanced technology, ran joint ventures, and engaged in the construction of economic and technological development zones. A situation in opening to the outside world was initially created. After exercising the dual leadership and carrying out a system of Tianjin playing a dominant role in management, Tianjin Harbor expanded its powers. The enterprise and its staff and workers were aroused with enthusiasm. The loading and unloading efficiency was rapidly improved. A situation which resulted in delays in vessels' sailings were basically changed. Many economic fields have carried out the principle of simultaneously developing the state, collective and individual sectors of the economy. The collective and individual sectors of the economy was unprecedentedly enlivened. Great progress was made in various sectors of the economy and various management methods. Through conducting exchanges and cooperation in supply, funds, equipment, technological, information and talented personnel fields with brotherly provinces, municipalities and regions, the internal lateral economic cooperation was strengthened. Rural areas took aim at urban markets and expanded the production of nonstaple food while urban areas supported rural areas to develop township- and town-run enterprises. Relationship between urban and rural areas becomes new and closer. Along with the upgrading of our understanding of science and technology and the reform of the scientific and technological structure, a social practice of "ardently loving science and technology and ardently seeking knowledge and virtue" and of respecting knowledge and talented personnel was preliminarily formed. Along with the deep development of reforms and the commodity economy, the people have formed an idea of stressing efficiency, market information and competitiveness. The pace of improving the people's work, study and livelihood was generally accelerated. The people's living methods and spiritual state were changed. In short, it is obvious that the functions of reforms and the people generally acknowledged the achievements in reforms. Persistently conducting reforms in line with the instructions of the 3d Plenum of the 12th CPC Central Committee is in keeping with the historical necessity as well as the people's desire.

[SK160013] In addition, practice has also made us understand that reform is a profound revolution, a process in which the masses create history, and an unprecedented undertaking. The reform of the economic structure with a focus on the urban economy in particular, involves many spheres of work and is very complicated. We lack experience. Along with the weak foundation, the limited financial strength and the poor ability to cope with all cases on the part of

our country, we are bound to encounter some problems and difficulties in our reform work. Therefore, we should be firm and unshakable in our objective and direction of reform and be careful in formulating reform methods and measures.

In his report made at the third session of the Sixth National People's Congress, Premier Zhao Ziyang pointed out that the principles guiding the current reform are: Be steadfast, be prudent in fighting the first battle, and be sure to win. In this year's reform work, we should continue to invigorate the economy, achieve greater achievements in economic results in all fields, make an important step in reforming the wages and pricing systems, realistically and effectively strengthen control and improve management of the macro-economy, lay a better foundation for the future reform, and create better conditions for bringing the relations between the various economic sectors into better balance. In line with the guidelines of Premier Zhao Ziyang's report, the focus of this year's municipal economic structural reform should be on invigorating large and medium-sized enterprises, and reforming the wage and pricing systems.

In invigorating large- and medium-sized enterprises, we should grasp four tasks well: First, we should persist in delegating powers. All competent departments at all levels should conscientiously implement the stipulations of the State Council on expanding the decision-making power of enterprises, and the municipality's specific measures for implementation, and should not delay the implementation at each level. We should revise our municipal methods on expanding the power of enterprises that do not conform with the central guidelines. All economic departments and departments in charge of comprehensive work should check up all stipulations formulated in the past and should resolutely delegate all due powers to enterprises. All competent departments should take the initiative in helping enterprises clear channels in implementing the stipulations, and should help them wisely use their power, and fully display their internal potential. Second, we should actively and prudently conduct reform in industrial companies. Most of our municipal industrial companies are partly administrative and partly enterprise-like. We should gradually minimize or even abolish the administrative functions of companies in the course of reform. Things that can be managed by factories should be managed by factories themselves. Companies should manage things that cannot be managed well by factories. We should reasonably readjust the existing companies that only stress administrative function in line with the internal economic and technical ties and the desire of enterprises. Some of them should be turned into independent economic entities responsible for their own profits and losses. Some should be turned into various forms of service companies dealing with information, consultation, technical development and project contracts--they should also be responsible for their own profits and losses--and some others may also be turned into nongovernmental associations of various trades. Some unnecessary companies should be abolished. Third, we should speed up the promotion of the system in which factory directors and managers have full responsibility. While implementing such a system, first of all, we should select good factory directors. Factory directors should have a good knowledge of technology, specialized skills, policies, operation and management. In selecting factory directors, we should pay attention to their school records, their pioneering spirit, their ability and their

political awareness. Meanwhile, we should use and train a number of talented personnel who have specialized knowledge, ability to blaze new trails, and the reform spirit. The leading bodies should be well-organized in such a way that their intellectual structure meets the requirements. While strengthening production and administrative commanding units, enterprises which implement the system in which factory directors have full responsibility should fully display and insure the supervisory role of their party committees, the role of workers as masters of the state, and their democratic management role. Fourth, we should comprehensively use the regulatory role of the economic lever and policies. [SK160100] In line with the stipulations of state policies, some large enterprises with high managerial level and great contributions which retain too little profits for themselves may have their regulatory business taxes and mandatory production tasks properly reduced. Enterprises should be encouraged to develop diverse undertakings while emphasizing one line of production, and to expand economic associations and cooperation of various forms with other trades and areas. Favorable conditions should be provided in various fields for invigorating large- and medium-sized enterprises.

In line with the arrangements of the central authorities, the focus of this year's wage reform is to change the present irrational wage system, gradually eliminate the longstanding defect of egalitarianism characterized by a "big rice pot" in wage distribution, and establish in its initial form a new wage system which can fairly successfully reflect the principle of distribution according to work. At state enterprises, we should apply step by step the method of floating the total wages of staff and workers according to the economic results of the enterprises. Now that the state has issued documents on the wage reform at state enterprises, we should conscientiously make good preparations, and effect the reform in a planned and well-guided manner. At enterprises where conditions are not ripe, the existing methods may still be used but should be improved. At state organs and institutions, a structural wage system in which wages are related to specific work posts should be carried out so that the wages of staff and workers can be closely linked with their duties, responsibilities and work performance. The major task for this year is to initially bring the wage system to a new track, and to bring wage relations into better balance. In general, wages cannot possibly be raised by a large amount although they will be increased to a certain extent, and the accumulated problems of the past wage system cannot possibly be totally solved. At present, our municipality is stepping up preparations. According to state stipulations, the new wage method should be applied to primary and middle school teachers beginning with January of this year, and to state organs and institutions beginning in July of this year.

Price reform is a must and should be carried out prudently. It is a must because the current prices of many commodities reflect neither their value nor the relationship between supply and demand, which has a direct impact on the correct appraisal of operation and management, and the economic results of enterprises, and on the development of a planned commodity economy. The issue of commodity prices involves such spheres as production, circulation, distribution and consumption. In order to fundamentally invigorate enterprises, it is necessary to reform the financial and tax systems, the planning system, the foreign trade system and the labor wage system. All this cannot be

separated from reform of the price system. Price reform, which involves the overall situation of economic reform and the overall situation of economic development, is the key to boosting the enthusiasm of all fields, straightening out the relations between various economic sectors and promoting the upward trend of the economy. Price reform should be carried out prudently because it is closely bound to the vital interest of the masses. Price reform, whose success and failure directly influence social stability and the people's morale, is an economic and also a political issue. The State Council decided that it is necessary to adopt a policy which combines relaxed control with readjustments and aims at progress in measured steps in this year's price reform. We should carry out the principle of raising the prices of some commodities while lowering those of others and strive to maintain the basic stability of commodity prices as a whole. In line with these guidelines, the price reform of our municipality should be carried out step by step on the basis of full preparations. We should reform two aspects this year. The first is to reform the prices of pork and some nonstaple foods. Assigned purchases of pork will be abolished, and a system of purchase and marketing through negotiations in a well-guided manner should be implemented. Following the relaxed control over pork price, control of the prices of beef, mutton, poultry, eggs and fish should also be relaxed in line with actual conditions. After relaxing the price of pork, we should give proper subsidies for the increased part of the retail price, and every urban nonagricultural resident will be granted the subsidies at regular intervals so that his burden will not increase because of the price hike. Edible grain and oil for the urban nonagricultural population will continue to be rationed, and their prices will remain unchanged. The second is to reform rural grain and oil purchasing and marketing prices. [SK160201] The unified grain purchase has been abolished. Wheat, rice and corn will be purchased according to contracts, with 30 percent of the contracted amount being purchased at the unified purchase prices, and 70 percent at above-quota prices. When the state sells grain to the rural areas, the same method will be adopted, and transaction expenses will be subsidized by the state. The price of edible oil supplied by the state to peasants will fluctuate along with the price hike in grain. The municipality will not change the present method of selling grain and oil to the foodstuff, catering and wine-making trades at the unified purchase prices or at the negotiated prices. The remaining crops used by industrial enterprises will be supplied at the negotiated prices.

To insure the smooth progress of the reform of the price system, we should pay attention to the following four work points: First, the principle of reform is not letting the ordinary people suffer losses. In the course of reforming the price system, we should not only insure that the people's practical living standards will not decline, but also insure the people a gradual improvement in their living standards along with the development of production. People's governments at all levels and all departments concerned should definitely understand this principle and resolutely implement it. Second, painstaking preparations should be made in mapping out plans, finding new sources of goods, and in conducting ideological work. Now, we have already organized a work group which is conducting investigation and accounting in order to draw up specific plans. All departments concerned should vigorously organize the sources of goods to insure market supply. After the plans

are mapped out, we should use various propagation means to propagate and explain them to the people. Third, we should give full play to the role of state enterprises in balancing and controlling market prices. At present, we have an ample supply of goods and a large stock of pork, and eggs have been supplied without restriction. Once the market prices fluctuate excessively, the state commercial departments may sell goods in large quantities in order to control prices and stabilize the market. Fourth, we should strengthen supervision and inspection. In the course of implementing plans, we should strictly forbid the practice of each doing as he pleases, and control the chain reaction. Except for commodities whose prices are raised with the approval of the state, the prices of commodities cannot be raised arbitrarily. People's governments at all levels should organize pricing, industrial, commercial, and auditing departments and various people's groups to frequently conduct price inspections, and should rely on the supervision of the people's deputies and CPPCC members to conduct supervision and inspection of market prices. Those who have violated policies and regulations, disrupted the market, and wantonly increased prices must be severely punished according to law without leniency.

In the course of invigorating enterprises and reforming the wage and the price systems, we must carry out reforms in other fields according to regulations. In rural areas, we should conscientiously implement the 1985 No 1 document of the CPC Central Committee in order to enliven the rural economy. Town- and township-run enterprises should depend on their own funds to develop themselves in a planned way and in a correct direction. The reforms of scientific and technological systems and the educational system should be carried out in a planned, well-guided, and systematic manner and in line with the stipulations of the CPC Central Committee.

To prevent serious mistakes and to win the first battle in reform, the Municipal People's Government should strengthen control over macroeconomic development. First, we should strictly control the scope of credit receipts and payments, and readjust the policies on credit receipts and payments. We should strengthen the management of credit and loans issued to town- and township-run enterprises, and should strive to maintain a balance of credit receipts and payments in rural areas. Various kinds of loans should be used in the right order of importance and urgency, and should be used to insure the construction of key projects and to properly meet the needs of various fields. Second, we should strictly control the circulation of currency, and vigorously withdraw currency from circulation. In addition to strengthening deposit work to draw still more savings deposits, we should strengthen cash management and, in particular, strictly examine and control the withdrawal of a large amount of cash from banks. We should further develop the production of consumer goods, actively increase the production of products which are readily marketable and the production of name-brand and quality products, and increase the supply of goods on the market. Commercial and supplies departments should find new sources of goods, reduce the reserve of materials, and supply scarce commodities to markets so as to accelerate the withdrawal of currency from circulation. Third, we should strengthen the management of foreign exchanges. [SK160210] In accordance with the central authority's regulations on not changing the ownership of foreign exchange and bringing

the use of foreign exchange into the state plan, we should strengthen the management of detained foreign exchange, the rate of foreign exchange and foreign exchange for trade use, and strictly stop the activities of illegally buying and selling foreign exchange. Banks, industrial and commercial administrative departments, and public security departments should cooperatively manage the finance market and deal blows to black market activities. Fourth, we should strictly control the unreasonable increase in consumption funds. All units and individuals are forbidden to arbitrarily use expenses, arbitrarily raise wages, and arbitrarily issue cash awards, allowances and gifts. Financial, banking and auditing departments and departments in charge of enterprises should strengthen supervision over and examinations of the situation in which enterprises, establishments, units, organs and organizations use consumption funds. Fifth, we should strictly stop the activities of illegally buying and reselling at a profit major means of production and durable consumer goods in short supply. The wholesale business of these goods should be firmly grasped by the state commercial and supply departments and the units producing these goods and should not be handled by the collective and individual commercial businessmen. We should completely ban the activities of arbitrarily raising commodity prices and buying and reselling goods to reap staggering profits. All illegal gains should be recovered and a fine may be imposed. The violators should be punished strictly in accordance with the law. We should continue to deal blows to the economic criminal activities. Sixth, we should strive to increase our income and reduce our expenses. The central authority has asked that this year departments at all levels reduce administrative expenses 10 percent and institutions reduce their purchasing power 20 percent. We should persistently abide by it. We should strictly control the increase of organs and we are never allowed to expand the staff in an arbitrary manner. With the municipal-level organs standing at the head, all departments and units should work hard to practice the economy, carry on the fine tradition of the party and eliminate the bad practices of stressing formalism, going in for ostentation and extravagance, and resorting to deception.

In the course of reforms, we should strengthen ideological and political work, overcome obstructions in a timely manner, and unswervingly wage struggles against all unhealthy practices. We should further strengthen construction of socialist spiritual civilization. The whole municipality should widely and deeply conduct the five-stresses, four beauties, and three ardent-loves activities and disseminate and implement the "rules for the people of the municipality" so as to give the people lofty ideals, morality, cultural knowledge, and a sense of discipline. We should specially strengthen education on lofty ideals and discipline. It is difficult to conduct reforms if we do not have far-reaching communist ideals and strict discipline. Cadres at all levels should strictly enforce orders and prohibitions and must not feign compliance or do what they think is right. We should resolutely implement all instructions of the CPC Central Committee and the State Council on correcting unhealthy practices, continue to implement relevant regulations of the municipal CPC committee and the municipal government, draw clear distinctions in accordance with policy, resolutely eliminate unhealthy practices, and enhance the political and ideological work and organizational discipline to insure smooth progress of the reforms.

Comrade Deng Xiaoping recently pointed out, "The reforms are the second revolution of China." We should fully understand the characteristics and significance of the reforms. All of us are reformers in the course of great changes as the people create history. The people will go through trials in the course of reforms. If we are successful in reform, everyone will gain benefits and the people will gain benefits first. If we fail in reform, everyone will take the responsibility for the failure and the leaders should take the responsibility first. Therefore, all of us should make concerted efforts to support and engage in reform and to make contributions to reform.

Fellow deputies, this year is the first one when we implement the decision of the 3d Plenum of the 12th CPC Central Committee and conduct reforms in a comprehensive manner, as well as a key year when we should comprehensively fulfill the Sixth 5-Year Plan and make good preparations for economic development during the Seven 5-Year Plan period. Although we have heavy tasks, difficulties and contradictions this year, the situation is good and we have many favorable conditions. Under the strong development of economic restructuring, we should achieve all economic work. [SK160500] We should attach prime importance to improvement of social economic results, and reasonably treat and make arrangements for the growth rate so that sustained, steady and coordinated national economic development can be attained. Without a certain growth rate, the strategic objective of quadrupling the industrial and agricultural output value cannot be achieved. However, blind pursuit of a high growth rate irrespective of actual conditions will lead to overly strained and imbalanced relations between various fields and to an imbalance in the national economic development. Being imbalanced, the national economic development cannot be consolidated, and if not consolidated, it cannot continue. Therefore, although the growth rate is very high for a certain period, it will drop ultimately. We have bitter historical lessons on this and we should learn from them. At present, all fields face a common problem of quality which seriously affects economic results and work efficiency. We should focus our attention on improving quality. We should pay attention to rationalizing the production structure, greatly develop tertiary industry, and regard the gross national product as a major norm in appraising economic development. We should continue to promote technical transformation and technical progress, readjust product mix, improve product quality, and actively develop readily marketable products which have advanced technology and competitive edges. Products of poor quality which yield low results, find no market, and have no prospects for development should be stopped resolutely. We should further open to the outside world, and greatly expand export and increase foreign exchange earnings while actively using foreign capital and importing technology.

#### On the Urban Overall Plan of Tianjin Municipality

Formulating the urban overall plan is a matter concerning the general situation of Tianjin's urban construction. It is a major event to which the people throughout the municipality have paid attention for a long time. I now submit the draft program of Tianjin's urban overall plan to this session for your examination and discussion.

An urban plan is a comprehensive arrangement for urban development plans and various construction for a certain period on which urban construction and management are based. It not only impacts on the present of a city but also restrains its future. The orientation and goals of urban development are a norm and a blueprint of urban construction. Without a plan, a city cannot be built successfully nor can it be managed well. At all times and in all countries, no historically famous city was built without a good overall plan. Tianjin was originally a naturally formed city. From the period of the Song and Jin Dynasties when construction of the "Zhiguzhai" village began to the Ming Dynasty when the city was built, the scope of the city was very small. After the invasion of the Eight-Power Allied Forces, the city was divided into nine concessions, and the layout of the city was torn to pieces. After liberation, the overall plan began to be worked out in 1950 in order to transform the ragged city left by the old society. However, due to the many changes in the administrative affiliation of Tianjin and other numerous reasons, the overall plan was not decided on for a long period and urban construction was still in serious disorder. The 10-year disaster brought urban planning to an end. The damages caused by the earthquake added new wounds to the layout of the city whose old scars had yet to be healed. Over the past few years, some short-term partial plans for post-earthquake reconstruction were worked out and certain results were achieved. However, the chaotic situation was not fundamentally changed.

Following economic and social development and development in opening to other domestic areas and foreign countries, the scale of our municipality's urban construction has expanded rapidly, and the demands on it have become increasingly higher. In the meantime, thanks to the deepening of reform, various districts, counties, bureaus and enterprises were invigorated, and enthusiasm for construction of various fields was very high. Under such a situation, urban construction will become chaos very easily if there is not an overall plan or if the management of the overall plan is not strengthened. In addition, urban buildings generally need a great amount of investment and exist for a fairly long period of time. Once they are put into disorder, it will be very difficult to correct them, and therefore, they will be a peril to future generations. Without an overall plan, the old city area will be difficult to transform, there will not be a reasonable layout for the new city area, the city functions cannot be improved, economic development will be impeded, and improvement of the people's living standards will be affected. [SK160550] Therefore, the formulation of the municipal overall plan is necessary for attaining the strategic objective of achieving a quadruple increase in the total industrial and agricultural output value, for opening further to the outside world, displaying the role of key cities, and achieving continued improvements in the material and cultural lives of the people.

In the past few years, leading comrades of the central authorities repeatedly urged us to formulate the municipal overall plan. The relevant central departments also gave us much help. We organized people from all fields in the municipality to study the program of the overall plan on several occasions. At present, all the people have basically the same views. In addition, through several years of construction, we succeeded in producing rough sketches for the overall plan. These rough sketches have created conditions and laid a

foundation for the formulation of the overall plan. The time for formulating the overall plan is ripe. We are convinced that this draft program for the overall plan, after being discussed and adopted by the Municipal People's Congress and being reported to the State Council for approval, will play an important part in the municipal economic construction and social development and will produce far-reaching influence.

#### 1. The strategic conception of the overall plan.

##### The nature of cities.

While deciding on the nature of a city, we should decide on its status, functions and role in the country or in a region. Because it plays a decisive role in deciding on the direction of a city's development, the entire arrangement, and the construction characteristics, we should attach primary importance to such issues while formulating the overall plan. The main reason for our failure in deciding on the Tianjin Municipal overall plan is that we have failed to clearly define its nature and we have been hesitant about what move to make while deciding on the development direction.

In deciding on the nature of a city, the most important thing is to judge its objective conditions, including its historical evolution, geological environment, natural resources, economic structure, industrial foundation, and scientific, technical, cultural and educational situations, and to judge the status and role played by these conditions in the national development strategy. In the past few years, we conducted many investigations and research and obtained a fairly unitary view of Tianjin's characteristics. Tianjin neighbors the capital city of Beijing, and faces Bohai. It has seaports with great potentials, good communication and transport facilities, rich natural resources, large tracts of wasteland, beaches and seashores, a fairly good industrial base, strong scientific and technical forces, vast hinterland, and extensive internal and external economic ties. Leading comrades of the central authorities gave many important directives concerning the development of Tianjin, and stressed that Beijing is the national political and cultural center. As the largest industrial and commercial city in the north and a coastal city for opening to the outside world, Tianjin should fully consider its favorable condition of being a neighbor to Beijing and should play a part in supplementing Beijing in industrial development and in internal and external economic and technological exchange. In a report on further opening Tianjin to the outside world issued last December, the State Council pointed out: "It is necessary to display the favorable conditions of Tianjin and to gradually turn it into an economic center and international trading port city with advanced technology, developed industry and prosperous culture and commerce." In line with the abovementioned situations, we extensively solicited opinions from the masses and held that Tianjin's nature can be summarized into three points:

First, we should turn Tianjin into a comprehensive industrial base with advanced technology. Since liberation, Tianjin has achieved rapid development in industry and has a fair foundation for some developing industries such as the machinery, metallurgical, chemical, textile, light and electronic

industries. It has become one of China's important industrial bases. We should fully use the existing bases to accelerate the development of the technology-intensive and knowledge-intensive industries, the developing industries, and industries that consume little energy and raw materials, to produce more high quality, sophisticated and new products, and to unceasingly raise economic results. [SK160804] A group of key trades should adopt advanced domestic and foreign technology in planned and step-by-step manners to accelerate the technological transformation among existing enterprises and to engage in a group of key transport and energy projects with a view to developing a group of top quality products. We should enthusiastically develop electronic and machinery trade and concentrate on developing the chemical industry, light textile and food trades, and essential raw material industry. We should make efforts to offer cheap high quality consumer goods and advanced technological equipment to all localities in the country and to ceaselessly expand the proportion of export to earn more foreign exchange for the state.

Second, Tianjin should be an open multifunctional economic center. In developing the economy, Tianjin should rely on the support of all localities in the country. About 50 percent of the total products of Tianjin were sold to different localities in the country and about 20 percent were exported to earn foreign exchange. Owing to the bonds of the economic management system in the past, Tianjin failed to conduct lateral cooperation with other localities or to carry into play its role as an open multifunctional central city. In line with the central authority's demands to open to other places, from now on we should change the situation in which we developed the economy in closed and unitary manners and carry into full play the functions of "one base and five centers." While further carrying into full play the role of an industrial base, we should enthusiastically develop water, land and air communications, and transportation in an effort to make Tianjin a communications center; enthusiastically develop commerce, foreign trade, service trades and tourism in an effort to make Tianjin a trade center; enthusiastically develop financial, insurance and credit trades in an effort to make Tianjin a financial center; enthusiastically develop telecommunications, information, press, publication and consultative services in an effort to make Tianjin an information center; and enthusiastically develop scientific, educational and cultural undertakings, and open technological markets in an effort to make Tianjin become a scientific and educational center. Counties should carry into full play their agricultural advantages and functions, ceaselessly readjust the rural production structure, enthusiastically develop a commodity economy, service cities, and be geared to the needs of export so as to develop cooperation between urban and rural areas. Tianjin should strengthen cooperation with brotherly provinces, municipalities and autonomous regions and develop lateral economic cooperation to establish cooperation ties with areas within and outside the municipality and to play its proper role in importing foreign technology and equipment and conducting cooperations at home. From now on, judging our municipality's contributions to the country's four modernizations we should not only assess our total industrial and agricultural output value but also take the gross national product, including the output value of tertiary industry, as the primary target for assessment.

Third, Tianjin should be an international modern port city. In building up its water transport, Tianjin was vitalized by relying on the Hai He and ports. We

may say if there were no Hai He or ports, today's Tianjin would not exist. With 35 berths, including 20 deepwater berths, Tianjin has established trade ties with over 150 countries. A part of the great number of import and export goods and materials from 16 provinces, municipalities and autonomous regions in our country must pass through Tianjin Harbor. In order to expand cooperation at home and abroad and to better serve the four modernizations, we should first build Tianjin Harbor into an international first-class port with modern facilities and modern management; open inland port areas for Tianjin Harbor along the lower reaches of the Hai He; properly develop water, land and air communications and transportation; and ceaselessly expand the harbor's loading and unloading capacity; second, we should firmly attend to establishing processing industry areas so as to carry into play its dual role as a trade harbor and an industrial harbor; third, we should enthusiastically engage in the construction of the economic and technological development zone so as to make Tianjin a window for importing advanced technology, management and knowledge and opening to outside places and to better help old enterprises conduct technological transformation and key trades to conduct technological development; and fourth, we should build better rear facilities for the harbor and create good conditions for absorbing foreign capital to use in construction at home so as to play the role of a bridge linking areas within and outside the municipality.

[SK160835] To sum up, the strategic development goal of Tianjin is to build it into a comprehensive industrial base with advanced technologies, a multifunctional and open-style economic center, and a modernized international port city.

The scope of cities.

The scope of cities is one of the most basic parts of overall urban planning, and is an important basis for drawing up various urban construction plans. Without a definite scope for cities, we cannot begin to talk about the urban planning and plans.

The scope of cities mainly means the scope of the urban population and the corresponding scope of the land to be used by the people. Generally speaking, the scope of cities should not be too large. If the scope of cities is too large, there will be a series of problems, such as a shortage of water supply, housing area and available land, pressure on traffic facilities, the lack of green land, and air pollution. As an economic central city, however, its scope should not be too small. If the scope is too small, it cannot form the necessary force, and many functions cannot fully work. It is necessary to control the scope of the urban population. The failure to control the urban population will lead to blind development and a population explosion. It is not good to adopt idealism in terms of the scope of the urban population. Idealism is divorced from reality and, in fact, it cannot be fulfilled. At present, the major problem in the scope of cities is the relatively large population. Many big cities in various foreign countries have taken a roundabout course in population distribution as a result of an overconcentrated population, which leads to serious consequences. Many countries have suffered from large crowded cities, and therefore are forced to spend large sums on changing this situation.

In accordance with statistics on the present administrative scope, in the early post-liberation period Tianjin had a total population of 3,994,000, with 1.79 million living in urban districts. This was already very crowded. Then, for a considerably long time, Tianjin's natural population growth was too high, bringing about several birth booms. In recent years, we failed to strictly control the mechanical population growth and, in particular, many organic units moved into urban districts, causing the mechanical population to increase by 30,000 to 40,000 annually. By the end of 1984, Tianjin had a total population of 7,955,000, with 3,247,000 living in the 6 urban districts. The population increase has made the population density greater and greater in urban districts. In Heping District, each square kilometer has a population of more than 50,000. The population increase has increasingly expanded the land occupied for construction use. In suburban areas, the people's living space is ever increasing; in urban districts, however, the people must make use of every bit of space. The rapid population increase has caused a vast water area to be filled with earth, many grass areas occupied for construction use, and the ecological balance has been destroyed. The population increase has brought many difficulties to the people's livelihood, and has hampered the exploitation of urban functions.

