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# China Report

ECONOMIC AFFAIRS

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27 January 1986

CHINA REPORT  
ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

DEVELOPMENT STRATEGY STUDIES, REGIONAL PLANNING EXAMINED

Beijing LIAOWANG [OUTLOOK] in Chinese No 32, 12 Aug 85 p 26

[Article by Wei Hungsen [7614 1347 2773] in the "National Affairs and Strategies Column": "Development Strategy Studies and Regional Planning"]

[Text] Examining questions relating to development strategy studies and regional planning is an important task currently being carried out by many provinces and cities. Some provinces have already planned their own development strategies, while others have not yet drawn any clear conclusions. Other provinces are still in the stage of investigation, research and synthesis of materials. Still others have organized specialized regional planning teams and are in the process of drawing up plans, incorporating into them specific successes already achieved in development strategy studies and goals of the Seventh 5-Year Plan, as well as the plans for the year 2000. Some provinces and cities have already taken initial steps in integrating qualitative with quantitative analysis and have produced specific programs and certain mathematical models relating to regional planning. These successful experiences are worth advocating.

What is development strategy study? What is regional planning? Why must the integration of the two be implemented?

The word "Strategy" originally refers to "plans and guidance relating to the overall situation in war." Later the definition of the word evolved to refer to "any major comprehensive plan that decides the overall situation." Therefore, "strategy" is also defined as "overall programs and tasks set by the state for a fixed historical period in time." Development strategies then are choices people make regarding policy systems, future goals and directions in order to reach a certain desired ideal. Development strategy study means knowing both oneself and others and the process of selecting the best actions and tactics in order to reach ideal goals.

Regional planning refers to overall plans regarding coordinated development within the bounds of a certain region achieved by methods such as development, protection and utilization. The primary goals are:

effectively utilizing natural resources and the rational disposition of productive forces and urban residential areas to facilitate coordination and balance between departments, enterprises and between production- and nonproduction-related construction projects; increasing economic results, maintaining a good ecological balance and engaging in the smooth development and construction of the region. In short, regional planning refers to an overall plan for the coordinated development of science and technology, the economy and society within a specific region. Regional planning is strategic, regional and comprehensive in nature. Its main tasks are:

1. Making forecasts regarding economic development based on overall analysis and appraisal of local natural resources and conditions for construction in order to adapt the construction of economic development and plans within a region to its objective conditions, and to make full use of regional advantages, while avoiding its shortcomings.
2. Rationally arranging industrial construction in the targeted region. This includes: the selection of sites for major enterprises; the reorganization of older enterprises and the coordination of new enterprises; the rational association of industrial enterprises within certain industrial areas and cities; the correct resolution of contradictions relating to the concentration and dispersal of industry.
3. Organizing the rational arrangement of land for production in agriculture, forestry, husbandry, sideline industries and fishing; strengthening the construction of bases of production for urban and suburban nonstaple foods; appropriately resolving conflicts over land use between industrial and agricultural construction projects.
4. Conducting surveys to predict population trends of regional cities and towns to determine the nature scope and type of each major urban area, and organizing a rational division of labor coordination between the various types of cities and towns and between urban and rural areas.
5. Furthering coordination of plans for the provision of basic facilities such as communications, transportation, energy, water supply and waste drainage, and social services with industrial and agricultural production in urban and rural residential areas; resolving problems relating to the comprehensive development, utilization and rational distribution of the water supply.
6. Improving the conservation and management of the environment; preventing the pollution of major sources of water, urban and rural residential areas and tourist spots; restoring the ecological balance where it has been damaged, and improving and beautifying the environment.
7. Designing overall plans for scientific, technological, economic and social coordination and development according to the particular situation.

Demand the completion of work for specific plans concerning the following areas: the regional economy; the utilization of land and natural resources; transportation; energy; rivers and water networks; basic urban facilities; environmental protection; scientific and technological development; education and hygiene, population and security.