The State Council has repeatedly stressed that "we must strictly control the scope of large cities," and pointed out that "in opening our country to the outside world and enlivening the domestic economy, we must strictly control the permanent population of large cities. Laxity in this regard may have serious consequences." How large should Tianjin fix its population scope? We have taken into account the accomplished fact that our urban population is too large and it is impossible to disperse a large part of the population to other places. Meanwhile, people born in the 1950's have now entered their child-bearing years, which makes the natural population growth begin to pick up following a period of decline. Therefore, urban overall planning has defined that by 2000, the total population of Tianjin will be 9.5 million. Because our population density is too great and there is insufficient room for development, we plan to expand the area of urban districts from the present 2 million square kilometers to 3.3 million square kilometers. There are more than 3.43 million permanent residents in the urban districts covered by the plan, and this figure will grow to 3.8 million by 2000. [SK160836] Even such a population scope has the risk of being exceeded if we do not take effective measures to keep it under strict control. Therefore, bringing the scope of the population of the municipality, particularly that of urban areas, under strict control is an important task for us. We plan to adopt the following three measures.

First, we should bring the mechanical increase of population under strict control. We should conscientiously carry out the policy on application for residence, and strictly check the applications for residence in Tianjin submitted by the people outside the municipality so as to maintain a basic balance in the population migration from and into Tianjin. In principle, no organic groups of people will be allowed to move into Tianjin in the future. If there is a need to move in an organic unit, arrangements should be made for it to settle down in coastal areas or suburban areas instead of urban areas.

Second, we should bring the natural increase of population under strict control. Family planning is a basic policy of our country, and should be carried out conscientiously. We should strengthen the propaganda and education on family planning, adhere to the principle of giving births to less but healthy children, raise population quality and strictly control multi and unplanned births.

Third, we should properly readjust population distribution. Following the establishment of satellite cities and towns, particularly the establishment of the economic and technical development zone and the new industrial zone along the lower reaches of Hai He, the urban population should be dispersed step by step in a planned manner. Preferential provisions in housing, schooling and employment should be given to the staff and workers and their families who are willing to move out of the urban areas. We should strengthen the construction of necessary facilities in satellite cities and towns, improve their service functions, and make them more attractive. The employment system should be strictly carried out, and no rural people should be hired to work in urban areas. Urban jobless people should be encouraged to work in small cities and towns. When making job arrangements for graduates, the situation of the whole municipality should be taken into consideration, and the proportion of those to work in suburban counties under arrangements should be increased step by step. Arrangements for demobilized and retired army men should also be geared to the needs of the whole municipality while considering the specific conditions of each area. We should greatly develop township enterprises and the tertiary industry, and encourage rural surplus manpower to "leave the land but not the township," and to "enter plants but not urban areas," so that blind migration of rural people into urban areas can be avoided.

The layout of the city.

The layout of the city is the core of the overall plan, the foundation for the city's long-term rational development, and a project of vital and lasting importance which leads urban construction. Reasonable layout can correctly embody the nature of the city, and enable the city to fully perform its functions, and to achieve a unity in economic, social and environmental results.

The current layout of the urban areas of Tianjin is very unreasonable and many contradictions exist. The most conspicuous ones are as follows. First, residential houses are surrounded by plants, which in turn are surrounded by houses. All the areas under the administration of the city's some 1,000 neighborhood committees have plants. Production and the people's life influence each other. The plants create pollution which disturbs the people, and dense houses restrict the development of plants. Second, plants and units of different trades are located in the same areas while those of the same trades are located in different areas. In the same industrial area, there are both plants which need pure air and plants which discharge great amounts of smoke and dust. Most of the spinning and weaving of the textile industry are done in the southeast area of the city while dyeing and beaming are done in the northwest and northeast areas. The entire textile producer is cut apart, and transportation has to be carried out to and fro in the city. Third, there is an acute shortage of land in urban areas while large areas of beaches in suburban counties are left unused. Forty percent of the municipality's population lives in an area

amounting to only 1.5 percent of the total of the municipality, while the vast areas along the lower reaches of Hai He, which are very suitable for setting up plants, have yet to be fully developed. Fourth, the distribution of roads is unreasonable and cannot form a network. Because of too few bridges and a lack of roads, detours have to be made before we reach an area within a very short distance. Also, we have to spend much time before we reach such an area because of narrow roads and traffic jams. Such a situation shows that if we do not have a new strategic idea and achieve a breakthrough in readjustment to suit the layout to Tianjin's economic development, Tianjin's renovation and construction will be very difficult, and its role in building the four modernizations cannot be fully developed.

[SK160837] We can summarize our conception on the layout of Tianjin Municipality as "shouldering two tasks simultaneously": We should take Haihe as the axis of the entire municipality; rebuild the old urban district and turn it into the central district of the city; turn the eastern part of the city into a key industrial area; and vigorously develop coastal districts. Around the urban district, we should actively develop the tourist and scenic spots in Jixian County and the satellite towns in Jiao County, and build a network surrounded with satellite towns.

We should transform the old urban districts. We should fix the boundary of the urban district, build a 70 km-long road surrounding the city, and build a more than 500-meter long forest belt along this road, and take this road as the city area control line and the environmental protection circle. The construction of this green belt should be dependent on the strength of the masses. We should make full use of the existing nursery plots and parks and, in line with the readjustment of the agricultural structure, organize and encourage peasants to plant all kinds of fruit trees in accordance with local conditions and to vigorously develop fruit production. A few years later, the fruit trees will become a forest, and the green belt will provide shade, benefiting the peasants as well as the citizens.

The city proper will include the central and the outer districts with different functions. The municipality's central district starts from the Jingshan railway in the east, running to Hongqi Road in the west, and from Heiniucheng Avenue in the south to Xinkaihe in the north. The area is 61 square km. In the city proper, except for those industries that do not cause pollution and disturb the people, and those technology-intensive and handicraft industries that can be transformed locally, all other factories and plants should be moved out in succession and in a planned manner. As for those factories that cannot be moved within a short period, we should control their scope of development, and speed up the tackling of pollution so that the city proper will become a political, information, banking, trading, cultural and educational, and scientific and technical center of the municipality.

The specific outlay of the municipality should be as follows: Gradually build an administrative area starting from Taian Avenue, running through Jiefang Road and facing Haihe; restore the operation of the banking street in Jiefang Road and build a banking and trading zone around Jibu Avenue; turn the Quanyechang section into a commercial area; plan to turn both sides of Youyi

Road into recreation areas for foreigners; turn the existing university areas in the western and southern parts of the city and places around the ocean park into areas for educational, scientific and technological, and sports purposes; and turn both sides of Haihe near Central Square into cultural, tourist and resting places in a planned manner.

The outer district has an area of 269 square km, which mainly includes 10 industrial areas built after liberation and residential areas attached to these industrial areas. It is the present industrial centralized district. All factories in the district should carry out technical transformation, readjust their overall arrangements, tackle "three industrial wastes," plant trees around the factory areas, and gradually solve some leftover problems. In this district, we should continue to build housing areas and some supporting and basic facilities in favor of the livelihood of the people, build two sub-centers with commercial, cultural, recreational and social service facilities near Dingzigu and Zhongshanmen, improve the functions of the district, attract more workers and staff to live in the district, provide favorable conditions for production, and make things convenient for the livelihood of the people. In the district, we should make full use of the open and water areas, expand the greening areas in a planned manner, build some public greening areas such as some large and medium-sized parks, open up some riverside scenic places such as Houjiatai and Weinanwa, form a wooded area system of small greening areas, large tracts of greening belts, and large wooded areas, so that this district will become a place with a beautiful environment and scenery.

We should open up a new industrial area on the lower reaches of Haihe. The two sides on the lower reaches of Haihe, starting from Dengshangu in the east to Junji Highway in the west, and from Paiwuhe in the south to Jingshan railway in the north, with a total area of 120 square km, are two valuable tracts. They border the river and the sea, with sufficient water resources, and neighbor Tanggu and Xingang with convenient import and export facilities and crisscrossed highways, railways and waterways and broad areas, capable of providing large stretches of land for factories. The newly constructed large and medium-sized projects and factories in the city proper which cannot be expanded or transformed because of limited areas, factories which need foreign capital for importing advanced technology and increasing products for export, and factories which cause serious pollution and cannot be transformed locally may be built and transformed here. In addition, we should build an area with inland wharves, warehouses, offices and residential quarters in the district so that it will become a new industrial district of Tianjin Municipality.

[SK160839] We should construct and develop the coastal area. Such an area includes Tanggu, Hangu and Dagang Districts, the economic and technical development zone, and the aforementioned new industrial zone along the lower reaches of Hai He. With harbors and wharves, large areas of beaches, an oilfield, a salt works, and chemical industrial enterprises, this area has a great potential and a bright prospect. We should place emphasis on the development of the Tianjin Harbor, and work out plans to build commercial and industrial harbors in the port area, and to develop toward containerization and specialization. We should actively build the economic and technical development zone. The total area of the zone is planned to be 33 square km, and in the

first-phase construction, 3 square km will be developed. In order to satisfy the needs in opening to the outside world, we plan to open up a Tanggu new central area covering 32 square km near the Tanggu No 4 and No 6 Highways. Large public buildings and facilities for commercial, trading, monetary and cultural activities, and houses and recreation centers for foreigners, will be built in this area to make it an administrative, economic and cultural center of Tanggu District. Hangu District will emphasize marine chemical industrial development. Based on the old city, construction projects will be carried out from the north toward the south along the Jiyun He. Dagang District is near the oilfield. In addition to the key enterprises already built, it can make arrangements for building large petrochemical enterprises in its large areas of wasteland, and become a petrochemical base of our municipality. There are large water areas and wasteland suitable for afforestation in Guangang. It can be designated as a scenic tourist area.

We should develop the Jixian County into a scenic tourist area. Jixian County is an ancient city called Yuyang. Located in the center of the Beijing-Tianjin-Tangshan area, it has railways and roads linking other areas, mountain ranges rising and falling within its boundary, the zigzagged Great Wall, and a crisscross network of rivers. The landscape is beautiful there. It has Mesozoic and Paleozoic geological sections [zhong shang yuan gu jie di zhi pou mian [0022 0006 0337 0657 3954 0966 6347 0472 7240]], which are rare in the world and which have been designated officially by the state as a key natural preservation area. We plan to turn it into a scenic spot for tour and recuperation. In line with local resources and specific conditions, we should develop some necessary industries in this area and build some scientific research units.

We should vigorously develop satellite cities and towns. Wuqing, Jinghai, Baodi and Ninghe Counties as well as suburban districts should give play to their advantages and, in line with industrial readjustment and the development of township enterprises, improve their functions as cities and towns and turn themselves into modern cities and towns with their own specific characteristics. We should successfully build townships, villages and market towns according to plans, and accelerate their urbanization so that urban and rural areas can link and coordinate with each other and develop in a balanced manner.

#### Infrastructure of the city.

Infrastructure of the city is the basic condition for building a modern city and improving its comprehensive functions. It is wideranging, covering almost all urban public facilities and social service facilities. I will now give explanation about only the major ones.

On communications and telecommunications. Without a highly-efficient urban communications network, there will be no urban economic construction of high results and high-quality urban living environment. Since liberation, urban population of our municipality has increased by 80 percent; its urban areas have increased by more than 100 square km; its industrial output value has increased by more than 37 times; its transport capacity by 26 times and its bicycles by 18 times; but its roads have increased merely by 2.6 times. The proportion is seriously imbalanced and must be straightened out immediately.

In the overall plan, our arrangements for roads and communications are like this. In the major roads and exits of the city, underground passages and overpasses will be built, and the roads within the city should be linked with those outside. In addition, roads should be expanded and blockades cleared so as to form a network of roads which rationally radiate in all directions. Within the city, we should first of all build the fairly wide Inner, Central, and Outer Ring Roads and the 14 major roads which link the three ring roads and run through all areas of the city. [SK160849] We should develop subway and overhead light rail transport in planned and concentrative manners to form an underground-surface-overhead public transportation system. We should make efforts to build various railway and highway lines around the urban areas and firmly attend to the construction of the Beijing-Tianjin-Tangshan Expressway in an effort to link urban areas with counties and to establish contacts between different counties and to reduce the number of runs of vehicles passing through urban districts. At the same time, we should strengthen the scientific management of transportation and vehicles and set up a modern traffic control system. A majority of roads should make distinctions between fast and slow lanes and between traffic lanes and sidewalks. We should control the blind increase of motor vehicles and improve old and bad vehicles. Units should fix the number of vehicles in accordance with the number of staff members. Car pooling is encouraged. We should try all possible means to socialize the transportation and stop the increase of bicycles. We should pay attention to building parking areas. Through comprehensively solving the traffic problems, the traffic situation was remarkably improved. Recently the state agreed in principle to reconstruct the Tianjin Station. Thus, we should enthusiastically make good preparations for the reconstruction and make efforts to build it into a newly-designed international modern railway station with advanced facilities bringing convenience to the passengers. We should vigorously develop post and telecommunications and adopt advanced technology to gradually establish a modernized communications system and to directly establish connections with all international cities in the country.

On energy resources. Energy resources are the key links to urban economic development. Gasification and heat supply are two of the key issues for judging the modernization situation of the cities. Our municipality, in short supply of electric power and with poor functions in gas and heat supplies, has no large group of residential areas with central heating systems. This situation is seldom seen among the cities in the northern part of the country. With regard to solving this problem, an overall plan has been arranged: We should accelerate the construction of electric power, enthusiastically develop coal gas in urban areas, carry out central heating supply, use secondary energy resources to replace coal for household use, and change the structure of urban energy resources. We should concentrate our energy on joining the battle to make coal gas and to accelerate the development of natural gas. Areas with difficulties in laying pipelines should have petroleum liquid gas installed in an effort to universalize gas for household use in the municipalities within 3 years. In line with state plans, we should expand and construct a large number of powerplants, simultaneously develop thermal power production, set up thermal powerplants and thermal power stations around the urban areas, and form a thermal power network around the municipality so that the municipality

will have sufficient heating and electric power and will be able to solve the problems concerning keeping warm in winter while making results in electricity. We should reasonably develop and use geothermal energy resources.

On water sources: Water is a key factor for conditioning the economic development of large cities at present. Fundamentally speaking, Tianjin is short of water. Therefore, persistently saving water and enthusiastically developing new water sources is our long-term principle. The ways to solve problems concerning water use are: First, we should rationally use water diverted from the Luan He. Second, located on the lower reaches of nine rivers, Tianjin has the advantages of fully using the existing reservoirs and establishing new reservoirs in an effort to store up water drawn off by other localities during flood periods. Third, we should rationally use underground water in a planned manner. Fourth, enterprises with good conditions are encouraged to use seawater for circulation cooling in line with the situation of moving the industrial enterprises to the eastern part of Tianjin. Fifth, we should enthusiastically purify polluted water and make the most of purified sewage, and make efforts to form a modernized sewage treatment system in the municipality. Sixth, we should continue to seek long-term and stable water sources so as to successfully divert water in southern parts of the country to the northern areas. While opening up water sources and saving water, we should increase the capacity to produce water and to improve the water supply situation.

On social service facilities. Public welfare facilities and cultural facilities are signs of the cities' cultural and civilized standards. Tianjin still has a long way to go in this area as compared with brotherly provinces and municipalities. Great arrangements were made in our overall plan: We should construct a number of social facilities for cultural, educational and scientific popularization in addition to further expanding the scale of the cultural, educational and scientific research fields, improving all relevant facilities, and upgrading teaching and scientific research means. [SK160913] We plan to build a scientific palace, an art palace, and a museum in the central square along both sides of the Hai He. We plan to build a large library, an educational center with electrical equipment, and a large gymnasium, where international sports games can be held, near the Shuisheng Park. On Nanjing and Dongma Streets, we plan to build a juvenile scientific and technical activity center, a space technology exhibition hall, and a large theater with modernized equipment. In the places with convenient traffic facilities, we plan to build and rebuild a number of modernized key and professional hospitals with perfect equipment and advanced technologies. We are striving to meet the demands of various consumption fields by renovating old cities, building and rebuilding various kinds of professional streets, and developing the tertiary industry.

On residential construction.

Residences are the major component of basic urban facilities. Although Tianjin has concentratively built many residences which have improved the people's housing conditions to some extent, the shortage of residences is still very serious. Therefore, accelerating residential construction to improve the people's housing conditions will still be the focus of the urban construction for a long time to

come. Overall planning demands that we make a rational planning for the land to be used for building residences, and to open up a group of new residential zones in the course of readjusting the functions of urban areas. In building new residences, we should mainly build residences with more stories, and properly build some high buildings. We should vigorously develop marketable houses, and accelerate the circulation of funds earmarked for building residences. We should attend to protecting and maintaining existing houses and, in particular, strive to restore the original artistic features of buildings with foreign construction styles. On the basis of eliminating all shabby houses, efforts should be made to repair old and simple houses across the municipality in a planned and systematic manner. In making designs for residences, we should give consideration to not only the current urgent needs but also the long-term development so as to build many applicable, economic and beautiful houses.

On the protection of surroundings and the greening of streets.

A modernized city must create a fine work and living environment for the people. Although we have done lots of work to improve our surroundings in recent years, air water and noise pollution are still very serious in urban areas. Therefore, protecting the urban environment and paying attention to the ecological balance becomes an issue of extremely important significance. We should consciously implement the law on environmental protection; adopt various measures to solve industrial pollution in urban areas, towns and townships; vigorously control the "three wastes," and control and eliminate various sources of pollution. Various rivers, reservoirs and bays should be subject to graded administration. Efforts should be made to improve drainage facilities so as to gradually install drainage facilities across the municipality. Methods for treating urban garbage and night soil should be improved. The environmental monitoring system should be improved, and comprehensive control of the environment should be strengthened. We should vigorously launch the activity of planting trees and making Tianjin green. Continued efforts should be made to launch small-scale afforestation activities, and to gradually build the newly-developed residential zones into garden zones. We should expand grassland by interplanting bushes, arbors, flowers and grass so as to form a long green corridor. We should build in a planned and step-by-step manner a number of urban gardens, suburban parks, botanical gardens, flower villages and beautiful forest parks. Policies should be adopted to encourage the people to plant fruit trees in order to expand the green area, and to develop the fishing industry in order to expand the utilized water area. By the end of this century, the green land owned privately by each urban person will be 20 square meters, and the public green area owned by each urban person will grow from the present 1.63 square meters to 8 square meters.

The overall planning has also made arrangements for people's air defense, flood prevention and earthquake prevention facilities.

[SK160926] All in all, we should make unremitting efforts to turn our municipality into a city with crisscrossed communication lines by the end of this century, complete and well-equipped urban and public facilities, sensitive and effective information and communication networks, economical and rational gas

and heating supply systems, a sufficient and reliable supply of water and electricity, perfect supporting educational and health facilities, advanced cultural and sports facilities, comfortable and practical residential houses, commercial and service units that can satisfy the needs of the people of different consumption levels, flourishing forests and wooded areas, and a neat and beautiful city outlook.

## 2. The basic measures for accomplishing the overall plan.

The fundamental purpose for formulating the city overall plan is aimed at guiding urban construction and management. The plan is subjective and is formulated in line with the objective reality. It must be turned into reality through the people's efforts. Otherwise, it will be meaningless just as the people often say "planning just for a wall chart." It is not easy to formulate a practical plan. Our Tianjin Municipality, through pooling the efforts of all quarters and wisdom of the masses, has succeeded in formulating an overall plan after more than 30 years. We deeply understand that it is hard to formulate a plan and it is even harder to practice it. To turn the blueprint into reality, we must objectively overcome many difficulties, create necessary conditions, enhance our understanding, and redouble our efforts.

First, we should do propaganda work well and unite our understanding. In the first place, we should enhance our understanding of the importance and seriousness of the overall plan. Since we did not have an overall plan for a long time, some people have failed to foster a habit of managing things in accordance with plans and, therefore, they are not mentally prepared. We should repeatedly clarify that the overall plan is a program guiding the people in carrying out urban construction, that it has a very strong binding force, and that all people should consciously implement it and should not violate it under any pretext. Second, we should foster the idea of serving the plan and the whole situation. In doing things for the benefit of the people, it is hard to avoid disrupting them. The implementation of the overall plan is aimed at improving the practical situation. Sometimes, it will affect the immediate and partial interests of some units and individuals. We should make the people understand that the implementation of the plan will contribute to the present age and benefit future generations, and make them subordinate the interests of a small part of people to that of all the people, and immediate interests to long-term interests. Third, we should strengthen our confidence in realizing the overall plan. The plan carries a grand objective involving many things unknown to our forefathers. With the great concern of the CPC Central Committee and the State Council, the warm support of all the people in Tianjin, certain material and financial guarantees, and experiences in urban construction and management gained in the past years, we fully believe that we are capable of turning the plan into reality as long as we enhance our spirit, adhere to the principle of building the city through the efforts of the city people, and mobilize all people to participate in the work. To this end, we should immediately launch a propaganda upsurge in the municipality after the approval of the plan. We should organize the people in line with the planning program to draw and make all kinds of charts with explanations and figures and sponsor meetings and exhibitions on the municipal overall plan. The publication and planning departments should cooperate and produce as soon as possible

a number of easily-understood propaganda articles. The press, radio, television, and literary and art units should coordinate and should open special columns, sponsor seminars and rehearse special programs. Propaganda activities should be lively and should be the kind which the people love to see and hear so that the overall plan will be known by all.

Second, we should formulate a detailed plan which is the continuity and deepening of the overall plan. Its organic composition should reflect the comprehensive demands of the overall plan, play a part in improving and supplementing the overall plan, and serve as an important stage for implementing the overall plan. [SK160940] Therefore, all departments in charge of urban planning should organize forces to make specific arrangements for the streets and neighborhoods to be built in the near future, and for the utilization of land, the red lines of roads [dao lu hong xian [6670 6424 4767 4775]], the distribution of buildings, and various engineering pipes and lines. At the same time, they should successfully work out plans for counties, townships, towns and villages to be used as a basis for construction and designing. Specialized departments should formulate specific plans with regard to energy and water resources, supply, water drainage, communications, cultural and other public services facilities, housing, environmental protection, environmental sanitation, and tree and grass planting. Plans which have already been mapped out should be reexamined and revised or supplemented if there is anything incompatible with the overall plan. We should also pay attention to coordinating these plans with each other so as to maintain unity in the plans. Major industries, large key enterprises, and higher educational institutes should also work out plans for their own trades or units. Because formulation of detailed plans requires large amounts of work, we may divide them according to their importance and urgency, and strive to complete the planning for major roads and sections by the end of next year, and work out others later on.

Third, we should link plans with the arrangements. Plans should be carried out through arrangements and arrangements should be made on the basis of the plans. In this way, there will be materials, funds, time and other conditions for the fulfillment of the plans, and there will be a definite orientation and goal for making the arrangements. We should coordinate the Seventh 5-Year Plan and annual construction plans with the urban overall plan, and strive to organize as much comprehensively planned construction as possible so that various kinds of construction projects can be carried out simultaneously. We should coordinate industrial readjustment and reorganization with the urban overall plan, and reorganize industries, technically transform enterprises, and readjust product mix according to the requirements of the overall plan. We should also coordinate the many projects we shall do for the people every year with the urban overall plan, attend to the major aspects, concentrate efforts on every project we undertake to make it a success, and make small successes grow into large ones. In this way, we will be able to create favorable conditions for the planned implementation of the overall plan, and realize the contemplation of the overall plan through step by step implementation of the arrangements.

Fourth, we should greatly develop urban scientific research. The implementation of the urban overall plan involves various fields of sciences, and

should be closely coordinated with urban scientific research. We should regard the city as a system, and a subject of study, and organize talented personnel and forces from various sources to make scientific appraisal on the problems in urban construction and management which need urgent solutions, carry out feasibility studies, and put forward realistic and effective programs. All government departments should respect knowledge and talented people, conscientiously strengthen the work concerning intellectuals, give full play to their role, and provide necessary conditions for their scientific research. We should also turn their research achievements into specific work for the implementation of the overall plan. Scientific research personnel with outstanding contributions should be amply awarded.

Fifth, we should strive to improve the levels of design and construction. The urban overall plan is realized through design and construction of various projects. Problems in urban construction arise from both planning and designing. It is often because of poor design that the requirements of the plans cannot be met. Poor design will even spoil the plans. The formulation and implementation of the overall plan set even higher demands on designing, and made the responsibility of designing personnel still heavier. This requires designing personnel to improve their quality, conscientiously sum up experiences, modestly study new knowledge, and continuously raise their designing level. In architectural design, we should not only meet the needs in the utilization and functions of buildings but also enable them to reflect our traditional characteristics in model and color so that the people can enjoy their beauty. We should coordinate individual buildings with group ones so as to beautify the street appearance characterized by harmoniously distributed high and low buildings which show both unity and variety. We should reform irrational design standards and charges, and strive to lower construction costs while maintaining quality and safety. [SK161000] Meanwhile, we should give play to the role of the construction ranks, and strive to shorten the construction period in order to yield good results in implementing the overall plan. Capital construction projects, which are to last for generations, call for good quality above everything else. In building a project, we must pay equal attention to quality and efficiency, try every possible means to insure good construction quality, and make every project meet design standards and consumers' demands and stand the test of time. All construction projects should be built in a scientific and civilized manner. In developing projects, we should try our best to avoid disturbing the people and should take into account the people's convenience. Over the past several years, our designing and construction ranks have fought some tough battles, stood some tests, and accumulated some experiences. We should continue to improve our work by summing up these experiences.

Sixth, we should formulate policies to insure the implementation of plans. Urban overall planning contains many aspects, and the people of all circles should make concerted efforts to implement it. To this end, we must depend on correct policies to mobilize the people's initiative. To control the scope of cities, we must formulate and implement correct policies on population and land occupation. To solve the problems of urban traffic service, we must have policies on managing vehicles and roads, on road expense subsidy, and on punishment of violators of traffic laws. To solve the problems in urban energy

resources, we must formulate a policy on the energy structure, and one on encouraging the development and conservation of energy resources. To maintain the ecological balance, we must have an environmental protection policy, a greening policy and a water area protection policy. We should give full play to the role of policies in giving encouragement and punishment in order to urge the people to implement the plans. In formulating policies, the focus should be placed on the implementation of plans. Meanwhile, we should pay attention to the overall situation, and guard against a situation in which one tendency covers the other. In formulating policies, we should stress the coordinate development of various fields. With all these policies, the implementation of the overall planning will be guaranteed.

Seventh, we should improve the legal system and strengthen management. Strengthening management is an important link to fulfilling the overall planning as well as a major administrative and technical means to control and maintain the comprehensive development of cities. After being approved by the State Council, the overall planning will become a regulation. People's governments at all levels should regard the implementation and safeguarding of the overall planning as their major duties, implement the overall planning to the letter with a sense of responsibility to the whole municipality and to future generations. They should also strengthen the supervision and inspection of correcting practices running counter to the overall planning so as to safeguard the seriousness and authoritativeness of the overall planning. All design and planning departments and all responsible persons should be impartial and incorruptible in observing and protecting the law, and should be brave in struggling against all law violations. All departments and units should consciously abide by the law, respect and submit to urban planning, and set an example in implementing the urban plan. By no means should they do things their own way. In line with the State Council's "Regulations on Urban Planning," we will organize forces to rapidly formulate the detailed regulations and pertinent rules on Tianjin's urban planning, and will draft regulations on the municipal civil administration and on the usage of residences and land. These regulations will be implemented after they are examined and approved by the Municipal People's Congress Standing Committee. We will strive to attain the goal of strict law enforcement and observance with punishment to law breakers, and gradually incorporate the management of plans into the orbit of the legal system.

[SK161013] Eighth, we should strengthen centralized and unified leadership over planning work. We should centralize and unify our efforts while making the city plan. The power to examine and approve the entire city plan should be concentrated in the Municipal Planning Bureau. It should exercise unified management, check the planning work strictly, and should not "unite bindings," and delegate powers to other units. The various district and county planning departments should serve as dispatched organs of the Municipal Planning Bureau and be placed under the dual leadership of the city and districts, as well as counties. Professional leadership should be given to the Municipal Planning Bureau. The Municipal Construction Commission, the municipal commission in charge of improving city outlook, and the Municipal Planning Bureau should break with old ideas and methods that do not conform with the new situation and the new tasks, explore some good methods and experiences that suit the new situation and the new tasks, and give full play to their functional role.

Leading bodies of planning departments at all levels should be well organized and some outstanding young and middle-aged cadres with pioneering spirit, sound political awareness, broad knowledge and fields of vision, professional experience, good knowledge of policies and those who adhere to principles and are capable of creating a new situation should be selected and promoted to leading posts. The planning contingents of various districts and counties should be replenished and relatively stabilized so that they can become familiar with their own local situations and can better exercise their functions. We should grasp the training of contingents for managing urban planning work. In the future, in addition to relying on colleges and universities to transfer specialized personnel, we should rotationally train the in-service technical cadres as well as administrative and managerial personnel through diversified channels and forms so that the number of persons in the contingents and their knowledge structure will meet the needs of modern urban construction. Leading comrades in charge of planning and comrades in charge of other specific professional work should overcome the weak and listless state of working, oppose bureaucracy, strengthen investigations and research, improve workstyle, and devote more energy and time to working at construction sites, examining blueprints, and grasping each and every work firmly, meticulously, and through to the end. The municipal government organs should take the lead in establishing strict responsibility systems. The work of all aspects and links should be divided and shared by the various specific departments and persons. We should change the past bad workstyle of not clearly dividing work and exercising duties and the workstyle of passing the buck and disputing over trifles, and gradually foster a good workstyle of performing duties earnestly, setting strict demands on oneself and strictly enforcing orders and prohibitions.

Fellow deputies: The draft program of the municipal overall plan is the fruit of the people's long practice; the repeated proofs made by the relevant departments, experts and scholars; and the wisdom of all. However, being limited by the objective conditions and our limited knowledge, this plan will surely have many deficiencies. In addition, in line with the experiences of some fraternal provinces and cities, the overall plan should not be too detailed. It should be just an outline and a tentative plan. Through discussions at this Municipal People's Congress, the deputies will surely provide many valuable opinions and we will revise the overall plan conscientiously. Some problems will come along with the development of the current situation and we should sum up experiences through practice in a timely manner, and should continue to enrich and improve our overall plan. The municipal overall plan has provided us with a grand objective and a good blueprint. Building and managing Tianjin well and in line with the overall plan is a very arduous but glorious task. Let us rise with force and spirit, be united, become mobilized, work with unremitting efforts, not fear setbacks and strive to realize the glorious and brilliant prospect through our wisdom, ability and untiring hands!

CSO: 4006/625

PROVINCIAL AFFAIRS

BRIEFS

SICHUAN ENTERPRISE LEADERS MEET--The first provincial experience-exchange meeting of outstanding managers, directors, party committee secretaries, and trade union chairmen of industry, communications, commerce and trade enterprises opened in Chengdu yesterday. Vice Governor Ma Lin presided. Jiang Minkuan, deputy secretary of the provincial CPC committee and governor, made a speech. He called on departments at all levels in the province to cultivate and forge large numbers of outstanding leading cadres for enterprises, so as to invigorate the large and medium enterprises, and develop the province's economy. [Excerpt] [Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 19 May 85]

CSO: 4006/625

ECONOMIC PLANNING

XIZANG NOTES REFORMS OCCURRING IN PLANNING SYSTEM

HK170218 Lhasa Xizang Regional Service in Mandarin 0000 GMT 16 May 85

[Text] Since the region began the reform of the planning system at the beginning of this year, the scope of regulation by market mechanisms and of guidance planning have expanded while the scope of mandatory planning has drastically diminished.

According to the principle of household production as the primary point and market regulation as a supplement, this year planning departments have not implemented any mandatory plans over the production of agriculture and animal husbandry. Market regulation has been practiced for industrial products manufactured by the region. Mandatory planning has been conducted in regard to cement and timber, while guidance planning has been conducted in regard to crude coal, [words indistinct], the volume of generated electricity, salt, plant oil, patented Chinese and Zang medicines, and [words indistinct]. Guidance planning has also been conducted in regard to highway freight transportation volume and [words indistinct]. Planning departments have also reformed planning in commerce and foreign trade. Mandatory planning has been conducted in regard to gasoline, diesel fuel, lubricating oil and kerosene. Guidance planning has been conducted in regard to the total retail volume of social commodities, grain, edible plant oils, teas of minority nationalities, salt, sugar, chemical fertilizer and musk. No prefectures, cities or relevant provincial departments are allowed to assign any plans to production units for the purchase of agricultural and sideline products. But, if peasants and herdsmen are willing to sell their agricultural and livestock products, commercial departments must purchase them actively. Guidance planning should be conducted in regard to the total import and export volume and principal imports and exports under the unified arrangements of the autonomous region.

The region's planning departments have also carried out corresponding reforms in using foreign funds and overseas remittances.

CSO: 4006/625

ECONOMIC MANAGEMENT

HUBEI'S GUAN GUANGFU SPEAKS ON SHASHI CITY'S MULTIFUNCTIONAL ROLE

HK150958 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 13 May 85

[Text] After Guan Guangfu, secretary of the provincial CPC committee, conducted investigation and study in Shashi city from 6 May to today [13 May], he emphatically pointed out: To make a new and still greater breakthrough in urban reform in Shashi city, it is necessary to constantly strengthen the city's inherent ability [words indistinct] and to give full play to the city's comprehensive functioning.

In Shashi city, Comrade Guan Guangfu listened to the reports made by responsible comrades of the city CPC committee, the city government, and all departments and inspected some [words indistinct].

At the forum held today, with the participation of leading comrades of the city party and government, Comrade Guan Guangfu delivered an important speech on how to give play to the city's multifunctional role. He demanded: In the near future, Shashi city must hold four meetings well: 1) a meeting on financial investigation; 2) an economic and technological meeting; 3) a discussion meeting on [words indistinct] exploitation; and 4) a meeting on foreign economic relationships and foreign trade. It is necessary to invite leaders concerned and experts of departments concerned to Shashi to discuss a great plan for urban reform. It is essential to straighten out the economy, to regulate capital, to make new products and to remove hindrances to circulation.

In dealing with the problem of how to strengthen the city's ability [words indistinct], Comrade Guan Guangfu said: Shashi city, a medium-sized city, must resolutely gear its work to the needs of the whole country, of the whole province, and of the Jiangnan Plain. It must first gear its work to the needs of the Jiangnan Plain. It must vigorously establish horizontal economic and cooperative contacts between urban and rural areas and must do well in unified planning and arrangements for Shashi and for its adjacent urban areas so as to make the city bring along the villages. Conversely, the city's multifunctional role will be promoted.

On reform of the urban structure, Guan Guangfu said: The city CPC committee and the city government must establish practical and small-sized but strong and capable administrative organs and, at the same time, must establish and apply [words indistinct] society and all other societies, must do well in

grasping economic strategy and information and market forecasts. It is imperative to make use of the role of the brain trusters to make good arrangements and to work out a long-term plan for the city by linking theory with practice.

He hoped: Shashi city will further relax policies on urban reform and will take the lead in reforming medium-sized cities and in giving play to the cities' comprehensive function.

CSO: 4006/625

ECONOMIC MANAGEMENT

HANGZHOU CITY PAYS ATTENTION TO ECONOMIC LEVERS

OW192044 Beijing XINHUA Domestic Service in Chinese 0847 GMT 17 May 85

[By reporters Li Feng and Fu Shanglun]

[Excerpts] Hangzhou, 17 May (XINHUA)--Hangzhou city Mayor Zhong Boxi pointed out: Local city governments must acquire the "basic skill" of making multiple use of economic levers. A government, such as the Hangzhou city government, is by no means inert; rather, it is able to accomplish something in the regulation and control of macroeconomic activities.

Since April this year, the Hangzhou city government has instituted a meeting system--the Hangzhou city economic levers coordination meeting, which is attended by representatives of the city's economic departments, such as the planning committee, the economic committee, the trade office, the finance and tax bureau, the price control bureau, the labor bureau, the bureau of supplies and the administration of industry and commerce, and representatives of the People's Bank and various specialized banks in the city. People humorously call the organization the "levers committee." The coordination meeting is called once a month by the city planning committee. It coordinates the work of various departments with regard to credit loans, regulation of tax payment and profit delivery, use of foreign exchanges, scale of capital construction, price change, and balancing of material distribution.

According to investigation material furnished to the meeting by the Hangzhou city People's Bank and Agricultural Bank, the state has exercised strict control of the amount of credit loans, but many localities are still increasing investment in fixed assets. This is remarkably shown by the fact that they continue to set up additional village and town enterprises. This is mainly because the unified management of credit loans has not covered the enterprises under the agricultural department, including village and town enterprises, state farm enterprises and state-owned rural enterprises. The loans extended by the agricultural banks and the credit cooperatives have been subject to control, but funds from other sources have not been controlled.

The banks cited Xiaoshan County as an example. In the first quarter of this year, the amount of credit loans extended by the agricultural banks did not increase, but other specialized banks and the financial departments extended more than 80 million yuan of loans to the county.

The meeting also discovered many new problems concerning the ways in which some local authorities raise funds from society. Some county, district and township governments adopt the abnormal practice of "raising capital funds through usury." Others issue administrative orders to set fund-raising quotas, and raise funds by arbitrarily suspending or reducing the wages of the cadres, staff members and workers of village and town enterprises. Some counties seek funds from other localities by every possible means in order to continue to build new projects.

The Hangzhou city economic levers coordination meeting adopted several measures to exercise a unified control of credit loans extended to the enterprises under the agricultural department.

Those measures have begun to yield good results. The credit loans have been brought under a more proper control, and economic development has become more rational in Hangzhou city.

CSO: 4006/625

17 June 1985

## ECONOMIC MANAGEMENT

## HANGZHOU CURBS BLIND RURAL ENTERPRISE DEVELOPMENT

OW200629 Beijing XINHUA Domestic Service in Chinese 0051 GMT 19 May 85

[Excerpts] Hangzhou, 19 May (XINHUA)--Recently, summing up experience in economic restructure during the previous period the Hangzhou City CPC Committee and Government stressed that, while enlivening the microeconomy, we must strengthen the macroeconomic guidance, and that it is very important for "county rulers" to learn to keep the overall economic situation in mind.

The responsible person of the Hangzhou City CPC Committee said that day-to-day work had enabled him to realize that two illusive things have kept city and county leading cadres from improving their concept of the overall situation: One is departmentalism (localism) in economic interests, and the other, the influence of the erstwhile economic guiding ideology of attaching importance to the growth rate at the expense of economic results.

The leading comrade of Hangzhou city said that local leaders and propaganda departments have not, until today, realized the harm of the outdated idea of putting the growth rate "in command" for economic development. The index of total industrial and agricultural output value is a very important economic index, but it is not the composite index in developing the socialist commodity economy, and does not indicate whether economic results are good or bad. However, for many years, the total amount of industrial and agricultural output value, the growth rate, and a county's placing of these indexes in the whole city and province, were virtually the main criterion for evaluating a county's performance. This criterion was also linked with the promotion of leading county cadres. This compelled the "county rulers" to do whatever they could to strive for a high growth rate. To compete, they set up plants. To compete in setting up plants, they scrambled for funds. Lacking funds, they used their own powers and rights to permit this or that enterprise to get loans from this or that bank. When enterprises showed bad economic results, they exempted this or that enterprise from taxes. As a result, this enlivened microeconomy created various breaches in the embankment of the macroeconomy. If all localities "enlivened microeconomically" this way, the macroeconomy would surely get out of control, and the overall situation be adversely affected.

At the recent meeting called by Hangzhou city to exclusively discuss the strengthening of macroeconomic control, and rational use of credit and loan funds, leading cadres of many counties and districts began to realize that enterprises run by counties and districts, and those run by town and townships today, are different from similar enterprises in the past, which were intended to achieve localized economic self-sufficiency. These enterprises are today engaged in commodity production. Even agricultural restructure is also for the development of commodity production. Our commodity production is planned on the basis of public ownership. We have a unified market, and commodity production of all localities is closely linked with that, and the market situation, of the whole country. Therefore, as leader of a locality, one must pay equal attention to "enlivening the microeconomy" and "exercising macroeconomic control."

Leading cadres of the Hangzhou City CPC Committee and Government also pointed out that strengthening control from the macroeconomic point of view does not mean slashing the town and township enterprises, but giving them guidance according to circumstances. They said: Hangzhou city's town and township enterprises already have a fairly good foundation. So, to enable them to develop harmoniously with the macroeconomy, three methods have to be adopted: First is to take the "trade-industry-agriculture" road, and energetically develop agricultural resources, according to the needs of the international market; second is to take the road of enterprises into association with the city's big industries, enabling them to have some of their products, parts and components manufactured in the countryside, so that urban and rural economies develop harmoniously; and third is to take the road of internally expanding production, on the strength of technical advancement, and upgrading and escalation of products. Furthermore, great attention must be focused on economic information, domestic as well as from abroad.

CSO: 4006/625

ECONOMIC MANAGEMENT

NEI MONGGOL: BU HE INSPECTS JIREM LEAGUE 4-17 APRIL

SK170507 Hohhot NEIMENGGU RIBAO in Chinese 2 May 85 p 1

[Text] From 4 to 17 April, Bu He, deputy secretary of the regional CPC committee and chairman of the regional government, went to the urban and rural areas of Jirem League, particularly marsh and poverty-ridden areas, to conduct investigations and study, and to give on-the-spot guidance. He was praised by the masses of cadres and people of the league.

During the 14-day tour, he traveled nearly 2,000 km to visit some 60 banners, counties, crop and livestock farms, and mining areas of the league. In every banner, county and unit, he summed up experiences with local cadres and proceeding from reality discussed and studied with them both macroeconomic and microeconomic viewpoints of the plans to accelerate construction and achieve the 100-percent increase at an early date. He emphasized: Leading cadres at all levels should conduct investigations and study in the realities of life and should, in particular, go to remote and poverty-stricken areas to give on-the-spot guidance. Only in this way can they gain the initiative, make policy decisions and win victories in leadership work, expedite our region's economic construction and guarantee the fulfillment of the goal of 100-percent increase.

After the investigations and study, Comrade Bu He fully affirmed the work of Jirem League. With satisfaction, he said to the leading persons of the league CPC committee and commissioner's office: Your league and various banners, counties and cities have done very well, and scored achievements in your work. With a definite goal, all of you from higher down to lower levels have exerted concerted efforts to carry out the central tasks of restructuring the economy, opening to the outside world and enlivening the domestic economy, and improving economic results. In particular, secretaries of the CPC committees of industrial and mining enterprises, and various banners, counties and cities have attended to the economic work, and have also achieved good results. This is right and well done.

After hearing the reports of the league, and various banners, counties and crop and livestock farms, and conducting on-the-spot investigations, Comrade Bu He held that the league's rural areas and crop and livestock farms achieved new development in reform. Comrade Bu He said happily: The league sold wells equipped with motor pumps to households at a fixed price, and then sank new wells with the money earned. The households who bought the wells irrigated

their land with the well water, and also sold the water as a commodity to those without those wells. In the other case, the Zhurihe crop and livestock farm sold animals to households at a fixed price and allowed them to manage pieces of grassland on a contract basis in order to develop family farms. These two kinds of reform are correct.

Comrade Bu He visited the 10,000-mu forests of some banners and counties and saw that green pines and cypresses had grown on some barren hills. He praised: Jirem League has achieved fairly rapid development in forestry over the past years. Its forest-covered areas total 14.7 percent, and 40 percent of its townships and towns have built farmland shelterbelts in an initial form. What is more praiseworthy, the masses of cadres and people of the league have taken the initiative in grass and tree planting. You have implemented the principle of "emphasizing forestry and animal husbandry while developing diverse undertakings" in a down-to-earth manner, and created favorable conditions for restoring ecological balance and developing animal husbandry and agriculture. This is extraordinary. However, it should be pointed out that because the marsh areas deteriorate to a serious extent, it is necessary to plant grass and trees, both arbors and shrubs, in line with local conditions so as to stabilize dunes and restore vegetation step by step.

Comrade Bu He visited some industrial and mining enterprises, and highly praised their efforts to expand various forms of economic cooperation. He said happily: Your methods are very good and realistic. Jirem League has achieved remarkable results in opening to the outside world. All areas, from the league, banners and counties down to townships, towns and Sumu, have imported from and opened themselves to other areas within the league and the region first, and then other provinces and cities outside the region. They have sent people to and brought people from nearby areas first and then far-away areas to conduct economic and technical cooperation, and to import funds, talented personnel and equipment. By so doing, they not only saved many enterprises but also improved economic results. This is a good experience, which yields quick returns and conforms to the reality of Nei Monggol. Leading persons of some localities fixed their eyes on foreign countries without considering local reality and conditions. Some localities considered themselves the most successful despite the fact that they failed to do the open-door work vigorously. Some localities even locked equipment imported from abroad in warehouses, turning it into dead treasures. Such ideas should be changed. When conditions are ripe, we can, of course, cooperate with foreign countries as long as it is feasible, and import funds, talented personnel, technology and equipment. However, judging from the economic situation of the region as a whole, the methods of Jirem League are comparatively realistic.

[SK170605] Comrade Bu He visited some collective- and individual-run small plants, mines, workshops and stores, and some village fairs of banners and counties. He said: Township enterprises in Jirem League develop very quickly, and village fairs are brisk. The output of the township enterprises reached 201 million yuan, amounting to 21 percent of the total income from agriculture and animal husbandry of the league. Jirem League is one of the leagues and cities with fairly developed township enterprises. Township enterprises are an important force we should rely on to achieve the 100-percent increase.

However, judging from the current situation of our region, the township enterprises of the region are still undeveloped. Their output value is only about 1 billion yuan, accounting for a very small proportion in the region's total income from agriculture and animal husbandry. Therefore, greatly developing township enterprises is a very important task for leagues and cities. The speed of development may be accelerated as long as actual local situations are respected, conditions are ripe, and good economic results can be achieved. While developing various types of enterprises, we should encourage individuals or households to run mainly small individual or collective ones which can yield quick results. We should expand small enterprises into large ones like we "roll a snowball," and should never arbitrarily set up new ones. We should pay attention to and develop processing and conversion of animal byproducts, grain and nonstaple foods, fattening of animals, and feed processing. They are the advantages of our region. We should also pay attention to development of a commodity economy. There should be fairs and trade centers in every township, town and Sumu, particularly in remote and poverty-ridden areas.

On the basis of the analysis of the materials accumulated during the investigations, Comrade Bu He put forward some issues to which Jirem League and the whole region should attach importance. He said: Agricultural areas should also develop animal husbandry greatly. It is not enough to stress animal husbandry development in pastoral areas alone as we did for many years. Agriculture areas also have bright prospects for developing animal husbandry. Leaves (which the masses call "grazing land in the air"), waste hills and slopes, beet residues and straws are favorable conditions for livestock breeding. Also, with more grain, agricultural areas may buy lean and weak animals or animals to be eliminated from pastoral areas to fatten them up. In the future, all localities should stress the importance of developing animal husbandry in agricultural areas.

Comrade Bu He said: At present, there are many localities which undertake new projects rashly. It seems to them that the more projects they undertake, the better economic results they will create. I think this is not the case. To undertake new projects blindly without considering reality, feasibility and economic results, the projected high growth rate will drop, and great losses will occur. In the future, we should be prudent and conduct feasibility studies before we undertake a new project. In developing new projects, we should consider if they can yield quick and better results and have competitive edges. We should also consider our actual conditions and capacity and strive to recoup the investment and earn profits within a short period of time. All localities should pay attention to long-term development plans and a balance of development, think more from the macroeconomic viewpoint, exercise effective control over major issues while allowing flexibility on minor ones, and stress the development of the existing key enterprises.

[SK170713] Comrade Bu He said: We should do a good job in supporting the poverty-ridden areas, which exist in all localities throughout the region. Marshy areas are the poorest in Jirem League. So seriously deteriorated, they even pose a threat to the conditions for the people's existence. In order to change the features of these areas, an effective method is to "close them and plant trees and grass on them." We should close marshy areas for a few years,

and encourage the masses to plant trees and grass on them. When vegetation is restored and conditions are ripe, they may be reopened for farming and livestock breeding. In tree and grass planting, we should rely on the efforts of individuals, collectives and the state instead of on state investment alone. During the period when marshy areas are closed, the state may support the people in their lives by exempting them from their procurement quotas and using their labor instead, or by selling grain to them on credit. Supporting the poor does not mean providing relief to them. We should help them change production conditions and develop productive forces. In the meantime, we should stress the importance to help oneself, develop production and improve one's living standards through self-reliance with the support of the state so that the masses will have confidence in changing the backwardness once and for all.

Comrade Bu He said: At present, more and more 10,000-yuan households emerge in prosperous townships, towns, Sumu, villages and gacha. How to correctly lead them to use their funds well is a very important task for leagues, cities, banners and counties at present. Recently, I discovered that our funds are flowing to outside the region. Some leagues, cities, banners, counties, townships, towns and even individual households have invested in restaurants and hotels in other provinces and cities. According to the appraisal of some experts, investment in expanding production or in the projects built in the region can yield better economic results than in the projects outside the region. Of course, we do not object to all investment in other provinces indiscriminately, but such investment should be made in a prudent manner. Ill-considered investment in projects of other provinces will cause losses. For this reason, all localities should give correct guidance and prevent outflow of funds.

During his inspection tour in Jirem League, Comrade Bu He also visited some colleges and universities, primary and middle schools, kindergartens, and some veteran cadres of the league and leading comrades of local army units, in addition to banners, counties, cities, farms, mining areas, industrial and mining enterprises, townships, towns, Sumu, villages, gacha, key and specialized households, self-employed laborers and family farms.

CSO: 4006/625

ECONOMIC MANAGEMENT

BRIEFS

HUNAN RULES ON HONG KONG, MACAO VEHICLES--The provincial people's government has recently approved provisional rules and regulations on entry into and exit from Hunan Province by vehicles from Hong Kong and Macao. From May this year, units in the province which have signed economic contracts or agreements with relevant enterprises and institutions in Hong Kong and Macao may apply to the vehicle management office of the provincial Public Security Department for entry and exit permits for Hunan Province for vehicles from Hong Kong and Macao by submitting the approved economic contracts and agreements and the valid vehicle registration documents issued by the Hong Kong or Macao authorities. [Text] [Changsha Hunan Provincial Service in Mandarin 2300 GMT 14 May 85]

CSO: 4006/625

FINANCE AND BANKING

FINANCE MINISTER ADDRESSES TAX INSTITUTE CONGRESS

Beijing ZHONGGUO SHUIWU [CHINA'S REVENUE] in Chinese No 2, 12 Feb 85 pp 2-3

[Summary of speech given by State Council member and Finance Minister, Comrade Wang Bingqian, at the China Tax Institute Establishment Congress]

[Text] The China Tax Institute has been officially established today after 2 years of deliberations and preparations; I extend warm congratulations to the comrades attending the congress and cordial greetings through you to comrades who are engaged in academic research on tax revenue theory and those in the tax department and business circles throughout China.

The China Tax Institute is a bridge and link connecting the tax department with theoretical, academic and business circles and it unites public figures in all areas, develops the style of study of integrating theory with practice and organizes and promotes scientific tax revenue research in order to raise China's tax revenue theoretical and work standards. The establishment of the institute will make a major contribution to improving and promoting the initiation of new conditions in tax revenue work.

China's economic and political conditions are now both very good. Economic system reform has first achieved great successes in rural areas, urban reform has first achieved great successes in rural areas, urban reform has gradually developed, industrial and agricultural production has continued to increase, many production departments have overfulfilled the Sixth 5-Year Plan ahead of time, financial conditions have continued to improve, all enterprises have vigorously developed and a lively and flourishing scene has appeared in the town and country economy. Brilliant prospects for socialist modernization have developed and we are fully confident of victory in the struggle to realize the magnificent goal proposed by the Central Committee of quadrupling our gross annual output of industry and agriculture by the end of the century.

President Li Xiannian has pointed out in a congratulatory letter to the congress that "Tax revenue is a major national means of regulating the economy, ensuring income and promoting construction. It is particularly important now." Comrade Xiannian's indication fully affirms the important role of tax revenue work. The duties of tax revenue work are now indeed very difficult. Since profits were changed to taxes, there has been a

gradual transition from taxes and profits coexisting to taxes completely replacing profits, and national revenue has been mainly organized and implemented using the tax revenue form. Particularly along with the comprehensive and thorough carrying out of economic system reform, tax revenue work has acquired an increasingly important position and role. Under the conditions of major developments in commodity production and the coexistence of the forms of many commodity circulation channels and a diversified economy, tax revenue work must, on the one hand, conscientiously use the law of value, coordinate economic levers, such as prices and credit, regulate production, income and consumption, spur enterprises to develop production, improve results and guide and supervise enterprises in order to benefit the coordinated development of the national economy. Tax revenue work must, on the other hand, also strive to develop sources of revenue based on production development, promptly and fully collect tax payments which should be collected according to government policy stipulations, provide reliable fund guarantees for the four modernizations and accelerate the vigorous development of China's socialist construction. Objective developments will require that we use vigorous measures in the future, strengthen tax revenue work and fully and effectively use the economic lever of tax revenue, enabling it to play an active role in economic system reform.

Tax revenue is very strong government policy type of work and also a specialized discipline; economic development changes are rapid during economic system reform and developing commodity production, using the law of value, expanding enterprise initiative, invigorating the domestic economy and carrying out the foreign open door policy are all directly and closely related to tax revenue work; many new conditions and problems will be directly reflected in tax revenue work, and this requires that our ideology and commercial adapt to the needs of developing conditions. Industrial and commercial tax revenue is a major lever in the distribution and redistribution of national income and we must thus devote ourselves to studying national income distribution theory. What and how much taxes the state collects and which tax collection links and forms it uses must all proceed from the basic point of favoring macroeconomic control and microeconomic invigoration and strengthening of business vitality. If we have correct theoretical guidance, we will have a solid theoretical foundation when formulating tax laws, planning tax categories and determining tax rates, not fall into the busy routinism of only considering taxes as they stand and be able to overcome the one-sidedness of only paying attention to collecting taxes and not to examining the economy. Through thorough social practice, we can gradually establish a socialist tax revenue theory system and taxation system suited to China's conditions and having distinctive Chinese characteristics, overcome blindness and raise our consciousness. Tax cadres must conscientiously stand in the front ranks of, adapt to, support and promote reform, enabling them to gradually become financial management experts who are good at making, collecting and using money.

The establishment of the China Tax Institute has provided an organizational arena for developing tax revenue theoretical and policy research. Provided we mobilize our forces in all areas and develop our respective specialities, I believe that our future tax revenue theoretical standards will certainly be greatly improved and there will also certainly be new developments in our tax revenue work.

FINANCE AND BANKING

NEW 'ACCOUNTING LAW' DISCUSSED

Beijing CAIWU YU KUALJI [FINANCE AND ACCOUNTING] in Chinese No 2, 20 Feb 85  
pp 8-9

[Interview with Ministry of Finance Spokesman on "The Accounting Law"]

[Text] Question: The position of accounting abroad is quite high but many comrades in China still do not attach much importance to accounting work; now that the "Accounting Law" has been published and is about to be implemented, could I ask you to first discuss the major significance of having formulated it?

Answer: The major significance of having formulated the "Accounting Law" should be understood from the overall condition of present national construction. What is the overall condition of present national construction? It is wholeheartedly carrying out the four modernizations, developing the productive forces and attempting to quadruple the gross annual output value of industry and agriculture by the end of the century. In carrying out such important matters, how can we not stress accounting work, which is regarded as a major component part of economic management? Based on the fundamental principles of Marxism-Leninism and our actual conditions during the past 30-odd years, we have summarized the following experience: managing the economy is inseparable from accounting and the more developed the economy, the more important is accounting. As Marx said, accounting "is more essential to publicly owned production than it is to capitalist production." Since the Third Plenum of the 11th CPC Central Committee, the focus of work throughout China has been transferred to socialist modernization, and economic conditions throughout the country have been becoming increasingly better day by day. It must also be seen that our economic management standards are still quite low and our economic results not ideal. Financial management has been chaotic, losses and waste have been serious and financial and economic discipline has been lax in many units. Accountants have had no legal safeguards when performing their duties, often encountering obstacles, difficulties and even retaliation. Some accountants have also abandoned their posts, been slack in their supervision and even ganged up to cheat and execute the law illegally. These conditions are unsuited to vigorously developing economic conditions. Formulating and implementing the "Accounting Law" was thus necessary in order to strengthen economic management, improve economic results, strengthen financial management, overcome the phenomenon of waste and in

a word, to realize the magnificent goals proposed by the 12th CPC Congress. This is its major significance.

Question: Will strictly applying the "Accounting Law" hamper the initiative of economic system reform?

Answer: It will not. In principle, reforming the economic management system and strengthening economic legislation are not opposed to but supplement and promote each other. As Peng Zhen, chairman of the National People's Congress Standing Committee, has pointed out, in order to change from relying on policy in handling affairs to not only relying on policy, it will be necessary to establish a healthy legal system and work according to law.

Judged by a specific analysis of the "Accounting Law" itself, the basic tasks of accounting are recording, accounting and supervising economic activity, reporting economic work conditions, predicting economic prospects and giving service to strengthening economic management, rationally using funds and improving economic results. The state fiscal, tax revenue and financial systems are most closely connected to economic system reform. The connection of accounting to these systems is that as they are formulated and changed, accounting must implement and supervise accordingly. The "Accounting Law" indeed does not formulate nor has it formulated the specific fiscal, tax revenue and financial systems and thus cannot hamper the initiative of economic management system reform.

Question: In that case, what problems does the currently published "Accounting Law" principally solve?

Answer: According to our understanding, the "Accounting Law" solves two key problems. First, it ensures the quality of business accounting and principally that all accounting evidence, account books, report forms and other accounting data are authentic, accurate, complete and in accord with accounting system provisions. Second, it strengthens accounting supervision, principally supervises the legal, rational and effective carrying out of economic activity and does not permit the handling of revenue and expenditure in violation of national unified fiscal and financial systems. Its general goal is to "develop the role of accounting work in upholding the national fiscal and financial systems, protecting socialist public property, strengthening economic management and improving economic results."

Question: Is the fact that accountants are not permitted to handle any revenue and expenditure in violation of national unified fiscal and financial systems contradictory to the factory director (manager) job responsibility system and may it even adversely affect their ability to take advantage of opportunities?

Answer: Factory directors and managers must all exercise their functions and powers according to law, and especially in revenue and expenditure of funds, no one has the right to make his own budget in violation of laws and systems or to act arbitrarily. The two are thus indeed not contradictory

in principle. Since certain contradictions exist between partial and local interests and overall ones under specific conditions and considering, moreover, that some of China's current fiscal and financial systems are still imperfect and that the standards of leaders and accountants in some units are different and their understanding of the provisions of some systems sometimes varies, Article 19 of the "Accounting Law" thus stipulates that "If administrative unit leaders insist on handling revenue and expenditure in ways which accounting organs and accountants think violate the provisions of national unified fiscal and financial systems, accounting organs and accountants can handle them themselves and most, moreover, provide written reports to the administrative leaders of the higher level responsible units, request that they be dealt with and report them to the auditing organ." This stipulation reflects the unity of principle and flexibility and is suited to China's actual present conditions.

Question: Accountants have reported that not reporting violations of fiscal and financial systems to the higher authorities is illegal, yet fear that reporting them is an abuse of their power and feel that it will make things very difficult for them. What legal guarantees does the "Accounting Law" provide for accountants to legally execute their functions and powers?

Answer: Article 22 of the "Accounting Law" clearly stipulates the duties of accountants. In order to ensure that accountants can legally execute their functions and powers, the "Accounting Law" provides legal guarantees in many areas. For instance, Article 4 clearly stipulates that administrative leaders of all areas, departments and units must "ensure that the functions and powers of accountants are not violated. No one is permitted to retaliate against accountants." Article 23 stipulates that the appointment and dismissal of responsible people from accounting organs and responsible accountants of business units should be through the consent of the higher level responsible units. Higher level responsible units subjecting accountants who uphold principles to incorrect handling and lower level units appointing people who are unsuited to accounting work should be stopped. Article 5 clearly stipulates legal responsibilities. Article 29 stipulates that "Administrative unit leaders and others who retaliate against accountants who have legally executed their duties will be given administrative punishment; the criminal responsibility will be legally investigated and affixed for serious cases." These stipulations of the "Accounting Law" are a summary of our accounting work experience of the past few decades. We believe that they will forcefully guarantee that accountants can legally execute their functions and powers.

Question: What responsibilities do administrative unit leaders have in carrying out the "Accounting Law"?

Answer: Implementing the "Accounting Law" is not only the responsibility of accountants, but is first that of all administrative unit leaders. Administrative unit leaders are responsible for their units' overall leadership work, setting examples and observing and executing the "Accounting Law" in an exemplary way, and the key to doing a good job of accounting work is

educating the masses in the legal system. The "Accounting Law" stipulates that the major accounting work responsibilities of administrative unit leaders are leading accounting organs, accountants and others in implementing the "Accounting Law," ensuring that the functions and powers of accountants are not violated and conscientiously handling reports from accounting organs and accountants on violation of state fiscal and financial system stipulations.

Question: Is the "Accounting Law" applicable to collective economic organizations?

Answer: The basic principles of the "Accounting Law" are all applicable to town and country collective organizations. But since the development levels of the town and country collective economy are different and particularly since the scale of some township and village enterprises is very small, full implementation of a unified "Accounting Law" would still be difficult and Article 30 of the "Accounting Law" thus stipulates that "Based on the law's principles, the accounting work management methods of town and country economic organizations may be separately formulated by the State Council's Department of Finance and concerned responsible departments."

The "Accounting Law" is China's major economic legislation and we must prepare to conscientiously implement it. Based on work requirements, finance departments of all provinces, autonomous regions and municipalities directly under the central government must master the work of setting up accounting work management organ responsibilities and make specific arrangements and plans for carrying out the "Accounting Law." They must first do a good job of organizing study and propaganda, enabling all staff members and workers to know and understand the law and cultivating the habit of working according to law. They must also make organizational preparations, such as revising certain stipulations which do not conform to the "Accounting Law" and accelerating cadre training.

12267

CSO: 4006/464

17 June 1985

## FINANCE AND BANKING

## STATE TREASURY BONDS PUBLICIZED

Beijing CAIZHENG [FINANCE] in Chinese No 2, 8 Feb 85 pp 5-7

[Article: "Outline for Publicizing Issuance of 1985 State Treasury Bonds"]

[Text] Dispatch from this journal: In order to do a good job of promoting the sales of the 1985 state treasury bonds, on 28 December 1984 the Central State Treasury Bonds Sales Promotion Committee published "Outline for Publicizing the Issuance of 1985 State Treasury Bonds," which is carried below:

The State Council has decided to issue 6 billion yuan in state treasury bonds this year, an increase of 2 billion yuan over last year. In order to successfully publicize the issuance of 1985 state treasury bonds, an outline is especially prepared for the various localities to be used as reference.

I. Why Must We Continue To Issue State Treasury Bonds and Even Increase the Amount?

Issuing government bonds or state treasury bonds, raising construction funds or subsidizing inadequate government spending in order to regulate economic development is a method commonly adopted by the various countries in the world. Presently, whether they are developed countries or developing countries, most have issued government bonds and state treasury bonds. This has become a common means of organizing financial revenue for the various governments in the world. However, the nature of the issuance of government bonds and state treasury bonds is different for different countries. Most countries issue bonds primarily for nonproductive expenditures such as the expansion of military spending or other administrative causes. In our country, the main purpose of issuing state treasury bonds is to appropriately pool together certain financial resources for the state to use in a planned manner as investments in key construction projects and other key projects. In the 1950's, our country issued the People's Victory adjusted government bonds and state economic construction bonds. We have all witnessed the role these bonds have played in accelerating the socialist economic construction. From 1981 on, with the exception of 1981, we have primarily used the funds raised from issuing state treasury bonds as investments for expanding key domestic construction projects in energy and communications. We have succeeded in speeding up the progress of construction of some key projects and have enabled the continuation of construction of those projects which were forced to be

abandoned or to be slowed down due to insufficient funds. Many of those construction projects have already been completed or will be completed and have begun to render contributions to the "four modernizations." We can be certain that had we failed to issue several billion yuan in state treasury bonds every year at that time, excellent economic situation today could not have occurred.

Some comrades may say that, since our country's economic situation at present is so good and our financial revenues have also increased on a relatively large scale, we can do without the issuance of state treasury bonds. This thinking is primarily the result of inadequate understanding of the significance and role of the issuance of state treasury bonds. We have already mentioned that the issuance of state treasury bonds is a regular practice by which countries raise construction funds. A healthy economy does not necessarily make the practice unnecessary. For instance although China's economic situation is very good and our financial revenues have increased on a relatively large scale, with the development of the national economy, key construction projects have also increased. The need for funds is also increasing. The lack of sufficient construction funds still presents a prominent problem that restricts our country's economic development. In order to lay a good foundation for an economic revival in the 1990's, we must seize the opportune moment now and continue to increase our investment in the key construction projects in energy and communications; and continue to increase our investment in scientific, education, cultural, public health and sports facilities. In 1985, we will also carry out reforms in wages, prices, and the urban economic system. In the long run, these reforms will definitely improve economic results and increase financial revenue.

However, initially, in implementating these reforms, the state must still shoulder a considerable amount of financial resources. Thus, at present, there still exists a very major contradiction between the need for funds and existing financial resources. On the other hand, local and enterprise extrabudgetary funds have grown very rapidly. In 1983, the gross amount of extrabudgetary funds throughout the country was 96.8 billion yuan, up by 20.5 percent compared to the preceding year, and equivalent to 79.9 percent of the budgetary income of that year. With the development of industrial and agricultural production, the income of the urban and rural people also grew very rapidly. Since 1982, although China has issued 2 billion yuan in state treasury bonds to the masses every year, the savings of the urban and rural people have continued to increase at about 10 billion yuan every year. By the end of 1983, the savings of the urban and rural people reached 89.2 billion yuan, an increase by 21.7 billion yuan over the preceding year. By the end of November the balance reached 117.5 billion yuan, up by 28.3 billion yuan compared to the beginning of the year. In particular, in the vast rural areas, after the economy has been revitalized, the number of well-to-do households has increased day by day, creating great potential for issuing state treasury bonds.

The State Council, therefore, has decided to increase the issuance of state treasury bonds by 2 billion yuan this year, so as to pool together more money which the people are temporarily not using and which is necessary for the state's key construction projects. Also, the masses have the ability to buy

these bonds. This has a great significance to guaranteeing the sustained development of the national economy and the continuous improvement of the people's standard of living on the basis of economic growth.

## II. The Favorable and Attractive Methods of Issuing the 1985 State Treasury Bonds Are Conducive to Fulfillment of the Task of Issuing State Treasury Bonds.

Although we have increased the amount of the 1985 state treasury bonds from 4 billion yuan to 6 billion yuan, we have greatly improved our methods of issuance, which include the following:

A. Shortening the period of principal repayment. In the past, in issuing state treasury bonds, the repayment of principal with interest began 6 years after issuance, with 5 payments made over 5 years and full payment in 10 years. Some people felt that this was too long. In addition, repayment of principal was done by drawing lots every year, which made it inconvenient for the purchasers make plans for the use of their funds. Thus, the State Council has decided to shorten the period of repayment of principal with interest to 5 years, and to switch from the repayment of principal by drawing lots in 5 separate years 5 years after issuance to a one-time repayment of principal with interest in the 6th year of the issuance. After this change, the bond purchasers can draw their principal with interest earlier, which makes it convenient for them to arrange for the use of their funds in a planned manner.

B. Raising the interest rate for the state treasury bonds. The purchase of state treasury bonds by the masses is intended to support state construction. However, the state has also fully considered the economic interest of the purchasers. In the past, when a unit purchased state treasury bonds, the annual interest rate was 4 percent. This year, it is raised to 5 percent, which is equivalent to the interest rate for the 3-year fixed deposit. As for the state treasury bonds purchased by the individual, the annual interest rate is raised from 8 percent to 9 percent. When an individual purchases 1,000 yuan in state treasury bonds, he can obtain 450 yuan in interest after 5 years. This income is rather handsome. In this way, when the urban and rural masses of people purchase state treasury bonds, they are tangibly contributing to the "four modernizations" on the one hand and obtaining greater profit economically on the other.

C. Cashing the bond when purchasers urgently need to use money. Originally, it was stipulated that one could not cash in the state treasury bonds before the term of repayment of principal was up. Also, one could not freely buy or sell the bonds. Some purchasers found this to be inconvenient when they were in urgent need of money. Now, however, the State Council has decided that one can mortgage the 1985 state treasury bonds for a bank loan. The bonds purchased by the individual can be cashed in at a bank with a discount. That is to say, after an individual has purchased and kept the state treasury bonds for a period of time, if he is in urgent need of money, he can apply for cash at a discount for his bonds in a bank. The bank can offer cash according to the stipulated discount rate (the banks are presently stipulating the specific methods for discount). The units which purchase the state treasury bonds can mortgage the bonds for loans.

D. Solving the problem of safekeeping state treasury bonds. State treasury bonds are negotiable securities issued without signatures. It is impossible to register loss and stop payment. Those who have poor storage conditions have all along asked for help in solving the problem of storing the state treasury bonds. In light of popular demand, the People's Bank of China and the China Industrial and Commercial Bank issued in May 1984 a notice on acting as agents in safekeeping state treasury bonds. It has decided to allow the China Industrial and Commercial Bank set up an agency business for this purpose. Those agencies which have been set up must continue to run the business well, and we must actively promote the rapid establishment of more such agencies. To prevent theft and loss of state treasury bonds, the masses who have difficulty storing their state treasury bonds, old or new, can entrust the industrial and commercial bank as the agency for safekeeping. At the same time, insurance companies are preparing to set up a state treasury bond insurance business as of 1985. The state treasury bonds can be insured along with family property, or they can be insured separately. The specific methods of insurance will be stipulated by the insurance companies. In addition, the State Council has also decided that, as of 1985, the bank will issue a receipt for any state treasury bond purchased by an individual with a value of over 1,000 yuan. Names will be registered on the receipts and losses can be claimed. In this way, the problem of storing state treasury bonds by the purchasers is solved.

The improvement of the climate for issuing state treasury bonds is carried out on the principle of integrating in a better manner the method of political mobilization with the consideration for the economic interests of the purchasers. This will further inspire the enthusiasm of the purchasers. Under the situation of the continuous increase in the people's income, as long as the various localities and various sectors strengthen their leadership and conscientiously do their work well, the task of issuing the 1985 state treasury bonds can be fulfilled.

### III. The Problem of the Understanding of the Masses in Purchasing State Treasury Bonds

In issuing state treasury bonds, some people wonder, with price inflation, whether the state treasury bond purchasers will suffer a loss when they have to wait 5 years for the repayment of principal with interest on their state treasury bonds. We feel that this worry is unnecessary. In the last few years, the state raised the procurement prices for agricultural sideline products in a planned manner and by a relatively wide margin, resulting in a larger financial deficit and inflation of market prices. After a period of hard work, the market prices have basically stabilized in the last few years. In 1981, our country's retail price index was up by 1.02 percent. In 1982, it was up by 1.93 percent and in 1983 by 1.5 percent. In the next few years, the reform of the price system which we will undertake will be a structural readjustment which will not lead to monetary inflation. The "Resolutions" of the Third Plenary Session of the 12th CPC Central Committee has pointed out that: "Under the circumstances of the development of production and the increasing abundance of materials, when we take the initiative to reform the price system and solve the various problems of unreasonable price differences, we will definitely not create a general wave of price inflation." Moreover,

the interest for the state treasury bonds is much higher than the price inflation index. Thus, one will not suffer financially by purchasing state treasury bonds.

Other comrades feel that the present situation of waste is serious and losses are very great in some state organs and some enterprises and professional units, that if the state would move to put an end to this it would save several billion yuan, and that consequently there would be no need to issuing state treasury bonds. We feel that these two issues are interrelated and yet distinct from each other. At present, some enterprise and professional units in China have incurred losses and serious waste, and have yielded relatively poor economic results. Some state organs have low work efficiency and manifest certain instances of extravagance and waste. These are facts. We can understand how the masses feel about them. For this reason, the state is making an attempt to solve the problems step by step through rectifying the party and reforming the economic system. We should also be able to realize that, after a period of hard work, the instances of loss and waste in various respects have been reduced and economic results have been improved to a certain extent. Our foremost tasks in economic work in the future will still be to continuously improve our business management level, overcome waste and improve economic results. However, a process is necessary before the instances of loss and waste can be basically overcome and economic results substantially improved. At present, through issuing state treasury bonds, the state is appropriately concentrating a portion of the money which the people are not using for the time being as investments to be used in certain key construction projects. In so doing, it can bring into play as soon as possible the full production capability of those enterprises which were not in full operation due to problems such as energy and communications. This is also a specific measure for improving the economic results of the entire society. Thus, we must not set in opposition the instances of loss and waste of some units with the issuance of state treasury bonds, but must issue state treasury bonds in order to raise more funds for construction and at the same time adopt measures to overcome the instances of loss and waste.

#### IV. Matters to Which We Should Give Attention in Sales Promotion This Year

A. Do publicizing and mobilization work conscientiously and well. The key to smoothly fulfilling the promotion of the sales of state treasury bonds lies in our publicity and mobilization work. Although we have stressed this work every year, some localities still fail to implement it in depth and before the promotion of sales. They have only carried out the quota for promotion of sales transmitted from the higher level down to the lower level, thus creating a poor effect among the masses. The methods of issuing the 1985 state treasury bonds have been improved. They are more favorable, flexible and attractive. This should help to promote bond sales. Thus, the various localities must further strengthen publicity and mobilization. In addition to continuously carrying out propaganda on the significance and role of issuing state treasury bonds, we must emphasize propaganda on the measures of improving bond issuance and enable people to truly realize that the purchase of state treasury bonds is preferable to bank deposits, and that it is beneficial both to the country and purchaser.

B. In the last few years, the rural economic situation has developed very rapidly. Wealthy villages and townships have emerged in large numbers. "Ten-thousand yuan households" have increased day by day. There is great potential in promoting the sales of state treasury bonds in the rural areas. This year, promotion tasks have increased. The various localities must concentrate on promoting bond sales in the rural areas, and the focus should be put on the wealthier localities and the wealthier peasant households. We must not distribute the task to the poor localities and poor households which have no purchasing power.

C. The state treasury bonds issued this year have on their back the notation "Begin repayment of principal with interest between 1990 and 1994." This is because the 1985 state treasury bonds were printed at the end of 1984, when the period for repayment of principal with interest of the 1985 state treasury bonds was still designated as 6 to 10 years. It was afterwards that the State Council considered the demand of the masses and changed the period of repayment to a one-time repayment after 5 years. Thus, the words "Begin repayment of principal with interest between 1990 and 1994" noted on the back of the state treasury bond will be invalid. The period of repayment of principal with interest will be implemented according to the regulation for the 1985 state treasury bonds. We request that the comrades explain this point properly to the masses at the time of the issuance. We will also publicly explain this problem in the newspaper at the appropriate time.

D. In the last few years, the various sectors have played a very great role in coordinating their efforts to promote the sales of state treasury bonds. This year, the various localities and various sectors must strengthen consultation, coordinate with one another, support one another, emphasize the overall situation, and work hard together to do a good job of promoting the sales of state treasury bonds.

(Debt Office of the Comprehensive Planning Department of the Ministry of Finance)

9335

CSO: 4006/572

MINERAL RESOURCES

BRIEFS

HEBEI MARBLE DEPOSITS--Shijiazhuang, 10 May (XINHUA)--Marble deposits are now verified at 200 million cubic meters in Hebei Province, according to the provincial geological department today. The mineral, in over 50 varieties, is quarried and processed in 20 of Hebei's 140 counties. Baoding Prefecture, where marble deposits are concentrated, is to be developed into a production center where 1 million cubic meters of the decorative stone will be quarried annually. Hebei Province plans to import quarrying and processing equipment from Italy under a deal signed earlier this year, the provincial geological department said. [Excerpt] [Beijing XINHUA in English 0819 GMT 10 May 85 OW]

CSO: 4020/228

INDUSTRY

PRC RURAL INDUSTRY UNDERGOING RAPID GROWTH

HK210439 Beijing CHINA DAILY in English 21 May 85 p 2

[Text] 'China's rural business climate is having a heat wave, eclipsing the growth rate in the overall economy, according to the China RURAL BUSINESS journal.

Over the past few years, rural business production increased by nearly 19 percent on average. In 1984 alone, total production value of rural businesses hit 170 billion yuan, accounting for 12 percent of the country's total and more than 35 percent of the country's total farming and forestry production.

Rural businesses span construction, transport and communications, machinery, electronics, food processing, and service trades.

Estimates predict that about 40 percent of the rural labor force will shift to rural industries and that industry will comprise about 60 percent of rural production by the end of 2000. A number of the rural businesses are expected to quadruple in the next 15 years.

Expansion of business relations with foreign firms indicates that rural industry won't be a Johnny-come-lately in the introduction of advanced technology and foreign investment to China.

Foreign firms, especially small and medium-sized ones, have shown great interest in rural industries now that those industries have been granted greater autonomy in decision-making. Rural industries offer ideal conditions. They possess an ample, inexpensive labour force, open land for building, and rich agricultural and mineral resources.

In recent years, rural businesses in the cities of Beijing, Shanghai and Tianjin and in provinces of Guangdong, Fujian, Zhejiang and Liaoning have established economic relations with the firms from the United States, the Federal Republic of Germany, Britain, Italy and Japan. They exported more than 4.7 billion yuan worth of products last year.

Since last year, introduction of advanced technology and investment of foreign funds have changed rural industries in the following ways:

Co-operative projects have expanded beyond the country's southern provinces into other parts of China.

Co-operative projects have come to embrace joint ventures as well as the traditional assembly of parts hauled in from the outside.

Co-operative projects are placing more emphasis on the introduction of advanced equipment instead of focusing solely on increasing earnings.

The country's more than six million rural businesses now employ a workforce of about 52 million, accounting for 14 percent of the rural total. Of those businesses, about two-thirds are cooperative and private-owned.

CSO: 4020/227

CONSTRUCTION

BRIEFS

TAIYUAN BUSINESS TOWN--Taiyuan, 24 Apr (XINHUA)--Preparations have been started for a business town in this capital of Shanxi Province following a recent decision of the city government. The town, in the west of the city, will cover 330,000 square meters and be completed in 5 to 7 years, a senior official of the city construction planning office said here today. It will have supermarkets, specialized shops, post offices, tourism and transport facilities, and financial and amusement centers. Most buildings will be high-rise, with a combined floor space of 520,000 square meters. The city government will invest in the major projects, and the remaining investment of 400 million yuan (about 141.6 million U.S. dollars) will be raised by units voluntarily. When completed, the town will become the economic, cultural and information center of the 2,400,000 residents of the heavy industrial city, the official said. Service trade has made headway in the past years. At the end of last year, Taiyuan had 16,523 shops, restaurants and stands, 4 times as many as in 1978. [Text] [Beijing XINHUA in English 0831 GMT 24 Apr 85 OW]

CSO: 4020/228

DOMESTIC TRADE

JOINT VENTURE WITH SHENZHEN PROFITS HINTERLAND CITY

Jinan DAZHONG RIBAO in Chinese 2 Feb 85 p 1

[Article by Liu Tianjiang [0491 1131 3068]: "Zaozhuang Profits from Joint Ventures with Shenzhen"]

[Text] Over the past 4 months, Zaozhuang has successively concluded three joint-venture deals with the Shenzhen Special Economic Zone (SEZ). As new "windows" to the SEZ, these projects play an active part in fueling the local economy.

Of the three joint enterprises between Zaozhuang and the SEZ, one is the Qingtan Restaurant, an eight-story complex that includes a shopping mall, a hotel and restaurants. The second project is the Shenzhen Weishenhu Preserved Fruit Development Company, a preserved fruit repackaging and processing operation between Zaozhuang and the local products company under the Shenzhen General Trading Company. The third project is the Shenzhen Qingtan Food Chemistry Co, Ltd, which involves the construction of three production factories in food, beverages and so on. The primary processing of such raw materials as cornstarch takes place in Zaozhuang. They are then sent to Shenzhen for further processing. The products are marketed both domestically and internationally. Some of these projects are on the drawing board and some have been put into production.

Cooperation with the Shenzhen SEZ has a short history, but it has already become a vital force. For example, Zaozhuang's fruit trees have been doing very well in recent years, producing about 100 million jin of assorted fresh fruits annually. Some are sold as fresh fruits, while others are canned or preserved. But the costs of these operations were high, the value added was limited and the results were not favorable. After the Shenzhen Weishanhu Preserved Fruit Development Company went into production, however, such primary products as preserved apples and apricots are sent to Shenzhen for refinement. The "finishing touches" in Shenzhen have enabled the products to fight their way into the world markets where they fetch a price four times their costs.

Another advantage of joint operations with Shenzhen is the timely access it provides to both domestic and international economic information. A vice

mayor has revealed that almost 20 projects have materialized in the wake of relevant information from Shenzhen. Zaozhuang has also been earning foreign exchange by having some of its local materials processed in Shenzhen. This income has been used to purchase a certain amount of advanced foreign technology and equipment which helps modernize the city.

12581

CSO: 4006/529

FOREIGN TRADE AND INVESTMENT

SWEDES ANALYZE DISAPPOINTING TRADE RESULTS AFTER ZHAO VISIT

Companies' Efforts Faulted

Stockholm DAGENS NYHETER in Swedish 9 May 85 p 12

[Article by Goran Leijonhufvud]

[Text] Peking--Sweden has lost out on some of the really big contracts in China--and some people link that with inadequate Swedish hospitality.

But we have conducted a steady and growing stream of small and medium-size business transactions. And interest in the increasingly more open Chinese market, which is worth billions of kronor, is growing dramatically.

This year alone nine Swedish companies have opened offices in Peking or have applied for permission to do so. And the four people on the staff of the Swedish Embassy's trade division are swamped with work.

That is the picture as Sweden and the People's Republic of China celebrate 35 years of diplomatic relations on Thursday. There will be a big reception at the Swedish Embassy attended by Social Affairs Minister Sten Andersson on behalf of the government.

At the same time the Chinese construction minister is visiting Sweden.

It was clear at the beginning of 1985 that we had lost out on some big orders. Especially hard-hit was ASEA [Swedish General Electric Corporation] which was in the last round of competition for three of them: construction of a power plant, a power transmission project and the sale of 300 engines.

At the same time the French took an order from the city of Peking away from Ericsson.

What are we doing wrong? The question is now being discussed in Sweden. DAGENS NYHETER asked experienced business people in Peking, both Swedes and others, for their views on the matter. They regard this as a sensitive matter and prefer to remain anonymous. But they had plenty of ideas about it.

"The most sensitive question we should ask ourselves is how to evaluate the visit of the Chinese premier to Sweden last year," said a well-placed West European business source.

Premier Zhao Ziyang decided to begin his European trip in Sweden, a clear indication that the Chinese value our long period of contacts. Zhao was also traveling for the stated purpose of trying to increase economic co-operation and seeking West European technology.

He visited Sweden at the time when the big business deals were going into the final phase of negotiations.

#### Overshadowed

In other words it looked as if there was a good chance that we would succeed. But the visit coincided with Sweden's national holiday, 6 June. The reception was not what the Chinese are accustomed to, since the government had many other engagements.

Zhao Ziyang had to spend his first evening at the Chinese Embassy in Stockholm.

And on the whole the Swedish mass media paid very little attention to the visit, especially in comparison with the five other countries Zhao visited during his trip. The source who told us this keeps an eye on precisely this kind of thing as part of his job.

"As far as we know the Chinese did not express any clear dissatisfaction to the Swedes. If they had done so they would not have been Chinese. But anyone can draw his own conclusions," said DAGENS NYHETER's informant.

And a Swedish salesman told DAGENS NYHETER that he has had indications that the Chinese pondered over the lukewarm reception of Zhao--compared to other countries.

#### Combination

Aside from this concern, other people point out that some countries combine politics and business to a much greater extent than Sweden can do, just as they combine aid and business. An example is France, where President Mitterrand is personally involved in business deals with China.

We must be patient and persistent in China, many people say. The highest officials must personally visit Peking relatively often when big business deals are involved. This is not always the case.

It can also be important to use one's own experts on China. Chinese interpreters are often of poor quality. Unnecessary misunderstandings of a purely linguistic nature can occur in the course of negotiations.

Of course price is a factor. The Chinese often feel that our prices are high. It is hard to do anything about that. Other countries have greater opportunities to offer attractive loans with the help of aid funds.

Sweden also gives mixed credit with aid funding infusions through BITS (Planning Commission for International Technical Cooperation). But funds are relatively limited.

The main problem for many Swedish companies is to convince the Chinese that they are getting higher quality along with the higher prices.

The Chinese have also pointed out that trade is small compared to what it could be. Sweden has just the products and the expertise the Chinese value most: energy, transportation and modernization of the engineering industry.

There have been Chinese suggestions that the Swedes should sell a small quantity of "samples" at lower prices in order to convince the final consumer of their quality.

The trick is to keep the lower prices from becoming a habit with the Chinese.

#### Trade Growing Despite Problems

Stockholm DAGENS NYHETER in Swedish 9 May 85 p 12

[Article by Goran Leijonhufvud]

[Text] Peking--In spite of the problems Swedish businesses are becoming more and more interested in China. The Chinese are also opening up more and more opportunities. Fourteen cities on the coast and three large districts have been given greater leeway to deal directly with other countries and to accept foreign investments.

Thirteen Swedish companies and four banks now have permanent branch offices in the Chinese capital--or are just about to open such offices.

They are: Alfa-Laval, ASEA, Atlas Copco, Axelsson-Johnsson, Chinese Consulting in Scandinavia (which handles PLM [Malmo Sheet Metal Manufacturing, Inc.], Tetrapak and others), Ekpak, Elof Hansson, Ericsson, GIA, Lijeholm, Kema and Barnangen, Sandvik, Skanska and Volvo. The banks are: Gotabanken, Handelsbanken, the Private Credit Bank and the Swedish Export Credit Bank.

#### Lost Market

Our exports to China last year amounted to 1.012 billion kronor. This was an increase of 15 percent. But since China increased its total imports by 40 percent this means we lost a share of the market.

But if we break the figures down we find that pulp exports declined by 40 percent. So there has been a healthy increase in other areas.

Our imports from China increased by 21 percent--to 723 million kronor.

Trade with China is still less than half of 1 percent of our total trade.

But many business transactions are pending today. Alfa Laval has concluded or is about to conclude five different agreements. Mixed credit and aid funds are involved in all of them. The total value is 80-90 million kronor.

The projects involve the production of soy milk, apple juice and vegetable oil.

Ericsson is in the final phase of negotiations on telecommunications projects for at least Dalian, Qinhuangdao and Guangdong.

Electroinvest is concluding negotiations on an agreement concerning galvanizing technology that is worth 5-6 million kronor.

It also looks as if two Swedish firms will start a joint venture with the Chinese in Guangdong for the manufacture of heating elements for irons and toasters.

#### Mining Companies

At this moment a group representing five Swedish mining companies (ASEA, Atlas Copco, Boliden, LKAB [Luossavaara-Kirunavaara, Inc.] and Sala) is on its way to Nanjing. The group is considering taking part in the modernization of two mines there.

The Swedish-Chinese drug project in Wuxi has led to other deals. The latest involves two production lines for plastic tubes and plastic jars from Cerbo in Trollhattan, a deal worth 16 million kronor.

ASG recently concluded an agreement on a freight terminal in Nanjing, a project that could grow.

These examples show that we have achieved some stability in exports, a stream of transactions.

An unusual deal has been on ice for half a year. Now it is heating up again. The Chinese want to buy into Avesta. They would have direct access to cold-welded steel and gain insight into the process.

The matter was placed on hold, partly because our steel industry was being reorganized. But now it looks as if the firms behind Avesta (Fagersta and Sandvik) are once more ready to negotiate.

6578

CSO: 3650/250

17 June 1985

## FOREIGN TRADE AND INVESTMENT

## NORWEGIANS HOLD SEMINAR IN CHINA TO AIR ENERGY VENTURES

Oslo AFTENPOSTEN in Norwegian 23 Apr 85 p 33

[Article by Ole N. Hoemsnes: "Chinese Interest In Norwegian Energy and Technology"]

[Text] Beijing 22 April--The Chinese are showing an enormous interest in Norwegian technology and know-how in the energy sector and in shipping. Already the first energy seminar which was opened by Crown Prince Harald in Beijing today was attended by a great number of Chinese experts from ministries, institutions and energy firms. Kang Shen, state councillor and previous oil minister of petroleum industries in China, spent the whole day in the seminar together with the crown prince and the other Norwegian delegation.

All presentations given as well as the summary which ambassador Arne Arnesen, meeting chairman for the day, gave in conclusion strongly emphasized that Norway and China have much in common.

Today Norway has developed into one of the foremost countries in the world when it comes to advanced technology in the energy sector. Norway can therefore offer comprehensive services exactly in an area in which China today faces great and new challenges, both in the development of hydroelectric power and in the oil and offshore sector.

## Willoch's Visit

Crown Prince Harald said in his opening speech that the energy and shipping seminars which will be held in Peking and Shanghai must be seen as a result of Prime Minister Kare Willoch's visit to China and Prime Minister Zhao Ziyang's visit to Norway last year. The prime ministers agreed to continue developing the economic cooperation between our two countries.

The crown prince pointed out that Prime Minister Zhao had hoped that Norwegian companies in particular would participate in China's key projects in the energy and transport sector and in the modernization of existing Chinese industry.

"If I look at the development that is taking place in the energy sector in China at this time, I cannot refrain from comparing it to the experiences we made in Norway a few years ago. This is probably an area where China can learn from the experience we made in our country," said Crown Prince Harald.

Ma Yi, deputy minister in China's planning commission was generous enough to state as early as on the first day that the energy seminars will be a great success: "First we will get a comprehensive introduction to the Norwegian development and the Norwegian experiences in the energy sector. Then we will have the opportunity to discuss various mutual questions with our Norwegian friends during the seminars. This will doubtless have a strong effect on the communication and cooperation between our two countries," said Ma Yi.

#### Common Goal

In his presentation Arild Rodland, undersecretary in the Oil and Energy Department gave a broad orientation on the Norwegian situation, particularly in the oil sector. He discussed the problems that had to be faced, which solutions had been chosen and the experiences that had been made in Norway.

Undersecretary Rodland emphasized the great importance the energy resources and their development have on the living standard of a country. He saw many similarities between the development in Norway and China, and the goals also seem to be the same in both countries, i.e. self-sufficiency and cooperation with others to apply and utilize the best technology.

"The most important message for both countries today must be to join forces to reach this goal", said Undersecretary Rodland.

#### The Role of Statoil

Bjorn Haug-Hanssen, director for Statoil's international operations, gave a very informative explanation of Statoil's activities in the oil sector and dealt in particular with the cooperation which was started with the Chinese authorities as early as 1979. Statoil also has had an office in Beijing since 1981, and an even stronger engagement in the oil sector is expected in the second round of concessions in China. Haug-Hanssen's presentation was accompanied by brilliant slides and graphic illustrations which without doubt gave the Chinese participants a fine overview of the Norwegian oil and offshore activities.

The seminar of the day included a presentation by Wollert Hvilde, president of the Norwegian Association of Shipping Companies, who explained the Norwegian offshore and shipping industry and the experiences that had been made. Further, Torstein Bergem, a Norsk Hydro director, gave a thorough introduction to the Norwegian power-intensive industry with many interesting pieces of information for the Chinese audience.

Tuesday's seminar includes an orientation by Sigmund Larsen, general director of NVE, on Norwegian hydroelectric power development and the situation with regard to electric power.

12831

CSO: 3639/107

FOREIGN TRADE AND INVESTMENT

NORWEGIANS TO TRANSFER ELECTRIC POWER TECHNOLOGY

Oslo AFTENPOSTEN in Norwegian 23 Apr 85 p 33

[Article by Ole N. Hoemsnes: "National Industry To Build a Large Factory in China"]

[Text] Beijing 22 April--National Industri A/S in Drammen will participate in the construction of a large transformer factory in Ningbo in China. The factory will produce more than 10,000 distribution transformers per year with sales amounting to 250 million kroner. Managing director Karl O. Nysterud confirmed to AFTENPOSTEN that the negotiations with the Chinese are now in the final stage.

The Norwegian-Chinese industrial project will be based on a joint venture agreement in which National Industri participates with 25 percent, the Bank of China with 25 percent and the new factory which will be called Ningbo Transformer Works participates with 50 percent of the capital stock.

Ningbo is one the the 14 so-called open cities in China; it is located approximately one hour's flight time South of Shanghai. In this area one of China's 13 economic zones has been established. An area of more than 20 square kilometers has been set aside for new industrial construction. An older transformer factory is already located in the Ningbo district. The new factory which will be built in cooperation with National Industri will, however, have a productivity five times higher than the old factory. At the same time, the new transformers which will be produced will have a much higher efficiency. This is a factor of great interest to the Chinese, since energy saving has now become a central issue in the Chinese society.

High Technology

It is National Industri's know-how and technology in this area which currently attracts great interest among the Chinese. Director Nysterud points out that such joint venture negotiations take a long time and patience is required. The negotiations have been going on for several months, and at present representatives from the Ningbo factory are sitting down to negotiate with representatives from National Industri at the Great Wall Hotel in Beijing. The negotiations will continue in Shanghai later during the week. And it will

still take some time before the final details of the agreement are completely clear. The Chinese are interested in getting the construction of the new factory under way as early as this summer, but director Nysterdam does not think that it will be possible to keep such a tight schedule.

One of the questions which have not yet been clarified completely is the distribution of profit among the participating partners. As a starting point, the profit is to be distributed according to the size of the contribution, but it is the Chinese who will control the materials, prices and wages, and the question remains if National Industri can make sure it will get a certain profit regardless of how the factory does. Another important factor in this context is the possible sale of shares after 15 years and at what price.

#### International Orientation

Director Nysterdam places great importance on the new industrial cooperation with China as a significant link in the increasingly international orientation of National Industri's activities. Last year National Industri purchased a transformer factory in the United States and just before Easter it also bought a factory in Great Britain, and through the British factory they gained a foothold in Malaysia and Sri Lanka. Among other things, National Industri developed a piece of production equipment for transformers which is in great demand. This refers to a drying furnace which is sold not only in Norway, but also in the United States and East Germany. Such a furnace has already been delivered to China, and an order for an additional six drying furnaces has been received from China. Here, National Industri is supplying high technology equipment, while the Chinese make the tank around the oven.

12831

CSO: 3639/107

FOREIGN TRADE AND INVESTMENT

NORWEGIAN VENTURE TO START OFFSHORE OIL DRILLING

Oslo AFTENPOSTEN in Norwegian 22 Apr 85 p 36

[Article by Ole N. Hoemsnes: "Dyvi Company Starts Oil Drilling in China"]

[Text] Beijing 21 April--Dyvi Offshore A/S has negotiated a comprehensive joint venture agreement on oil drilling in China. The agreement which will be signed Monday, April 29, launches a 50-50 cooperation and the establishment of a joint company with a subdivision in the Chinese Ministry of Geology.

Magne Reed, Dyvi Offshore managing director, told AFTENPOSTEN that the new agreement contains great opportunities for future cooperation between the Norwegian and Chinese oil industries. The plan is that both Statoil and Norsk Hydro will join in the offshore search and drilling in China.

Dyvi Offshore has been negotiating for some time with regard to the supply side, but through the new joint venture agreement they will enter the oil sector in China more actively. The subdivision in the Chinese Ministry of Geology is responsible for oil drilling. The subdivision has its own rigs and has been drilling for some time, particularly in ground water.

With the decentralization of operations which has taken place lately, the Chinese are now very much interested in gaining more know-how and experience in this area. This is also part of the background for the cooperation agreement now being made. Up to now the American companies have been in the picture for the most part.

The joint venture agreement provides that Dyvi Offshore contributes a working capital of up to three million dollars. On the other hand, Dyvi Offshore secured for itself 75 percent of the profit. The agreement also provides for the Chinese oil workers to be trained in Norway and the training to take place on the drilling platforms in the North Sea.

Director Magne Reed emphasizes the opportunities which the agreement opens for placing drilling equipment in the Chinese offshore area. If a drilling contract with further possibilities is obtained, it may also lead to the construction of drilling vessels in China.

Director Magne Reed who is a vice president of the Norwegian Association of Shipbuilders is a member of the large Norwegian trade delegation which is currently visiting China.

FOREIGN TRADE AND INVESTMENT

LIAOWANG ARTICLE ON SINO-POLISH ECONOMIC RELATIONS

HK190805 Beijing LIAOWANG in Chinese No 14, 8 Apr 85 p 8

[Article by Zhu Minzhi [2621 2404 0037]: "New Development of Sino-Polish Relations"]

[Text] Janusz Obodowski, deputy chairman of the Polish Council of Ministers, paid a successful visit to China from the end of March to the beginning of April. This shows that relations between China and Poland has markedly improved and developed to a new level.

J. Obodowski was the first senior leader of the Polish Government to visit China in 20 years and more. Both China and Poland attached great importance to the visit. Premier Zhao Ziyang, Vice Premier Li Peng, and State Councilor Chen Muhua met and held talks with Obodowski, respectively. Both sides exchanged views on further development of bilateral relations, and especially made further explorations on the ways of expanding economic and trade relations between the two countries. At a meeting with Obodowski, Premier Zhao Ziyang pointed out: Both China and Poland are socialist nations. The Chinese Government will make efforts to further promote the friendship between China and Poland as well as the friendly cooperation between the two nations.

Through contacts, China and Poland have promoted mutual understanding. Both sides have come to understand that conditions and geographic location of the two countries are not alike and their views on some matters are not quite identical, but all this will not hinder the development of relations between the two nations. What is important is that the two nations are building socialism in light of their own specific conditions and they devote themselves to the cause of maintaining world peace. This is the basis for developing friendly cooperation between the two countries. Both sides wish to take positive measures to develop relations between the two nations, and they stand for the principle of seeking truth from facts and mutual respect in actual work. Just as Vice Premier Li Peng said, both our Polish comrades and ourselves have the aspirations of strengthening cooperation between the two countries on the basis of mutual respect, equal footing, and mutual benefit. Through common efforts of both sides, there will be still greater development in friendly cooperation between the two countries in various fields.

Janusz Obodowski, 55, is a doctor of economics. He graduated from the Central Planning and Auditing Institute in Warsaw in 1954. He held many important

posts with regard to economic affairs in the Polish Government. He is now deputy chairman of the Polish Council of Ministers, specially responsible for external economic and trade affairs. In 1984 he attended three international conferences and visited more than 10 nations. He said: This is his first visit to China and he is very interested to know China's achievements and changes in both economic and social life, and to acquaint himself with the Chinese people.

Sino-Polish relations have made fairly good progress over recent years. Both sides are satisfied with the present development of relations between the two countries. Apart from expanding cooperation in economic and trade affairs, shipping and science and technology, the two countries have developed their relations in culture, education, sports, journalism, and friendship associations to varying degrees. In 1984 personnel at or above the vice ministerial level of the two nations had contacts with each other on 18 occasions, and contacts between other senior officials also started. Following the visit of State Councilor Chen Muhua to Poland in June 1984, Vice Premier Li Peng has accepted an invitation and will visit the country this year.

[HK190807] During the recent visit of Janusz Obodowski, China and Poland achieved successes in consolidating and developing the existing channels of economic and trade cooperation and seeking new content and ways of cooperation. Viewed from the results of economic and trade cooperation between the two nations, the prospects for developing economic and trade relations between them are very bright. The volume of contractual trade for 1985 agreed on by the two nations amounts to 1,304,000,000 Swiss francs, an increase of 180 percent over 1984, setting an all-time record. Economic and trade cooperation between China and Poland has lasted 35 years, though there have been twists and turns during the period. However, generally speaking, cooperation between the two nations on the basis of equal footing and mutual benefit has continuously developed. In 1980 the two countries reached an agreement on the development of zinc and lead ore deposits at Huize, Yunnan Province. Last year they agreed to cooperate on some projects of technological transformation, including a bread production line, equipment for refining edible oil, butchery equipment, and cold storages which were included in the 1985 trade agreement between the two nations. Negotiations on car production are now being held between the Siping motor car plant and a Polish motor vehicle plant. China and Poland have also made new progress in developing the coal, electronics, machinery, and chemistry industries through joint efforts. The Sino-Polish Shipping Company, which was established in 1951, (it has now been renamed the Sino-Polish Shipping Joint-Stock Company) was one of the earliest joint ventures established in our country. Over 30 years the company's business has been normal and profits have risen, thus playing a positive role in promoting China's trade with Poland and other East European countries. In recent years, China and Poland have also achieved good results in scientific and technological cooperation. In 1984 they cooperated in 78 scientific and technological projects, an increase of 220 percent over the previous year.

In discussing further development for cooperation between the two countries during Obodowski's recent visit, the Chinese side pointed out that, apart from the existing forms and channels of cooperation (including exchange of

traditional commodities), China welcomed Poland to develop economic and technological cooperation in a flexible way and in varied forms in the special economic zones and open cities of our country, such as cooperation in production, technology, and technical transformation of existing enterprises. China would encourage the local authorities to promote economic and technological cooperation directly with Poland on the basis of equal footing and mutual benefit. Obodowski pointed out that, thanks to its special skills in mining, ship-building, road-building, and machine-building, Poland was willing to provide China with technology and equipment in these respects. He also said that, by virtue of economic potential and proceeding from mutual needs, it is possible for Poland and China to further expand economic cooperation and promote commodity trade.

During Obodowski's visit to China, the Sino-Polish committee for economic, trade, scientific and technological cooperation held its first session in Beijing, reviewing the situation in economic and trade cooperation between the two nations, discussing economic and trade agreements between 1986 and 1990, and exploring the question of cooperation in industrial production. The meeting will play an important role in strengthening economic, trade, scientific and technological cooperation between China and Poland.

CSO: 4006/580

SPECIAL ECONOMIC ZONES

SHENZHEN SEZ FOREIGN CAPITAL USE FROM 1980-1984 DISCUSSED

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 2, 27 Feb 85 p 36

[Article by Tang Huozhao [0781 3499 3564]: "Shenzhen's Major Uses for Foreign Capital"]

[Text] By using foreign capital and developing cooperative economic and technical relations with foreign nations, the Shenzhen Special Economic Zone (SEZ) has achieved rapid economic growth. From 1980 through early 1984, it signed 3,018 agreements or contracts with foreign firms, involving a total of HK\$16 billion, of which HK\$3.51 billion have actually been used. Foreigners invest in a variety of fields, from industry, agriculture, animal husbandry, fishery, trade, transportation, tourism, construction, real estate to land development and pier construction. From modest outlays of HK\$1 million or thereabouts, foreign investments have become massive commitments involving anything from HK\$10 million to HK\$1 billion. Foreigners who made their first investments as a way of testing the waters are now confident collaborators with the zone. The forms of cooperation have also been diversified, from compensatory trade and processing with foreign materials to joint venture, cooperative enterprise and sole ownership.

In the first half of 1984, total industrial output value reached 550 million yuan, an increase of 108 percent over the same period in 1983. Output values for heavy industry and light industry rose 135 and 101 percent respectively over the first half of 1983. In capital construction, projects worth 600 million yuan were completed, up 73.6 percent over the corresponding period a year ago. Revenue amounted to 190 million yuan, a gain of 122 percent. Local foreign exchange earnings reached \$105 million, up 31 percent over the first half of 1983. Social commodity retail volume increased by 65.7 percent over 1983 to hit 860 million yuan.

The SEZ essentially aims at attracting direct foreign investments, patents, technology and other capital goods, usually in the following ways:

1. Cooperative enterprise--or contractual cooperative enterprise. As of late June 1984, there were 340 cooperative enterprises, or 11.26 percent of all projects financed with foreign funds. They accounted for 61.87 percent of total foreign investments, or HK\$9.9 billion. In a cooperative enterprise, both parties must agree to a contract spelling out their rights, responsibilities

and obligations. The contract must be approved by the SEZ government and is subject to and protected by the law of the land. The Chinese partner provides land, natural resources, labor and existing buildings, equipment and facilities. The foreign partner provides capital or technology, including equipment and materials. Under the principle of equality and mutual benefit, the two sides cooperatively operate a variety of enterprises and projects and jointly take part in economic activities. Income from the sale of products and profits are distributed in accordance with the terms of cooperation set forth in the contract. A cooperative enterprise differs from a joint venture in that stocks in the former are not necessarily calculated in dollars. Nor are profits necessarily distributed in accordance with the number of stocks a partner holds. Instead, they are determined in accordance with the form and ratio of investment set out in the contract. The partners of a cooperative enterprise, which adopts independent accounting, shares the operation as well as the risks it incurs.

2. Joint venture--or joint stock operation. As of late June 1984, there were 213 joint ventures in Shenzhen, constituting 7.05 percent of all projects financed with foreign capital. They accounted for 15 percent of total investments, or HK\$2.4 billion. In a joint venture, a foreign company or enterprise or other economic organization jointly runs an enterprise with a company, enterprise or other economic organization in the zone. The joint venture must be approved by the SEZ government, after which it becomes a legal person in the form of a limited-liability company (enterprise). Investment in a joint venture can take the form of funds, equipment (which usually come from the foreign partner), or the right to use certain premises or a factory (usually from the Chinese partner.) They share risks and are both responsible for profits and losses. Profits are distributed in accordance with the distribution of stocks. A joint venture is run by a board of directors and other personnel as provided for in the contract. The chairman of the board is usually a Chinese, (he may be a foreigner, depending on which side has the larger number of stocks,) while the vice chairman is normally a foreigner. Under the board are departments charged with running the enterprise. The heads of these departments and their deputies include both Chinese nationals and foreigners.

3. Wholly-owned enterprise--or an enterprise wholly owned by a foreign investor. As of late June 1984, there were 46 enterprises wholly owned by foreigners, or 1.52 percent of all projects financed with foreign capital. They accounted for 8.78 percent of total investments, or HK\$2.65 billion. The foreign investor operates on land (or in buildings) leased from the zone and uses labor supplied by the zone, but is otherwise solely and independently responsible for the enterprise, including production and marketing, within the framework of China's legal system and the regulations of the zone. The foreign investor is the sole owner of the means of production. He has the right to use the land for the duration of the contract but holds no title over it. He is free to determine the labor organization and management of his enterprise.

4. Processing with imported materials (including assembling and maintenance). There are 2,412 processing enterprises in Shenzhen, 79.92 percent of all

projects financed with foreign capital. They account for 6.31 percent of total investments, or HK\$1.01 billion. The foreign investor supplies an enterprise in the zone with all or some of the raw materials, supplementary materials, parts and components required in the making of a product. The responsibility of the local enterprise is to process and/or assemble the product in accordance with the qualitative and quantitative demands and other specifications of the foreign investor who will handle exportation and marketing. Usually, the foreign investor also supplies the required equipment, technology, facilities and instruments, the costs of which are to be deducted from the assembling fees paid to the local enterprise.

5. Compensatory trade. Under compensatory trade, the foreign investor provides production facilities and technology or purchases equipment or technology with foreign credit. The local enterprise resells to the investor its products to pay for the costs of the equipment and so on, or the principal and interest on the loan. There are currently only seven such projects, 0.23 percent of all projects financed with foreign capital. They account for 0.27 percent of total investments, or HK\$4.4 million.

In addition to the five major forms above, there are land development, leasing and issuing bonds.

12581

CSO: 4006/529

LABOR AND WAGES

SHENZHEN'S WAGE REFORM DISCUSSED

Guangzhou XUESHU YANJIU [ACADEMIC RESEARCH] in Chinese No 6, 20 Nov 84  
pp 13-19

[Article by Li Kehua [2621 0344 5478]: "Implications of Shenzhen's  
New Wage System on the Direction of China's Wage Reform"]

[Text] Shenzhen special economic zone [SEZ] is beginning to carry out wage reform starting with foreign enterprises, and afterward state-run enterprises will also carry out explorations into wage reform coordinated with those reforms of the foreign enterprises. But state organizations and institutions have not yet carried out any real wage reform; they have only adopted some measures designed to increase subsidies and to carry out revamping in the coordination of wage levels between foreign enterprises and state-run enterprises. Experience indicates that: (1) in following the conventional wage system, a few egalitarian shortcomings have already obstructed the development of production in the SEZ's; (2) lately, the low-wage, high-subsidy patchup methods (where the subsidy generally reaches about 100 yuan) adopted by institutions has yet to resolve the problem of coordinating the wages of enterprises and institutions. Also, what are in theory high subsidies are in reality lower V [payment for labor], because a portion of V adopts the form of m [money] and is turned over to the financial authorities. Afterward, that money is taken from the financial authorities and adopted as forms of subsidies and social welfare. Through the use of individual-based and egalitarian methods, it is thus returned to individuals; and (3) following these old wage systems still violates the principle of "handle special matters in special ways; handle new matters in new ways." Based on this premise, Shenzhen has carried out full discussion and debate about a wage system for institutions, and through a comparative study of a number of cases, was able to choose among them. At last in August of this year it began to carry out trial operation of the "Program for Wage Reform in Shenzhen's Special Economic Zone State Organizations and Institutions," which has aroused a great deal of attention in economic circles and cadres in actual departments who are concerned with wage reform.

The new wage system reform put into trial operation in Shenzhen's state organizations and institutions (referred to below simply as the new wage system for Shenzhen's institutions) is this kind of system: Taking basic wages as the foundation, and adding duty (job title and post) based wages and the "three in one" wage system's year-based wages (and seniority-based wages) of the previous year, according to Shenzhen's formulation, transforming the former wage-grade system into a wage-differentiated system.

In the "three in one" comprehensive wage structure, the basic wage portion has as its primary standard the protection of laborers and their basic needs. It does not distinguish between cadres and staff and workers; there is a unified standard of 75 yuan. The job (title and post) based wage portion corresponds to increases and decreases in jobs, titles and posts. For example, according to jobs, from the second-grade administrator to the grade of mayor there are 15 grades, from 65 yuan to 320 yuan. From the top to the bottom level there is 4.9-fold differential. The annual merit wage portion, and length of service allowance start from 5 years length of service; for completion of 5 years, 5 yuan of annual merit wages is given monthly. Afterward, for each additional year's service, there is an increase of 1 yuan, but when the age of retirement is reached, this is not applicable to retirees and they do not receive increases in annual merit wages. The age of Shenzhen's cadres and workers teams is relatively low. According to these figures, the average length of service of the entire body of staff and workers is 10.5 years, and average monthly wages are also 10.5 yuan. For example, for a scientific and technological cadre of a regular county, length of service is 15 years, so that his or her total wage is: 75 yuan (base wage) + 165 yuan (duty-based wage) + 15 yuan (annual merit based wage) = 255 yuan. This is the overall concept of Shenzhen's new system of wages for its institutions.

#### I. The Basic Characteristics of Shenzhen's New System of Wages for Institutions

This new wage system possesses the following characteristics:

1. Job grades and labor payments are identical. Job title-based wages are divided into five levels of professors (including research personnel and doctors of the equivalent level--and equivalent to the levels below), assistant professors, lecturers, assistants and apprentices (technical personnel). Within these five levels not every person's wage is the same; there is no egalitarianism. For example, assistant professors are divided into 3 levels: the relatively high-level job title-based wage is 265 yuan, then 240 yuan, then 215 yuan. Wages for lecturers are also divided into 3 different levels: 190 yuan, 170 yuan and 150 yuan. These wages based on job titles are divided into 5 major grades and into 13 subgrades.

2. The levels of wages of institutions and enterprises are relatively close. From the perspective of the situation with respect to the trial wage reforms in Shenzhen in the past few years, survey calculations show that in general, average monthly wage income of workers in foreign enterprises is about 160 to 200 yuan. But after institutions implemented the new wage system, average monthly wage income was approximately 174 yuan. The wage levels of enterprises and institutions have been basically harmonized, changing the unbalanced labor payment situation that has long existed between the wages of cadres and workers in enterprises and in institutions.

3. Wage-structure ratios are relatively rational. Inland, especially in the Guangdong region, wage structures are generally made up of base wages and bonus subsidies, with their ratio approximately 7 : 3. But surveys of the new wage system of Shenzhen's institutions indicates a ratio among base wages, job (title and post)-based wages, and wages based on length of service of 43.1 percent : 50.9 percent : 6 percent. The ratio of the latter should be more rational than that of the former, with relatively full use of the basic principle of distribution according to work, and with relatively less retention of the deficiencies of egalitarianism.

4. The fluctuations in wages, and prices and financial income should be basically harmonized, embodying three simultaneous steps of development of production, increases in national financial revenue, and increases in the people's standard of living. In 1983, the gross value of agricultural and industrial output of Shenzhen reached 673 million yuan, 10.7-fold greater than in 1978. In the 4 years from 1980 to 1983, GNP exceeded the total of the 30 years from 1949 to 1979. In 1983 financial revenue reached 299 million yuan, 82 percent greater than in 1982. It exceeded the total financial revenue of Shenzhen for the past 3 years. Enterprises run in Shenzhen in the 4 years accumulated an annual average of 650 million yuan, roughly 1.23-fold that of the 30 previous years. In the past 30 years, financial revenue increased progressively at an annual rate of 0.1 percent, but in trial operations in Shenzhen in the past few years it has increased progressively at an annual rate of 70 percent. Prices in the SEZ generally appear to be a bit higher than those inland. Average monthly disposable income has reached 53.8 yuan, 60 percent higher than in 1978. After the implementation of the new wage system, average monthly income reached about 174 yuan. These wage levels are also fairly well-harmonized with Shenzhen's financial income and price levels, and fully serve the demands for production development, higher state revenue, and higher wages for workers, and they are rational.

5. It preserves the correspondence with the rational bonus system and system of subsidies for special work that is used in the inland areas. The new wage system for Shenzhen's institutions stipulates that following the implementation of the reforms, in order to encourage greater concern by staff and workers for Shenzhen's economic results, we should strive to raise the rate of labor productivity.

In accordance with the whole city's agricultural and industrial production and financial revenue situation, we should issue bonuses annually or semiannually, with the bonus amounts limited to the level of 1 month's wages. In addition, it stipulated that following the implementation of the system, aside from the elimination of price subsidies, grain surplus subsidies, defense subsidies and coal-gas consumption subsidies, we should still preserve a unified state system of special subsidies to work personnel who are hurt in the course of their work.

6. Uphold the floating aspect of wage levels. Aside from the portion of individual workers income following raises and changes in jobs and titles, the new wage system of Shenzhen's institutions also emphasizes that from now on wage levels are floating levels. In accordance with the situation of the city's agricultural and industrial production and financial revenues, and with the strict guarantee of the accounting system, the municipal government will stipulate the rate of wage raises, and will do so until there are regular floating adjustments in wage levels.

#### The Objective Foundation of the New Wage System of Shenzhen's Institutions

The trial implementation of the new wage system of Shenzhen's institutions is an important break from the traditional old system, and is a bold attempt at a socialist wage system with special Chinese characteristics. It should be said that the new wage system has a solid theoretical foundation and a real foundation.

First, this new wage system embodies the demands for socialist economic laws, and particularly services the demand for basic economic laws of socialism. The objective of socialist production is the main content of socialist basic economic laws, and socialist production should aim to satisfy the increasing material and spiritual needs of society's members. Traditional concepts hold that wage problems are just linked to the law of distribution according to work, and in general are not linked to socialist basic economic laws. I believe that this belief is one-sided. This is because the basic economic laws of socialism are the laws that play a guiding role in the system of socialist economic laws, and they decide the overall course of socialist production, distribution, exchange and consumption. In other words, what socialist basic economic laws describe are production objectives and the means of attaining those objectives. And the relationship between means and objectives is simply the relationship between production and consumption. Consumption is also related to distribution, and distribution also involves the distribution of individual consumption products; and the distribution of individual consumption products still needs to take the form of wages under the socialist system. Naturally, only if there is first production can there later be distribution and consumption. But distribution and consumption also play a reverse role

in stimulating production. The question lies herein: Is this consumption (here we are just referring to basic consumption, or consumption of production), also called the distribution of individuals' consumption products, limited to protecting the consumption of laborers under atrophied conditions that laborers' production? Or is consumption under conditions where it should follow the development of production and protect the development of laborers' production? I believe that under the socialist system conditions should be created that satisfy the demands of the latter, not the former. What Comrade Chen Yun said is "First we must eat, then we can build." This statement points out the relationship between consumption and production. This is a challenge to the traditional concept of "production first, livelihood second," and points out questions that we should be considering once again. According to the principles of Marxist political economics, individual needs, or individual consumption, can be divided into three stages. This is also to say that the aim of socialist production is to satisfy the continuously increasing needs of the people. This is the demand of subsistence, the demand of development and the demand of enjoyment, and it should create conditions for passing from a relatively low level of consumption to a relatively higher level of consumption. Our wage system should continuously seek to resolve this problem. The new wage system implemented by Shenzhen's institutions, as I see it, is a reform attempt carried out in order to resolve, or to continue to come close to resolving, these problems. The base wage portion of its organization wage system takes into consideration the subsistence needs of cadres, staff and workers and their families. The subsistence needs of individual cadres, staff and workers is considered to be 48 yuan, close to the 50 yuan value of consumption in Shenzhen. With subsistence calculated at 1.56 per person including individual staff and workers it was set at 75 yuan, this basically satisfies the subsistence needs of staff and workers and their families. And the job (title and post)-based wage portion, added to the length of service wage portion outside of the above consumption demands of the means of subsistence, is a means of complementing development needs and enjoyment needs. Many laborers correspondingly want to be more satisfied with respect to development needs and enjoyment needs, and otherwise will be less satisfied. Thus, I believe that the promotion of the new wage system for Shenzhen's institutions completely serves the demands of the basic economic laws of socialism.

Secondly, this new wage system also adheres to the demands of the law of distribution according to work. What needs to be reformed in wage systems is the egalitarian method of "it doesn't really matter whether you work or not," so that the law of "distribution according to work" and its principles can be established authoritatively. Comrade Deng Xiaoping has pointed out that in the principle of distribution according to work the distribution of individual consumption products is in accordance with labor figures and quality. The old wage system did not establish the authority of distribution according to work, but the new wage system promoted by Shenzhen's institutions

contains progress in this area. Indeed, the base wage portion of the wage system of organizations has adopted a method of bringing everyone up to the same level, which still contains some egalitarianism. However, as mentioned above, resolving the basic needs and subsistence needs of the people is a necessary guarantee of socialist society. But with respect to the job (title and post)-based wage portion, job grades and payments for labor are identical, in that they serve the demands of the objective law of distribution according to work. There are those who can say that job and grade differentials do not appear to give enough consideration to the term "work." I believe that this assertion is incorrect. Why is this? First of all, the reason that there are differences in job grades is principally because there are differences in the work abilities of people. There are differences in ability, and there are differences in work figures and quality of work, so there should also be differences in rewards. It should be known that the Shenzhen SEZ is not the kind of place that can promote persons of relatively limited practical working abilities into important posts. Also, job grades appear to include only work abilities, but work abilities and labor capacity are actually the same matter. Because intellectuals are also laborers, we cannot only treat physical laborers as laborers. From this we can see that the new wage system being promoted by Shenzhen's institutions not only serves the demands of distribution according to work and its principles, but also, the law of distribution according to work and its principles provide a primary foundation for reform.

Next, the new wage system being promoted in Shenzhen's institutions abides by the principle of different rewards for complex labor and simple labor. This so-called simple labor is "the consumption of the collective simple labor power of persons without any specialization" ("Collected Works of Marx and Engels," Chap 23, pp 57-58). And complex labor is the labor that, through specialized training, is performed with a certain amount of technical skill. Because it "takes a greater amount of education than does common labor... therefore it has a relatively higher value. Since the value of this labor power is relatively high, it indicates relatively high grades of labor, and also internalizes higher value over a long period of time" (Ibid, p 223). Therefore, small amounts of complex labor are equivalent to larger amounts or multiple amounts of simple labor. It is a shame that the traditional old wage system ignored this point, because it has created many difficulties in our current wage system reform. The new wage system implemented by Shenzhen's institutions takes this basic Marxist principle as its foundation, thus creating a reform of great proportions. From the wage levels reflected by the new system, the highest grade of job-based wages is 320 yuan. The highest grade of job title-based wages is also 320 yuan, and the highest level of post-based wages is 155 yuan. From a point of comparison, in general, complex and simple labor are reflected in a reward ratio of 2:1. Whether or not this ratio is a rational one is a matter that can be studied further, but it has already contributed to the first key step in wage system reform, and this is already commendable.

Finally, the new wage system implemented by Shenzhen's institutions serves the socialist principle of material benefit, and at the same time takes into consideration the benefits to old, middle-aged and young cadres (workers) in the distribution of wages. One of the deficiencies in the old wage system was that it one-sidedly emphasized wage history and length of service for both old cadres (workers) and new cadres. Those with a short length of service could obtain only relatively low wages even if what they did was better, while those with long length of service received relatively great rewards no matter what they did. In the inland areas where trial wage reform was experimented with, small units "over corrected" and simply took all the base wages and put them on a floating system. The result was that the younger and stronger workers did more, and received greater rewards. But the old cadres who were not as strong soon fell behind the new and younger workers in the labor competition, and the rewards they received were less than their original wages. Those raising families all ran into difficulties, which were especially outstanding with respect to physical labor. One of the foundations or principles of the new wage system implemented by the Shenzhen institutions is that it embodies an accumulation of labor contribution, it encourages workers to progress by using a stepped increase in duties and salaries.

This motivates new workers to strive for progress, and also takes care of the interests of older workers. It preserves the enthusiasm of older workers far into the future, and thus makes for stability and unity among worker teams. Job (title, post)-based wages respect the interests of older workers and also mobilize the initiative of new workers. Wages based on length of service and integrated with attendance take into consideration the interests of older workers, but this is theoretically solid. Length of service-based wages actually embody respect for the contribution of accumulated past labor. Everyone has to go through the development stages of childhood, youth, robust years and old age, and the new wage system embodies the natural laws of supercession of the old by the new. Because of this, the individual material interests of new and old staff and workers is being taken into consideration.

## II. The Lasting Significance of Shenzhen's Experience for Nationwide Wage Reform

The new wage system promoted by Shenzhen's institutions discussed above is an attempt at wage reform. Although there may still be some inadequacies, for the most part it is correct and feasible. As to certain regulations that have not yet been completed, such as the lowest levels of jobs, job titles, and post-based wage levels being generally the same, it appears that in these areas there has not yet been enough good research into converting the ratios of complex labor and simple labor, and this is a problem that we must continue to resolve in the course of wage reform.

Thus, what lasting significance does the new wage reform system implemented by Shenzhen's institutions have for wage reform for China's state organizations and institutions, and what inspiration should it hold for our exploration into wage reform?

The first point is that the wage system of institutions must be changed. This "must be changed" is not limited to theoretical abstract research, but should be manifested in practical explorations into wage reform. In investigation into wage system reform in the past few years enterprises have done things dynamically and solidly, enterprises have enjoyed internal autonomy and have carried out all kinds of experiments into wage reform. But wage reform in state organizations and institutions in the inland areas, aside from the trial reform of post subsidies and job-based wages carried out by Shanghai Jiaotong University, has basically preserved the past methods of egalitarianism. Therefore, I believe that it is important to emphasize this point. Otherwise, the wage reform of institutions will fall far behind that of enterprises, creating even less harmony in the wage levels of cadres, staff and workers in inland enterprises and institutions. But if we put our efforts into the wage reform of institutions, the key should be that on a microlevel the state should adopt realistic and feasible measures. There should be a comprehensive program for reform which, moreover, should give corresponding autonomy to state organizations and institutions. At present, Shenzhen SEZ has given us experience in this area, which should help state labor and wage departments and institutions seriously consider the problems of wage reform, and move from the question of whether the wage system must be changed to actual reform.

Secondly, in some areas, the wage reform of institutions and enterprises have corresponding characteristics, and the problems that reform seeks to resolve are also the same. The problem that wage reform seeks to resolve consists primarily of the "big pot" of egalitarianism. It is manifested in the area of rewards, where job grades and labor (work) rewards do not tally. Theoretically, socialism should thoroughly implement the principle of distribution according to work, but in the traditional old wage system this principle embodied a number of deficiencies. Fluctuations in jobs (job titles) and wages seemed to create a disharmonious but justifiable situation. This must have been a primary principle of some personnel who did not want to progress. The wage reform of institutions should thus draw on the experience of Shenzhen, so as to resolve these corresponding problems of institutions and enterprises. From this point we can mobilize the initiative of institution personnel in order to contribute suggestions and offer advice regarding the construction of China's four modernizations.

Thirdly, a special characteristic of the new wage system promoted by Shenzhen's institutions is that wages and prices are linked together. Wage increases and decreases are linked to fluctuations in financial revenues. The three "links" of wages, prices and financial revenue

should work in conjunction with the direction of China's wage reform. Shenzhen has stipulated that for an increase in the price index of more than 3 percent, wages should correspondingly increase more than 3 percent. Wage levels are not fixed, and should increase in accordance with the development of production in Shenzhen and the situation of financial revenue. I believe that this is a good method. This is because the main objective of wage and price links is to resolve increases and decreases in the people's standard of living that are not attributable to prices; this is the most urgent requirement of reform. Fluctuations in wages should be suited to financial capabilities; this would also resolve the above-mentioned problem (because financial revenue generally increases in line with developments and increases in production, it should correspondingly increase wage levels. It also serves the demand of the basic economic law that socialism continually serve the constantly increasing material and cultural needs of society's members. Therefore, this direction of reform is correct. National economic reform can also draw much from it, and it fully embodies the superiorities of the socialist system.

Fourth, the national wage system should gradually eliminate subsidies, and change hidden subsidies into open subsidies, and proceed toward using subsidies as wages in the process of carrying out reform. What Shenzhen has already implemented (preserving subsidies for people who are injured in some way, which, strictly speaking, are health subsidies, is essential) has been welcomed by cadres and staff and workers. In the past, the well-known economist, Sun Yefang, has put forth this concept, and I fully support it. As analyzed above, these subsidies appear to reflect  $m$ , but actually they reflect  $V$ . If first  $V$  is reduced, and if a portion of  $V$  is transformed into profits to be turned over, the state could take portions of  $m$  for use as subsidies. This way, speaking only of cadres and workers, and not of work, because subsidies (such as state subsidies to cover increased procurement prices for grain and agricultural sideline products) are not issued to individuals, they are unfelt and unseen and do not play an appropriate role in the mobilization of their initiative. Thus, hidden subsidies should be transformed into open subsidies, and what is in the form of  $m$  should be switched into real  $V$ , and  $V$ 's original features, from a financial standpoint, do not actually reduce real income. Once hidden subsidies are transformed into open subsidies, the initiative of staff and workers will be aroused. The change will promote the development of production. Financial revenue will actually increase. These are very favorable conditions, and should be noted.

Fifth, we should follow the demands of the situation of "moderate wage levels, moderate price levels and moderate consumption levels" (the so-called "three moderates") in reforming the wage system, and guarantee the simultaneous advancement of wages, prices and consumption. Before reform, although Shenzhen's wage levels were a bit

higher than they were inland, they were not in harmony with the SEZ's own level of development of production. In many senses, with respect to Shenzhen itself, wage levels were still lower than the rate of increase in overall economic results (these figures have already been discussed above). Before reform, average per capita monthly income in enterprises owned by the state was generally 125 yuan, and monthly per capita income for individuals in state institutions was lower than that in state-run enterprises. After reform, monthly per capita income for individuals in state institutions, according to the same calculations, was 175 yuan. But reform required that the wage levels in institutions and enterprises (including foreign enterprises and state-run enterprises) be the same, and wage levels in state-run institutions could also be readjusted and coordinated. From this perspective, after reform wages were not decreased, but were appropriately increased in accordance with the situation of production development and financial revenue. In the past, the traditional view of western capitalist economists toward "high wage, high price, high consumption" (below referred to as the "three highs") adopted an attitude of negating everything without further analysis but then does the "three highs" policy not have any rational elements? It should be acknowledged that it has a rational aspect, which is that wages, prices and consumption were coordinated to increase simultaneously. Taking radical reform of the "three highs" policy in accordance with China's national conditions could be used to create wealth for our laborers. Trial operation of the above-mentioned "three highs" policy in China can be done. Moreover, from the perspective of the "three lows" (low wages, low prices, and low consumption), the development to the "three moderates" is an objective necessity. No one can deny that: 1) From the perspective of the actual economic standard of living in the past few years, price levels have increased, although wages have not really been reformed, bonuses have increased, and worker income has also increased. The people's consumption requirements for food and clothing have begun to be basically resolved, and we are gradually proceeding toward meeting requirements in aspects of means of development and enjoyment. It is clear that consumption levels are also increasing. Theoretically, the requirements of the basic economic law of socialism are that society should work toward satisfying the development of production and the continually increasing material and cultural needs of members of society. The people should develop their consumption requirements from a relatively low level (subsistence needs) to a relatively high level (development needs and leisure needs); the law of distribution according to work requires carrying out consumption in accordance with labor figures and quality. The more work, the more consumption--this is an essential point of dialectics. 3) The principle of the central authorities is that development economics is for the purpose of breaking away from poverty and creating a better standard of living. By the year 2000 GVAIO is to quadruple; wages are also to increase several fold, and the entire populace should reach a comfortable standard of living. Vice Premier Tian Jiyun recently pointed out that China's development trend is

toward moderate wages and moderate consumption. From this we can see that the coordination of wages, prices and consumption, and the beginning of development from the "three lows" to the "three highs" is an objective trend that is not determined by the will of the people and cannot be reversed. Wage reform should thus proceed smoothly along in this direction, and should not falter. It is also clear that in upholding the harmonizing and simultaneous aspects of wage, price and planning system reform, we should include a comprehensive evaluation of structural reform, so that we can enable reform to be an all-round success.

Finally, wage reform should be done in one step. Experiments cannot be one dimensional because the natures of institutions vary, only by dividing them into various categories and testing each category can we explore the creation of a general law that takes all of them into consideration. The meaning of "should not be done in one step" also includes not demanding strict uniformity in trial patterns of reform. Wage levels after the implementation of reform need not be standardized. Some areas and departments should be allowed to undertake exploration into reforms that serve the special characteristics of the localities and departments and are in accordance with their financial and material conditions and other factors. The principles, spirit and direction of the new wage systems promoted by Shenzhen can all be drawn upon, but it is not necessary that the wage levels of other areas be identical to those of Shenzhen. The situations of the inland areas and Shenzhen are different, and they cannot be copied indiscriminately.

12582

CSO: 4006/399

LABOR AND WAGES

IMPLEMENTATION OF COMPOSITE WAGE SYSTEM DISCUSSED

Shanghai CAIJING YANJIU [THE STUDY OF FINANCE AND ECONOMICS] in Chinese No 1,  
18 Feb 85 pp 26-29

[Article by Hong Dengyong [3163 4098 3057] and Luo Zhengfeng [5012 2419 7364]:  
"Adoption of the Composite Wage System, Implementation of the Principle 'To  
Each According to His Work'--Some Views on the Trial Implementation of the  
Composite Wage System by Some Shanghai Enterprises"]

[Text] Along with the progress of the reform of the economic structure in Shanghai, some local enterprises have tried out the composite wage system (also called "breakdown wage system") and gained certain success and experiences. Not long ago, Comrade Zhao Shouyi, minister of labor and personnel, made a statement on the reform of the existing wage system and the gradual popularization of the composite wage system, calling on all regions and departments to reform the existing wage system in light of realities and pointing out that the composite wage system indicates the direction of the reform in China's wage system. Therefore, we recently visited Shanghai No 2 Radio Plant and Shanghai Foundry of Spindle Accessories to see how the experiment in composite wage system was going on and now feel that a careful summation of these experiences and an in-depth study of the theoretical basis of this system are of great significance in further improving the system and promoting the reform of the entire wage system.

I. Adoption of the Composite Wage System Helps Improve the Enterprise's Economic Results

Under the so-called composite wage system, wages are broken down into four parts--basic wage, seniority wage, job (workpost) wage and living wage--in varying proportions according to their different functions. First, the enterprise evaluates the worker's actual performance and technical skill and accordingly determines his wage grade. This portion of wages will then be combined with the basic wage, seniority wage, and living wage to form his entire remunerations.

According to our observation in these two plants, the composite wage system has the following advantages.

1. It helps eliminate the practice of "eating from the same pot." Before adopting this system, egalitarianism or "eating from the same pot" was prevalent

in Shanghai No 2 Radio Plant, since all workers, good or bad and doing more or less work, got the same pay. The wages for the assembly workers in the production lines were exactly the same as those of auxiliary workers, although the work intensity and technical skill required of the former were far higher than those of the latter. This practice seriously dampened the enthusiasm of the assembly workers in production. Again, in the same plant, the wages of some middle-aged intellectuals in key positions were too low. In 1983, the workers had to "take their seats according to the assigned numbers and hold their ranks according to their service seniority," and a ceiling was imposed on the wage scale for some of these intellectuals despite their technical expertise and great contributions. As a result, the remunerations of these intellectuals were even lower than those of ordinary workers of the same length of service. After adoption of the composite wage system, the differences between simple and complex, heavy and light work were reflected in wages. Shanghai Foundry of Spindle Accessories likewise had its problem before the wage reform: All newcomers had the same wages, regardless of the differences in the intensity of work, the responsibility involved and the technical skill required. Because of the seriousness of egalitarianism, the workers generally were not inclined to learn more about culture, technology or vocational knowledge, and labor discipline was lax. After the wage reform, the job differentials of wages were increased, and the wages for those doing complex and heavy work were increased by a wide margin. The rate of increase for these workers was 18 percent, 6.4-fold the rate of those doing simple and light work. This increase aroused the enthusiasm of workers in production in all workposts. Some heavy and greasy jobs which nobody cared for are now gladly undertaken. At the same time, keen interest in learning technology and close concern for the enterprise's output and economic results became the order of the day.

2. It helps establish a fairly sound system of economic responsibility within the enterprise by organically integrating responsibility, rights and interests, resulting in higher standards of production and management. To practice the composite wage system, the enterprise must first have fixed numbers of workers and fixed quotas. There must also be a fixed post for every worker and a set of criteria for evaluation as a dependable basis for rewards and punishments before the composite wage system can function properly and raise the enterprise's standards of production and operation. After adopting the composite wage system, Shanghai Foundry of Spindle Accessories, in accordance with the principle of increasing personnel without increase wages and reducing personnel without reducing wages, also adopted a two-tier distribution method whereby the factory assumed the responsibility for the workers. As a result, the workers in all departments, sections and workposts did their best according to the chain of command. The defects of overstaffing and low efficiency were swept clean once and for all. At present, this plant has initially formed an organization for training a contingent of well-qualified engineering and managerial cadres with production and management as their main concern, and gradually set up and improve various rules and regulations so that the enterprise will have greater adaptability and stronger competitive power. Last year, for example, despite an increase in the prices of raw materials for forging, this plant promptly accepted the task with revised standards from the higher authorities, and its output value rose from 196 tons per month to 217.2 tons per month, a 10.8 percent increase.

Adoption of the composite wage system and other measures of reform greatly inspired the broad masses of workers and brought forth good economic results. Shanghai Foundry of Spindle Accessories began its composite wage system in May last year, and its economic indices have been greatly raised ever since.

Comparison of the Indices Before and After the Reform in Shanghai Foundry for Spindle Accessories

	Before reform	After reform	Percentage of increase
	Jan-May	Jun-Oct	
Average monthly output	223.24 (ton)	245.58 (ton)	10.01
Average monthly output value	152,400 (yuan)	175,800 (yuan)	15.35
Average monthly profit	13,600 (yuan)	26,800 (yuan)	97.35
Proportion of finished products	57.77 (percent)	59.68 (percent)	3.31
Labor productivity	561 (yuan)	629 (yuan)	12.05
Average wages	72.93 (yuan)	80.29 (yuan)	11.01
Attendance rate	95.38 (percent)	95.43 (percent)	0.05

3. It helps in the correct handling of the relationships between the state and the enterprise and between the enterprise and the workers. In Shanghai No. 2 Radio Plant, the change from the system of wage grades to that of the composite wage was carried out on the basis of a link between the contracted total wages and the economic results so that the enterprise's internal system of composite wage can be organically combined with the state's payment to the enterprise in a mutually supplementary manner. Compared with the previous forms of wage payment, this system can more effectively integrate the interests of the state, the enterprise and the individuals. It not only links worker remuneration closely with the enterprise's output and operation and with the effective and high-quality labor they have contributed to the enterprise, but also enables the state to have a steady source of increased revenues. This is the basic method used by the plant: The total profits for 1983 and the total wages due as shown in the financial accounts combine to form the base to be used for the contracted payroll, and the amount of total wages can float according to the enterprise's economic results. Then the remunerations of individual workers are considered in light of their performance in the fulfillment of their responsibilities as well as the other requirements of the composite wage system. Thus the composite wage system and the contracted total wages are organically combined and the interests of the state, the enterprises and the individuals are duly served. According to an estimate by the department

concerned, every additional yuan of wages in the enterprise could bring only 5 yuan of profit before the reform; after the reform and the adoption of the composition wage system, each additional yuan of wages could bring 12 to 14 yuan of profit, a 2.4-fold increase.

## II. Composite Wage System More Aptly Embodies the Principle "To Each According to His Work"

The superiority of the composite wage system to other wage systems is that it more aptly embodies the principle "to each according to his work" and is consistent with the objective realities of China's economic development.

In "Critique of the Gotha Program," Marx pointed out: "The individual producer receives back from society--after deductions have been made--exactly what he gives to it. What he has given to it is his individual quantum of labor."<sup>1</sup> The labor of the laborer is usually expressed in three forms, namely, potential labor, floating (or circulating) labor, and materialized labor.

Potential labor refers to people's capacity for physical labor and ability to work. It is the sum total of their innate physical and mental power. Marx said: "One man is superior to another physically or mentally and so supplies more labor in the same time, or can work for a longer time."<sup>2</sup> That is why the laborer's physical strength, technical skill, education and experience can be the criteria of evaluation for his wage grade. Floating labor refers to the physical and mental labor actually expended by him in production. According to the labor theory of value, it should also serve as the basis of distribution according to work. However, if we one-sidedly stress the use of potential labor and floating labor as the basis of distribution according to work and overlook the quality and quantity of products they subsequently produce, it will mean a disregard of the economic results of the enterprise's production and operation, of the rough and slipshod way of its production, and of the waste of labor and time, all leading to a loss of the fruits of labor--the basis to which distribution owes its existence. In the past, China's traditional wage grade system which one-sidedly stressed the need to determine remuneration according to the amount of labor and the length of labor time lacked fair discrimination, and was one of the causes of egalitarianism or "eating from the same pot."

On the other hand, materialized labor alone may be used as the basis to determine the enterprise's total wages if worker remuneration is to be linked with the fruits of their labor for the enterprise. This method may be useful in eliminating the practice of "eating from the same pot." However, it would be difficult to rely entirely on materialized labor as the basis of remuneration for individual workers. In an enterprise engaged in large-scale socialized production with a high degree of specialized cooperation, each completely up-to-standard product is usually the result of cooperation among many workers in many work processes instead of the handiwork of a single worker. Therefore, it is difficult to calculate the amount of materialized labor each worker has put into an up-to-standard product and impossible to calculate the amount of

<sup>1</sup>"Selected Works of Marx and Engels" Vol 3, p 10.

<sup>2</sup> Ibid., Vol 3, p 11.

value that has been transformed from the worker's labor to this product. That is why the remuneration of the individual worker should be determined according to the level of technical skill and the complexity and intensity of labor in different production posts.

It is obvious that in determining worker remuneration, the use of any one of these three forms of labor alone cannot fully embody the socialist principle of distribution according to work or give full play to the superiority of this principle. Consequently, the enthusiasm and initiative of the broad masses of laborers cannot be aroused. Now, the experiments of Shanghai No 2 Radio Plant and Shanghai Foundry of Spindle Accessories in the composite wage system has shown that all three forms of labor can be organically combined for a comprehensive evaluation.

1. First, the composite wage system on the basis of contracted payroll can correctly link worker remuneration with the amounts of individual labor contributed to the enterprise and the results of the business operation from these contributions, or, in other words, with the individual's performance in the fulfillment of his production target and the enterprise's output value and profits, taking into full account the worker's materialized labor. In the case of Shanghai Foundry of Spindle Accessories, two parts of the composite wage--the basic wage and the workpost (job) wage--are allowed to float according to the enterprise's output value and profits. The workers given production quotas are evaluated on a piece-work basis, while those not given such quotas are evaluated according to their job responsibility. On this basis, the basic wages and job wages are broken down into a number of products in working out the unit price, and then to find the difference between the amount of profits realized and the expected "profit per ton" every month. If the profit realized exceeds the expected "profit per ton," and the other economic targets are accomplished as well, 30 percent of the increased profit is added to wages through a higher piece-work rate. On the other hand, if the profit realized is less than the expected "profit per ton," then the piece-work wages are reduced by 30 percent. By this means, this portion of the wages for all workers in the plant are decided by the piece-work wages which float according to the results of the monthly output multiplied by the "profit per ton." Thus worker income is fully integrated with their contributions to the society.

2. In the process of production in an enterprise, laborers at different workposts and doing different jobs cannot put in the same amount of labor within the same period and same space, since the intensity and complexity of labor as well as the responsibility involved and the working conditions may vary. Because of these differences, appropriate adjustments are made in the composite wage system which includes different wage grades. This correctly and properly reflects not only the difference of labor quality but also the actual expenditure of labor, that is, the amount of floating labor. In Shanghai No 2 Radio Plant's composite wage system, it is clearly stipulated that job wages, which also reflect technical skill, are based on the amount of responsibility of the cadres and other factors. The job wages of all cadres in the plant, including the plant director, are classified into seven grades. The cadres doing different jobs would receive different wages according to the different responsibility, different degrees of labor complexity, and other factors. Furthermore, cadres doing the same job may receive different wages if the actual conditions of work are different.

3. Besides stressing the functions of materialized labor and floating labor as the basis of distribution according to work, the composite wage system also calls for an appropriate study of the worker's potential labor, that is, the worker's potential technical skill and productive capacity which also form the basis of part of the remunerations under this system. According to the composite wage system enforced in Shanghai No 2 Radio Plant, stress is laid on the significance of workpost (job) wages. The differences between the wages of different technical cadres are suitably increased as an incentive for them to bring their potential technical skill into full play. Besides, seniority wages as a part of composite wages are provided in consideration of the increased experience and technical skill after a certain length of service, and as an aid to the improvement of work performance. This method will serve as an incentive for workers to study so that they can learn more about technology, gain more vocational knowledge and improve their ability and work quality in order to pave the way for the continued development of the enterprise's production.

### III. Several Problems To Be Considered in the Actual Implementation of the Composite Wage System

After analyzing the composite wage system and observing the results of practical experiments, we believe that in implementing this system, the following points should be noted:

1. Based on the experiences of some experimental enterprises in Shanghai, we are of the opinion that implementation of the composite wage system must be synchronized with the reform of the "four supplements" in enterprise management. First, it must be synchronized with the reform in the floating of contracted payroll according to the economic results. This synchronization will exert some pressure and provide some motive force for the enterprise and workers to enliven the economy and to correctly handle the two-level relations of distribution between the state and the enterprise and between the enterprise and the workers. Second, the system of the factory director assuming full responsibility should be enforced and the "10 Articles of the Expansion of Decisionmaking Power" proclaimed by the State Council should be implemented in earnest so that different enterprises can adopt different recruiting systems and special composite wage systems to suit their own characteristics. Third, no ceiling or floor should be imposed for bonuses and subsidies, and the gaps between the wages of different workers in the enterprises should be widened.

2. Implementation of the composite wage system must be "flexible" at all times. Although the basic wages as part of the composite wages are provided to ensure that the workers can basically meet the needs of livelihood, it should nevertheless be "flexible" instead of "rigid" so that the composite wages can play their full role in rewarding the diligent and punishing the lazy and in arousing the enthusiasm of the workers to improve enterprise economic results. In the course of our investigations in Shanghai No 2 Radio Plant and Shanghai Foundry of Spindle Accessories, we found some difference in the concrete methods used in implementing the composite wage system. The difference is mainly as follows: In Shanghai Foundry of Spindle Accessories, the basic wages and job wages are combined in floating according to the fulfillment of the individual worker's

production targets and the output value and profits of the enterprises as well as the fulfillment of other contracted job responsibilities; and these wages form the overwhelming majority of the total wage. This means "flexibility" and is consistent with the principle of "more pay for more work, less pay for less work, and those who do not work will not eat either." In the case of Shanghai No 2 Radio Plant, however, the basic and job wages are "basically stabilized" and therefore the total wages are less "flexible." This will weaken the vitality of the composite wage system in encouraging the cadres and workers to greater efforts and handicap the system to a certain extent.

3. We believe that in adopting the composite wage system, we must also settle the question of whether the living wages should apply to bonuses and subsidies appropriated from the delivered profits (m), or to the worker's wage (v). Since they are remuneration for the extra labor expended by workers in the process of production, they should be included in the production cost and serve as additional income for the workers. Only thus can we accurately show the relationships among the individuals, the enterprise and the state. Profit is the remaining portion (m) from the total commodity price (c + v + m) after deducting the compensation for the means of production consumed and the workers' remunerations. If the theory that this part of the profit should become the workers' remunerations is believed to be untenable, there must be confusion in understanding the composite wage system. Some comrades have the misgiving that the inclusion of this portion in total wages (v) would affect the state's revenues. This is in fact unlikely, since it only represents the bonuses and subsidies obtained from the profits delivered to the state and does not add to the state's expenditures. On the other hand, if the rate of profit increase is higher than that of the workers' wage increase, state revenues may be increased several times over.

9411

CSO: 4006/591

17 June 1985

## LABOR AND WAGES

## BRIEFS

SHAANXI YOUTH UNEMPLOYMENT SOLVED--This reporter has learned that jobs were arranged for 110,000 unemployed youths throughout Shaanxi Province in 1984, employment arrangement duties were overfulfilled by 10 percent, and the number of unemployed had decreased by the end of the year to the lowest degree in recent years. In order to create employment qualifications, all areas developed various forms of pre-employment technical training work. Over 55,000 unemployed personnel throughout Shaanxi participated in all kinds of pre-employment training in 1984. Shaanxi Province also used the many superiorities of colleges and universities, established all kinds of spare-time technical schools and created the conditions to develop many levels of vocational training. There are now over 1,800 labor service companies and over 8,700 directly initiated collective enterprise network sites throughout Shaanxi which have organized and arranged employment for over 200,000 people. [Text] [Xian SHAANXI RIBAO in Chinese 6 Feb 85 p 1] 12267

CSO: 4006/464

TRANSPORTATION

YUNNAN TO BUILD IMPORTANT RAILROAD LINE

HK160310 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 14 May 85

[Text] The (Guangtong)-Dali railroad, which the people in our province have sought for a long period of time, has been recently included in the state's Seventh 5-Year Plan. Preliminary survey and design work began at the beginning of April. Construction work will begin next year.

The total length of the (Guangtong)-Dali railroad will be 214 kilometers. The railroad will be one of the important main lines of the railroad network throughout the country. The sphere of its service will include 48 counties in 5 minority nationality autonomous prefectures and 4 prefectures in western Yunnan, which account for 45 percent of the land area of Yunnan Province and about one-third of its population. Forestry and water resources and non-ferrous metal deposit abound here. The construction of this railroad is of extremely important significance for exploiting western and southwest Yunnan, promoting Yunnan's economic and social development, and consolidating national defense.

This railroad will be built as a local railroad. Yunnan Province and the Ministry of Railways will jointly finance its construction. After the railroad is open to traffic, fares will be fixed by the locality. It has been demanded that preliminary design work be completed by the end of this year and construction work formally commence next year and be completed in 1990, when the railroad will be opened to traffic.

CSO: 4006/625

TRANSPORTATION

WUHAN SHIPYARD TO BUILD TWO CARGO SHIPS FOR FRG

OW110943 Beijing Domestic Service in Mandarin 1200 GMT 9 May 85

[By reporter (Zhang Hua)]

[Text] China has begun to develop its inland river transport in cooperation with foreign countries in the form of compensatory trade. The Changjiang Shipping Corporation recently signed a letter of intent with the (Rhein-maas Seereederei) Company of the FRG. The letter of intent says that the Wuhan Qingshan Shipyard will build two 2,500-metric-ton-class cargo ships for the FRG firm, with the former to provide labor, and the latter to pay labor service charges and provide equipment.

A responsible person of the Inland River Bureau of the Ministry of Communications told this reporter on 9 May: China's shipping department will buy other ships from the FRG with the earned labor service charges paid by the (Rhein-maas Seereederei) Company of the FRG. The letter of intent was signed in accordance with the PRC-FRG agreement on inland river shipping cooperation. This is the first project, as one part of the compensatory trade between the PRC and the FRG to develop China's inland river shipping.

The responsible person of the Inland River Bureau of the Ministry of Communications emphasized: While China lacks sufficient funds and technology, Chinese-foreign joint ventures are an important way to develop our inland river shipping.

To the reporter's knowledge, China recently has also developed cooperation with France, Belgium and Canada in the development of inland river shipping, following cooperation with the FRG.

CSO: 4006/625

TRANSPORTATION

FUTURE TASKS FOR ELECTRICAL DEPARTMENT OUTLINED

Beijing TIEDAO TONGXIN XINHAO [RAILWAY COMMUNICATIONS AND SIGNALS] in  
Chinese No 10, Oct 84 pp 1-3

[Article by the chief of the Electrical Bureau of the Ministry of Railways:  
"Advance in the Course of Reform"]

[Text] We ushered in the glorious festival of the 35th National Day amid the wave of reform. Looking back on the work of 1983 and looking forward to future tasks, we notice that the broad masses of cadres, staff members and workers of the electrical departments of all railways have made gratifying achievements in studying and implementing the guidelines of the 12th CPC Congress and the Fifth Session of the Fifth NPC and the decision on party consolidation and in creating a new situation in the work of electrical departments.

The ideology of serving transportation and consumers is striking root in the heart of the people. Enterprise consolidation and activities to improve the quality of enterprises and staff members and workers and to promote all-round quality control have made fairly good progress. The broad masses of the staff members and workers of the electrical departments have enthusiastically participated in and made good scores in the World Communications Year quiz contest and the railway knowledge 100-question quiz game. In addition, the spirit of relying on science to bring forth new ideas in the development and utilization of new products and new technology is also being carried forward in the electrical departments. Overhaul, renovation and transformation projects and various maintenance and repair tasks have also been completed with satisfactory results.

But we should keep a cool head and realize where we lag behind and what we lack in view of the demands of the new situation and the new technology. We should unify our thinking, hasten the structural reform and create a brand new situation. For this, we made the following suggestions for future work in accordance with the guidelines of the National Railway Work Conference sponsored by the Ministry of Railways:

- I. Establish a Firm Ideology of Serving Transportation and Consumers and Guarantee the Fulfillment of Key Tasks

In the report of the leading party group of the Ministry of Railways, Chen Puru, minister of railways, pointed out clearly: According to the strategic goal of quadrupling, the passenger and freight volume of railways should reach  $2,500 \times 10^6$  people and  $2,500 \times 10^6$  tons, respectively, by the end of this century. All railway work must be subordinate to and serve this general task and goal. The most urgent task at present is to vigorously increase rail transport capacity and reverse the tense and passive situation of rail transport.

We set forth several key tasks for this and next year. They are:

1. To increase transport capacity and ensure the transportation of Shanxi's coal, we should complete railway communications and signal transformation and construction projects on time. We should continue to improve the frequency-shift automatic blocking system of the electrified section of the Shitai railway line and at the same time strengthen routine maintenance and management work. We should put the 150 MHz train radio system into operation on the Datong-Beijing line (especially the Fengsha section) and strengthen maintenance repair and management work. We should do a conscientious job in all work related to the development and transfer of new technology for the communications and signals of Daqin and Shitai lines.

2. To ensure the safety of transportation and further increase the efficiency of operation, we should install, maintain, manage and experiment to improve the three-locomotive equipment according to plan, complete selecting models for train masters' stations and planning for the location of train departure alarm signals at surface terminals, improve and expand the use of radio in railway stations and marshalling yards, expand the use of frequency-shift signals on hump-yard switching engines, improve the electric centralization system of level switching, complete the designing and expand the use of standards, install doubleacting switch (?frog connection detector [yidian mitie jiancha shebei 0044 4551 1378 6317 2914 2686 6080 0271]), popularize the use of junction signals, and use on a trial basis, improve, and assess the 25 Hz alternating current counter automatic block and locomotive signaling systems.

3. We should develop information technology, raise management level and improve the quality and efficiency of work.

We should develop data communications focusing on the automation of operations and management in the Beijing and Shanghai areas, expand the use and strengthen the maintenance and management of the Model 7700 facsimile printers and quickly develop and use microprocessors in the management of electrical operations and technology.

## II. Eliminate the Conservation Ideas of Following Beaten Paths and Refusing To Make Progress and Hasten the Steps of Importing Advanced Technology

Confronting the new tide of technological revolution, we should deepen the understanding that only by relying on scientific and technological progress can we develop the electric industry and seize the opportunity to catch up. For this, we should:

1. Deepen understanding and unify thinking. We should raise the utilization of foreign funds and the import of advanced technology to the plane of party principles and policies in understanding, eliminate the sectarian bias of technology, proceed from the situation as a whole do everything in a scientific spirit and choose advanced technology suited to China's needs on the basis of reality. We should take advantage of the favorable conditions of special economic zones and 14 coastal port cities in opening to the outside world, and give play to the enthusiasm and advantages of all sectors and units to open up the channels of technology transfer.

2. Know ourselves and our rivals to avoid blindness. We should make full use of information materials, understand development trends of foreign railway communications and signaling technology and select mature, useful technology. On the one hand, we should avoid simply pursuing the advanced and losing contact with the reality of China's railways. On the other hand, we should prevent coveting temporary convenience and importing outdated and obsolete technology or importing main engines without considering necessary exterior equipment and testing devices. We should carry out such work in a planned, guided and concentrated manner in accordance with the railway technology policy and plan.

3. Handle well three relations:

a. The relation between technology transfer and equipment imports. We should not simply purchase equipment, especially when large volume and key technology are concerned. We should import technology through the import of equipment to improve our production techniques and raise our technological level.

b. The relation between technology transfer and domestic scientific research. Technology transfer is to better and hasten the implementation of the principle of relying on domestic resources and self-reliance. Modern technological problems should be solved at home if they can be solved through domestic scientific research. If they have never been solved at home or if they might not be solved at home within a short period of time, in order to save time we should vigorously absorb mature and advanced foreign technology instead of trying to do everything from scratch and carry out research at a low level. Whether in domestic research or foreign technology transfer, scientific research, production and application departments must closely cooperate with each other.

c. The relation between national technology transfer and railway production in the division of labor and coordination. National technology transfer should conform to relevant state policies and regulations, benefit the development of the economy and new technology and satisfy the needs of railway construction. Except for those general products produced by specialized departments according to state regulations, all existing products of rolling stock plants and special products for replacement use should be managed by railway departments themselves. In accordance with subjective and objective conditions and the nature and scale of products, railway departments should make arrangement for the production of specialized plants or organize joint production.

Because of this, it is necessary to make overall planning and unify technological policies and standards, especially when the technology and equipment of all railway lines and networks are concerned.

4. Develop and import new technology in a planned, concentrated and step-by-step manner in the next few years. For instance, we should develop and use train radio in mountainous areas, optical fiber digital communications, microwave digital communications, data transmission, facsimile communications, uninsulated track circuits, locomotive speed monitoring and control devices, microcomputerized central dispatch and automatic traffic control systems, heavy-duty switching equipment, high-speed hump-yard switching equipment and microelectronic technology.

### III. Promote Scientific Management Method and Improve the Quality of Enterprises and the Staff Member and Worker Contingent

We should conscientiously study the "Government Work Report" delivered by Premier Zhao at the Second Session of the Sixth NPC, deeply understand the principles and policies set forth by the CPC Central Committee and the State Council for the development of China's economy and carry out reform in light of the reality of electrical departments.

1. We should deeply promote overall quality control, extensively carry out quality control group activities and make sure that such activities are carried out on a regular basis in a systematic manner and are controlled by rules and regulations. We must do a down-to-earth job in all basic work, conscientiously carry out horizontal and vertical interlocking personal responsibility systems and standardized operations and strictly abide by rules and regulations. It is necessary to enhance the sense of political responsibility of staff members and workers, raise their vocational and technical standards, establish the workstyle of "strict demand, iron discipline, unity, cooperation and quality service" in railway departments, and build a staff member and worker contingent that has "three merits and one principle." Resolute efforts should be made to overcome the weakness and listlessness of leadership, the confusion of responsibility between different departments and offices and the situation of lax discipline in work. At the same time, efforts should be made to prevent the oversimplified and one-sided leadership that resorts to punishment instead of discipline.

2. We should continue to promote the reform of maintenance and repair work. We should conscientiously strengthen the building of repair bases, such as the three stations and two contingents, give full play to the role of electrical laboratories at all levels, adopt necessary testing devices, actively promote and expand the scope of centralized and rotary repairs, reduce the number of scattered and on-the-spot repairs, and stop illegal and primitive operations. We should set the scope and degree of maintenance and repair work for newly adopted microelectronic technology and equipment such as the Model 7700 facsimile printers and establish a hierarchical maintenance and repair system to centralize testing, part changes and maintenance and repair work in maintenance and repair centers so as to guarantee the reliable and normal operations of equipment.

3. We should vigorously reform irrational rules and regulations, focus our energy on completing the revision and formulation of technical standards and rules and regulations for the maintenance and repair of communications and signaling equipment, complete the formulaion of procedures for the use and control of locomotive signaling, train radio and automatic braking equipment and strive to promulgate and implement them within this year. We should study and put forth as soon as possible suggestions on reforming current rules and regulations for handling accidents and improving the necessary safety and working and living conditions of field workers.

4. We should vigorously put forward suggestions on reforming the management system of overhaul projects. The current situation of high costs, a long construction period and low quality in railway overhaul, renovation and transformation projects has not improved fundamentally. The statement of "the same big pot" has not yet changed. There are two ways to reform this. One is to strive to keep a definite number of overhaul forces at the electrical departments. Another is to establish and perfect quota and quality standards, carry out contracted investment, quality and construction period responsibility systems and, if conditions permit, adopt the system of inviting tenders. All railway administrations can carry out reforms in selected units through investigation and study.

5. We should reform the spare part production and supply system. The present problem of the inadequate and untimely production and supply of spare parts is becoming increasingly serious as the days go by. There are two ways to reform this. One is to change the current system of placing orders for goods to a system under which production and marketing departments meet directly, adopt measures to expand the production capacity of communications and signaling companies and, at the same time, establish a retail department to supply temporary and emergency needs. Another is to give play to the role of the electrical maintenance and repair plants under all technical and quality standards, select qualified plants to carry out cooperative production with the assistance of communications and signaling companies.

6. We should pay attention to knowledge and talented people and vigorously strengthen the training of staff members and workers. In the past few years, the double supplemental education of staff members and workers of the electrical departments and the classes for cadres sponsored by universities and colleges have scored outstanding achievements and trained large numbers of cadres, staff members and workers to take new leading positions and fill in the vacancies of major jobs in the electrical departments. However, there is much more to be desired before the new tide of technological revolution. The situation that the skills of "seniors" become obsolete and "newcomers" lack necessary knowledge still exists extensively. The fact that new technology will be developed and imported makes it more necessary to have large numbers of backbone technicians, maintenance and repair men and equipment operators. Those who have had supplementary education need improvement and those who have mastered the knowledge of existing equipment and technology need to continue to learn new skills. Therefore, we should consider the training of staff members and workers as a strategic task, strengthen leadership and strengthen teaching forces and equipment to improve the quality of training.

Confronting the new situation that all trades and professions must carry out reforms and renovations, we must now establish a resolute and persistent work style, dare to take responsibility and bring forth new ideas, keep forging ahead and make relentless efforts to combine the technological transformation and equipment renewal of electrical departments with the results of the world's new technological revolution, develop our electric industry, quickly fulfill the demand of vigorously increasing railway transport capacity set forth by the Ministry of Railways and reverse the tense and passive situation of railway transportation.

12302

CSO: 4006/353

TRANSPORTATION

HARBOR HIGHWAY CONSTRUCTION TO BE STEPPED UP

Beijing GONGLU /HIGHWAY/ in Chinese No 12, 25 Dec 84 pp 21-25

/Article by Zhao Jiamin /6392 1367 2404/ of the Highway Science Research Institute of the Ministry of Communications: "Accelerate Highway Construction and Guarantee the Smooth Flow of Traffic in Harbors"/

/Text/ China has a vast territory, abundant national resources, an 18,000-km-long coast line and 15 harbors along the coast which play an important role in promoting domestic and foreign communications and developing foreign trade. Since the founding of China 35 years ago, the volume of freight handled by harbors has increased on average 11.6 percent a year, and the volume of foreign trade has increased on average 26.5 percent a year. The capacity of harbors is insufficient to meet the need of national economic development mainly because of a serious berth shortage and insufficient transport capacity. Communications and transportation have been weak links in China's national economic development for many years, and harbors are important cargo transportation sites and distribution centers. Owing to insufficient transport capacity, an irrational transportation structure and congested harbor traffic, harbors are jammed with vessels waiting to be loaded and unloaded, resulting in a huge loss of foreign exchange every year, which directly affects construction of the national economy.

I. The Structure of Transportation Methods of China's Harbors Is Irrational and Urgently Needs To Be Readjusted

For a long time, China's communications and transportation have failed to meet the need of the development of economic construction and to play the role of "vanguards." Among the five types of transportation, we emphasize railways and neglect highways, resulting in an imbalance between the development of railways and highways. Because most freight transport is handled by railways, the transport capacity of China's railways has reached the saturation point. The excessively high ratio of short-distance freight transport, in particular, has prevented railways from bringing into play their advantages. Except for Shanghai and Huangpu harbors, all harbors rely on railways to distribute cargo. For instance, railway transport accounts for over 90 percent in Dalian, Qinhuangdao, and Zhanjiang harbors, about 70 percent in Qingdao and Lianyungang harbors and over 60 percent in Tianjin harbor. The railway transportation tasks of harbors are very heavy, but many auto transport departments in the same areas have surplus transport capacity and lack cargo sources. This is a very irrational phenomenon.

Take Tianjin harbor, for example. It is one of China's major foreign trade harbors. Its freight volume has increased year after year. In recent years, it has become more and more congested. The irrational structure of harbor traffic constitutes one of the reasons, in addition to an insufficient number of berths. The Haihe River network which consists of Yongding, Daqing and Ziya rivers and South and North canals, meets in the back of Tianjin Harbor with the Haihe River running across the downtown area of Tianjin Municipality. However, because the Haihe has been closed to navigation and the water transport capacity cannot be brought into play, the proportion of water cargo distribution is relatively small. For many years, railways have been the leading method of cargo distribution in Tianjin harbor. During the 1980-82 period, on the average, 61.9 percent of cargo was distributed by railways, 23.97 percent by highways and 14.13 percent (salt) by waterways. Currently the railway transport capacity of Tianjin harbor is seriously insufficient. A primary reason is the large volume of short-distance transportation. At present, over 85 percent of imported goods are transported by railways in Tianjin Municipality, but the rail distance between the new Tianjin port to the downtown area is only 51 km. Short-distance railway transport is bound to offset the advantages of railways. Because Tianjin is where the Jingshan, Jinpu and Jinji railway lines meet and especially because the Jingshan line is the most congested section in the country as well as the main route for the cargo distribution of Tianjin harbor, it is extremely difficult to alleviate the shortage of harbor transportation within a short period of time by relying on railways. The utilization rate of the loading and unloading capacity of Tianjin and Tanggu railway stations had already reached 87.6 and 111.1 percent in 1980. The traffic capacity of the railway lines in the Tanggu area has been improved to allow a train to pass every 5 minutes instead of the previous 8-minute standard. Moreover, the marshalling ground and the operations site of the Tianjin railway station, have no more room for development. To meet the demand of the development of Tianjin harbor, Tianjin's railway departments have drawn up a series of construction projects. However, due to a long construction period and high construction costs, these projects cannot alleviate the shortage of harbor transportation within a short period of time. If the short-distance transport to the downtown area is handled by highways instead of railways, it certainly will reduce some pressure on railways, speed up the traffic flow of harbors and solve part of the problem caused by unused auto transport capacity.

Zhanjiang harbor is an important foreign trade port in southern China. It is a natural deepwater port. It can accommodate 10,000-ton oceangoing vessels and 50,000-ton tankers. Its annual handling capacity is over 10 million tons. Over 95 percent of its cargo is distributed by railways, 3.53 by highways and only 0.77 percent by waterways. Major goods and materials include crude oil, oil products, nonmetallic ores, ores, chemical fertilizer, grain and coal. Due to the great pressure on railways and a lack of railway cars, often about 5,000 tons of goods and materials pile up in the port waiting for shipment. Because all goods and materials bound for the inland area including Guangxi, Yunnan, Guizhou and Sichuan provinces need to be shipped little by little by railway, it generally takes over 3 months for goods and materials to be shipped after they arrive at the port. Railway cars have been the worst headache of Zhanjiang harbor for many years.

However, in the meantime, the Zhanjiang Prefectural Transport Co has a large auto transport capacity left unused and lacks cargo sources. Although it has reduced its original 15 motorcades consisting of 447 trucks to 13 motorcades consisting of 324 trucks, more often than not, as many as 100 trucks "wait to be fed." One reason is a serious shortage of cargo sources. Another is the unitary design of trucks which all have a 4- to 5-ton capacity and all are Jiefang brand. This is very unsuitable for the requirements of transportation tasks. If we let highways transport part of the cargo now transported by railways (such as chemical fertilizers and mineral ores) we not only can fill up trucks and reduce the burden on railways but can also accelerate the development of the automotive industry and highway construction.

Therefore, only by rationally readjusting the proportions of different kinds of harbor transportation can we give full play to their advantages. Railways are suitable for long-distance, large-quantity and heavy-weight transportation. Highway trucks are flexible and, therefore, are suitable for medium- and short-distance transportation. They also can perform "door-to-door" delivery. Waterways are suitable for long-distance and large-quantity transportation. They have such advantages as being less energy-consuming and economical. Railways, highways and waterways should be developed in a comprehensive and appropriate manner. Water transport should be used whenever it is available. Where there is no waterways, a rational division of work and transport distance must be figured out for railways and highways; for it is the only way to guarantee the smooth traffic flow in harbors. For instance, Shanghai harbor has made full use of the Huangpujiang, Suzhouhe and Changjiang water transport network in light of local conditions. Over 60 percent of its freight volume is distributed by waterways. Railways are limited to only long-distance transport to Dalian, Qingdao, Xuzhou and Guangzhou; therefore, the proportion of railway transport is very small. Cargo bound for the suburban areas of Shanghai Municipality is all transported by truck. Moreover, communications and transportation departments, enterprises and all sectors of society are clear about their division of labor, well coordinated, rationally organized and successfully managed in a unified manner. Therefore, the phenomenon of congestion has not occurred in Shanghai Harbor for several years.

## II. Main Causes of Backward Highway Transport in China's Harbors

1. In the past 35 years since liberation, although China's communications construction has substantially developed various transportation methods, the development has not been very fast or even. The position and role of highway transport construction in national economic development have not attracted necessary and sufficient attention from leading departments. Because railways have long been the mainstay of China's communications and transportation, highway transport is now the weakest link of the communications and transportation service. In the past 30 years or so, 16.4 percent of total state investment was used for transportation, post and telecommunications departments. Of this, 9.6 percent (over one-half) was used for railways and very little was used for highway transportation. Such factors as low standards, poor road conditions, outdated vehicles, high energy consumption, high production costs, low efficiency and poor management exist extensively in China's highway construction. This prevents auto transportation from bringing into play its

advantages. This situation has resulted in an irrational lineup of transportation methods and congested traffic in harbors, causing unnecessary political and economic losses to the state.

2. Due to the backward highway construction of harbors and the limited number, low grades and poor quality of roads, the role of highway transport in speeding up the traffic flow of harbors cannot be brought into play.

First, let us take a look at the highway situation of the 10 provinces and municipalities where major harbors are located (see table below):

Highway Grade:	First	Second	Third	Fourth	Ungraded	Unpaved
Proportion (%)	0.03	1.84	1.31	48.25	35.16	24.32

/all figures as published/

It is easy to see that first- and second-grade highways in the 10 provinces and municipalities account for less than 2 percent whereas fourth-grade and ungraded highways account for as much as 83.41 percent. Furthermore, among the highways open to traffic are deadends, hazardous bridges, temporary wooden bridges and ferry sites which have seriously affected the smooth flow of highway traffic. This is enough to show a general picture of the backward highway situation in the 10 provinces and municipalities where harbors are located.

Second, let us take a look at the highway situation of harbors (see table):

Table. The Road Situation of the Three Highway Trunk Lines in the New Tianjin Harbor District:

	Length (m)	Grade	Pavement & Width	Year of construction
New harbor highway 1	4,400	2	Asphalt, 9 meters	1939
New harbor highway 2	5,600	2	Concrete, 15 meters	1978
New harbor highway 4	10,447	1	Asphalt, 15 meters	Construction began in 1981, not commissioned to date.

Source of materials: A report on the highway statistics of Tianjin Harbor.

The new Tianjin harbor is a major harbor in northern China and a door to the capital. It was built before liberation in the 1930's. In the 35 postliberation years, only two highways, about 16,000 m (16 km) long and both open to mixed traffic, have been built, averaging 0.46 km a year. Within the harbor district there are 13 highways totaling over 16,300 m in length, but the quality of road surface is poor and over 5,400 m, or 33.42 percent, are unpaved which become muddy and cause great inconvenience on rainy days. This condition of harbor highways is very unsuitable for the position of the new harbor in modernization.

Roads are narrow and traffic is heavy at the railway level crossing on Xinhua Road, which is the only way from the harbor district to Tanggu District. Due to the heavy flow of traffic in and out of the harbor district, whenever a train passes, vehicles and pedestrians are crowded together. According to the findings of a 24-hour survey at the crossing of Xinhua Road conducted by the Tanggu District Urban Construction Bureau in 1979, over 6,000 motor vehicles or over 20,000 motor and nonmotor vehicles passed the crossing. This can prove that the highway construction of the Tanggu area is very unsuitable for the need of speeding up the traffic flow of harbors. Along with the annual increase of freight volume handled by the harbor, it is estimated that New Harbor Highway No 4 will soon reach its saturation point after it is officially opened to traffic. As we understand, the designed capacity of this highway is to divert the traffic of 3,000 motor vehicles.

For another example, Huangpu harbor is the biggest foreign trade harbor in southern China. Its freight volume is increasing year after year. Each of the old and new harbor districts of Huangpu harbor has only one highway leading to the downtown area. In the old harbor district, berths and the storing ground are connected by only one road which is crowded with all kinds of communications and transport vehicles, loading and unloading machinery and pedestrians. The only entrance and exit of the harbor is a narrow 4 to 5 m, low-quality harbor-front highway which is open to mixed traffic. Because there are harbor warehouses in the suburban areas of Guangzhou City, a 10-km long narrow and busy highway between the old harbor district and Guangzhou City has become the only way for auto transportation and is often jammed. Especially because of the capital construction projects currently being carried out in suburban Guangzhou, traffic volume has increased and congestion has worsened. It is only a little over 30 km from Guangzhou City to the new Huangpu harbor, but trucks can only transport goods there and back once a day. How can auto transportation be the vanguard in accelerating the traffic flow of harbors with such low efficiency?

Due to poor highway conditions, it will be very difficult to develop container transportation in the new Huangpu harbor. Goods are mainly transported by railways and over 80 percent are transported after they are taken out of containers. Because the transport capacity of state railways is insufficient, beginning this year, all containers bound for Shenzhen will be transported by the Guangshen Railway Co which provides a definite number of railway cars each day at a price 50 percent higher than that of state railways. In the meantime, the transport capacity of the Guangdong Provincial Transport Co is greater than its transport volume. Although the number of trucks has been reduced from over 3,000 to a little over 1,000, this company still lacks sources of cargo. If road conditions are fully improved and container transportation is developed, highway transportation departments will be able to take up all container transportation between the new Huangpu harbor and Shenzhen over a distance of about 150 km. In this way, not only will trucks find sources of cargo, transportation be convenient and timely and the advantages of highway transportation be brought into play, but the pressure on railways will also be reduced. It is like killing two birds with one stone.

In sum, highways are the foundation of auto transportation. Because of a poor foundation, difficult driving conditions, low transport efficiency, high energy consumption and high costs, it is only natural that receiving units are reluctant to use highway transportation. As mentioned, the highway situation of 10 coastal provinces, municipalities and harbor districts is very unsuitable for the need of future harbor development. To accelerate the traffic flow of harbors, the development of various types of transportation must be balanced. Therefore, it is urgent to construct and reconstruct harbor highways to give full play to the role of highway transportation.

3. Trucks transporting goods in and out of harbors urgently need to be replaced and modified.

Trucks of China's communications and transportation departments generally have such problems as old age, poor technical conditions and unitary style. More than half of the trucks have over 500,000 km on them and are fuel-consuming and very expensive to maintain and repair. The large majority of them are medium-sized gasoline trucks with a 4- to 5-ton carrying capacity. There are only a few large diesel trucks and very few trailers. So is the case with the conditions of harbor transportation vehicles which are very unsuitable for the need to accelerate traffic flow of harbors. Small carrying capacity, small transport capacity and high costs are the reason why cargo owners are reluctant to use auto transportation. As we understand, in 1982, 16,000 tons of large logs were imported through the new Tianjin harbor, but because of the unavailability of large special vehicles, it took as many as 5 months to transport all of them, seriously affecting the fulfillment of harbor transportation tasks. According to an investigation conducted by departments concerned in Tianjin on timber transport expenses, transporting imported timber from the new Tianjin harbor to Nancang, which is 62 km in total distance by car, costs 19.4 yuan per ton (13.4 yuan for freight, 3 yuan for loading expenses and 3 yuan for crane operation expenses.) Railway freight is computed in terms of 100 km (distances within 100 km are considered as 100 km). Railway transport expenses per ton are 3.51 yuan. If the average carrying capacity of a train is 30 tons, railway transport expenses per train will be 105.4 yuan, including 70.6 yuan for freight, 31.8 yuan for loading and unloading expenses and 3 yuan for railway car delivery expenses. Based on these figures, auto transport expenses are 5.5-fold more than railway transport expenses.

For instance, transport enterprises under the direct control of Hebei Province will carry out the import task of transporting coal from Shanxi to Qinhuangdao harbor, but over 90 percent of the trucks owned by the provincial transport company are old or aging Jiefang brand vehicles, over half have run 500,000 to 1 million km, which is close to or exceeds the limit of service period and average maintenance expenses per truck is about 8,000 yuan a year. How can any truck in such a condition carry out the important task of energy transportation! If we raise road standards, replace trucks in a rational manner and promote large-capacity trucks, trailers and container transportation, not only can we increase efficiency but we can also reduce costs accordingly. We may let highways take over short-distance transportation now handled by railways. We may also gradually develop long-distance freight transportation by large capacity trucks. By then, problems such as railway transport in the

hinterland of Zhanjiang Harbor certainly will be improved. In the United States and Japan, many long-distance transport trucks are driven day and night by a chief and assistant driver who take turns eating and sleeping in the truck. The transport efficiency of these trucks can already match that of railways. They use the special functions of auto transportation to compete with trains. Therefore, trucks transporting cargo in and out of harbors in the coastal provinces and municipalities of China urgently need to be replaced and modified.

### III. Further Develop Highway Transportation To Solve the Problem of Traffic Congestion in Harbors

With the gradual indepth implementation of China's economic policies of opening to the outside world and invigorating the domestic economy, the CPC Central Committee has decided to open up another 14 harbor cities. Because of this, harbor transport volume is bound to increase quickly in the future and highway construction must catch up. In the past 2 years or so, Comrade Hu Yaobang of the CPC Central Committee has repeatedly stressed the importance of the highways. He dwelled on the need to do a good job in highway construction on many occasions in Shanxi, Hunan, Sichuan and Guizhou provinces. He said highways were ignored for a long time and many leading comrades suffered from a common malady called "railway fever" meaning that they overemphasized the role of railways to the neglect of highways in communications construction. He said railway construction is needed, but it requires large investment and ordinary people do not use railways very often. But highways, when completed, can be used by all kinds of vehicles (large automobiles, tractors or even horse carriages and push carts) and therefore can bring prosperity both to the country and the people. After a highway is completed, the economy along the line will boom instantly, commodity circulation will be speeded up, commercial and service trades will develop accordingly and cultural and educational undertakings will also be accelerated. Comrade Hu Yaobang raised the issue of highway construction to a very high plane. In the spring of last year, he suggested in Hunan that Hunan and Jiangxi provinces build 10 wide highways leading to Guangdong Province. Later, he suggested in Guizhou that three wide highways be built toward north and another three, toward the south so that large trucks could be used to transport coal from Panxian to Baise in Guangxi. The CPC Central Committee urged localities to pay attention to highway construction and the great significance of building more wide highways. This is not directed only to the highway construction of mountainous areas but also to coastal areas and the whole country. Therefore, pertinent leading departments at all levels must fully understand the need and possibility of developing highway auto transportation and eliminate the defects of the irrational transportation structure resulting from emphasizing railways and ignoring highways. Based on this, I made the following suggestions:

1. We must accelerate the construction of harbor highways, upgrade them and improve communications conditions. Compared with railways, highway construction requires less investment and yields quicker results. Highway construction may be financed by a variety of sources such as state, local or foreign investments. Highways may also be built by the people with state subsidies. Industrial and mining enterprises may also assume responsibility for constructing and maintaining special-purpose highways. Vigorous efforts should be made to build

provincial and municipal trunkline highways leading to major harbors and build more first-grade highways and expressways around important harbors, railway centers and large cities. It is necessary to change the current one-road situation in the back of harbors and reconstruct hazardous bridges and ferries where traffic is heavy. To accelerate the cargo distribution of Tianjin harbor, the Jintang Highway between Tianjin Municipality and Tanggu is now being reconstructed and widened. It is expected to be completed next year. Especially, this year, the State Council has approved building the first expressway of mainland China in Beijing, Tianjin and Tanggu areas. The survey and designing of this expressway have begun. By 1988 when this expressway is completed, the congested traffic situation of Tianjin harbor certainly will be different and auto transport will make a greater contribution at a new level in accelerating the traffic flow of harbors. This is a new starting point in the development of China's highway transportation.

2. To speed up the modernization of auto transportation, vehicles transporting cargo in and out of harbors must be replaced and updated rapidly. Some obsolete, overage and fuel-consuming vehicles should be discarded. We should gradually develop large-capacity trucks, diesel trucks, various special-purpose vehicles, container trucks and semitrailers so specialized communications departments will have a variety of vehicles to meet the demand for transporting various goods and materials in and out of harbors and gradually reach the advanced levels of technical performance and various targets to create conditions for increasing transport efficiency and reducing transport costs. To renew and update vehicles, in addition to giving consideration to all concerned in vehicle distribution, the state should reform policies, such as increasing depreciation rates, allowing enterprises to use equipment renewal funds they handed over to the state and granting preferential loans. Furthermore, what is more important is to give full play to the technical forces of enterprises. A main way is to conduct technical transformation of old vehicles. For instance, the three transport companies under the Shanghai Communications and Transportation Bureau had very heavy transport tasks of major harbors and railway stations, but their transport capacity was insufficient. To better fulfill their transport tasks, over the years they have relied on their own technical forces in refitting vehicles. During the Great Leap Forward, the average carrying capacity of their vehicles was between 3 and 3.5 tons. Later their vehicles developed from 4-ton to 8-ton semitrailers and 10 10-ton semitrailers. Now they have more than 5,000 vehicles with an average carrying capacity of 7 tons. They have a variety of vehicles ranging from 2-ton to 300-ton sizes. Therefore, they have the ability to meet the need of transport service in harbors and stations. Transport companies in Shanghai Municipality also have various kinds of special-purpose vehicles, such as dry container trucks to transport grain, liquid container trucks to transport liquid chemicals and special trucks to transport powdery materials such as flour, cement and ash, basically realizing containerized traffic.

3. Specialized transport departments should further reform administrative and management systems. Since the 3d Plenum of the 11th CPC Central Committee, the national economy has developed rapidly, setting forth new demands on communications and transportation. Under the current new situation of communications and transportation, "all roads and rivers are open to the people" and

the transport market is very lively. This new situation is shaking the monopoly and government-run transport system long adopted by specialized transport departments. We should affirm that specialized transport departments have made many contributions to the state over the years. But they must pay attention to studying their weaknesses, take up the heavy responsibility of reforming highway transportation, try every possible way to improve the quality of transport service, raise the managerial level, establish enterprise reputation, win the trust of cargo owners, compete for the sources of cargo, find a way to open up a new prospect and play the role of bringing about continuous development in the whole highway transport industry.

4. In developing highway transportation and opening up a new prospect in harbor highway transportation, we should be bold in carrying out reforms and blazing new trails as in developing any other undertaking. Currently some harbors lack unified management of vehicles owned by enterprises, specialized transport departments and peasants engaged in harbor transport as sideline occupation, resulting in poor coordination and serious waste of transport capacity and energy. According to statistics compiled on the basis of the results of a 3-day road survey conducted by the communications department of Tianjin Municipality on 16, 17 and 18 June 1981, 6,082 vehicles had entered and left Tianjin Harbor during the 3-day period. Among these, 2,814 vehicles were loaded and 3,268 vehicles, 53.73 percent, were empty. If the average transport distance is 50 km and the average fuel consumption of every 100 vehicles is 30 liters per km, empty trucks will consume almost 400 tons of energy a month. Transport forces of all sectors of society and all specialized transport departments should all be considered as state transport capacity. Thus, to give full play to the advantage of highway auto transportation and guarantee the task of accelerating the harbor traffic flow, we should break the barriers between different departments, boldly reform the management system of transport and conduct joint management of harbor transport enterprises. In this way, we can adopt advanced management methods, a unified vehicle dispatching system and unified transport plans and use a rational amount of transport forces, energy and manpower to provide quality transport service to harbors. Joint management not only can help save a large amount of energy and prevent the vehicles of all departments from making empty runs in both directions and other such contradictions but also give full play to the advantage of highway auto transportation and reduce the pressure on the railways. While guaranteeing the timely distribution of harbor cargo, it also increases the rate of effective utilization of berths and harbor facilities, thus making more contributions to the "four modernizations."

12302

CSO: 4006/468

TAIWAN

ECONOMICS MINISTRY REPORTS FIRST QUARTER EXPORTS

OW220323 Taipei CNA in English 0234 GMT 22 May 85.

[Text] Although export orders received by the domestic manufacturers from January to April this year reached U.S. \$10.3 billion, the orders for products such as electronic appliances, footwear and garments have all shown a decline for 3 consecutive months, the Ministry of Economic Affairs [MOEA] said Tuesday.

MOEA has called on the domestic manufacturers to watch closely this trend.

According to statistics compiled by the MOEA, the value of export orders received during this period was U.S. \$170 million less than that of the same period last year.

The orders received in April alone amounted to U.S. \$2.6 billion, showing a decrease of U.S. \$210 million from that of March, the MOEA indicated.

The decrease in export orders should be attributed to the weakening demand of overseas markets of which most have been facing economic stagnancy, the MOEA said.

By category, the orders for electronics products in April totaled U.S. \$390 million, showing a decrease of U.S. \$10 million from the month before, while the orders for footwear also declined by U.S. \$4 million to U.S. \$210 million in April.

The export orders for textile products in April, however, registered an increase of U.S. \$140 million over the month before, amounting to U.S. \$759 million, the MOEA said.

The demand for tyos and sporting goods in the first 4 months of the year also rose by U.S. \$100 million from the corresponding period last year, indicating that exports of this category still have a very promising future, the MOEA noted.

CSO: 4020/233

TAIWAN

ECONOMICS MINISTER URGES NEW PRODUCT DEVELOPMENT

OW230325 Taipei CNA in English 0316 GMT 23 May 85

[Text] Economic Affairs Minister Lee Ta-hai said Wednesday that development of new products, improvement of product design and increasing of the added-value of finished products are major issue to which the industries in this country should pay close attention.

Lee made the remarks at a ceremony marking the opening of the 1985 Product Design Week held at the Exhibition Hall of the China External Trade Development Council near the Sungshan Domestic Airport Wednesday morning.

During the ceremony, several firms were presented with best design awards, including the Chinese language Computer Model 570 by the Multi-tech International Corp., and the whole bathtub set and package by Hocheng Industries.

He urged businessmen and industrialists here to shift their attention to the enormous domestic market potential, saying that the 19 million consumers in the Taiwan area shouldn't be taken lightly.

In the meantime, the ranking economic official also stressed that "creation" is the best guarantee of industrial growth. He called on the manufacturing industries not only to cooperate with the Government to get rid of counterfeiting, but also to devote efforts to develop new products so as to upgrade the competitive power of ROC products in the world market.

CSO: 4020/233

HONG KONG ECONOMIC TRENDS

BRIEFS

AIRLINE FOR PRC ROUTES--Hong Kong is to have a second international airline, operating initially on routes to China, a group of local businessmen announced yesterday. A statement from Hong Kong Macao International Investment said pilots had already been hired and a leasing agreement for the airline's first plane, a Boeing 737, was signed in London last week. Negotiations for a second Boeing 737 were in progress and the operators were seeking an additional three aircraft, including a 747 airliner, the statement said. The announcement followed a meeting yesterday between Chao Kuang-piu, International Investment's managing director, and Hong Kong's civil aviation authorities. Chao said he was confident that the necessary operating rights would be granted shortly by the Chinese and Hong Kong authorities. Hong Kong's existing airline, Cathay Pacific, has regular flights to Shanghai but the bulk of traffic between the colony and China is handled by the Chinese National Carrier, CAAC. [Text] [Hong Kong HONG KONG STANDARD in English 8 May 85 p 1 HK]

END

CSO: 4020/221