It can be seen that the practical manifestation of regional development strategy is regional planning for which it provides goals and direction. The two have a complementary relationship of dialectical unity. Without development strategy, regional planning loses its goals and direction; without regional planning, development strategy studies lose their meaning, and their successes cannot be practically applied, nor can any real results be achieved or strategic objectives realized. Therefore, in order to implement regional economic takeoff, in addition to a development strategy, there must be a concrete regional plan that also includes a program for the implementation of that strategy. One cannot exist without the other.

How should regional planning be conducted? What methods should be used to do a good job of it? Based on previous experience garnered both in China and abroad, I believe both the quantitative and qualitative approach to analysis must be used, and that the two must be utilized in an integrated fashion in order to get results. In particular, quantitative and qualitative methods provided by systems science must be utilized. We must master systematic thinking and apply the modern utilitarian thinking of systems science methodology, include regional planning as a part of the overall national economic system, and study each aspect of regional planning as an organic whole in order to discover complete industrial structures and superior industries that are best able to fulfill their roles. We must implement coordinated regional scientific, technological, economic and social development. We must apply operations research, weigh economic models, and utilize quantitative methods provided by input-output and systems kinetics and other types of systems engineering in order to create, as much as possible, various planning models and regional input-output models. Only in this way can regional planning be systematized, quantified, maximized and made precise. From the models can be learned the effects that structural changes in a particular industry or product will have on an entire region or other departments. From them we can also find effective measures and policies to reorganize entire regional economic structures, and implement economic takeoff as well as coordinated scientific, technological, economic and social development.

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NATIONAL POLICY AND ISSUES

PRC JOURNAL ON THEORETICAL QUESTIONS ON WAGE LEVEL

HK030719 Beijing JINGJI YANJIU in Chinese No 11, 20 Nov 85 pp 52-56

[Article by Xu Jiewen [1776 4634 2429] of the Economic Research Institute of the Academy of Social Sciences of China: "Theoretical Questions About Growth of the Wage Level"]

[Text] Our country is now carrying out wage reform. Wage reform necessarily brings in its wake growth of the wage level. How to treat growth of the wage level is directly related to whether or not we can insist on wage reform and whether or not the reform is a success. To correctly handle the growth of the wage level, three problems must be solved: First, should there be a growth of the wage level? Second, can the wage level grow? And third, what are the consequences of the growth of the wage level?

I.

Whether the wage level should grow depends principally on how we look at wages. If we treat wages as purely for consumption purposes and consider the wage problem to be related purely to nourishment, then the growth of the wage level only signifies a reduction in accumulation and damages production, and therefore growth of the wage level should be restrained. But if we interpret wages as a "method, tool, and measure to increase production," then growth of the wage level implies the development of production and an increase in accumulation; hence, it should be promoted.

It is true under the socialist system, acquiring nourishment depend on wages, but the wage problem does not relate entirely to nourishment. Although the distribution of consumer goods is determined by production, it is not the passive result of production. Vis-a-vis production, distribution plays the role of counteraction at any time. Distribution which is suited to the demand for the development of production can promote the development of production; on the other hand, distribution that does not conform with the demand for the development of production can impede the development of production.

Under the socialist system, distribution of consumer goods to the individual which conforms with the demand for the development of production is distribution according to work. Following the definite establishment of the dominant position of the system of public ownership of the means of production,

implementation of the principle of distribution according to work has a decisive significance on the development of socialist production. This is because material interests still constitute the inherent and basic motivational power of socialist production development. In order to develop socialist production, it is necessary to enable the workers to become concerned, for the sake of their own interests, with the rational use of the means of production and labor power, economics in regard to inanimate and animate labor, and improvement of the labor productivity rate and economic results. If distribution according to work can link the material interests of the workers with the labor results of the individual worker and the collective operational results of the enterprises, then concern with the development of socialist production on the part of the workers due to their own material interests can be ensured.

Under the socialist system, wages form the main part of the worker's individual material interests and are the main road to implementation of distribution according to work. It is principally by means of wages that distribution according to work can enable the worker to become concerned with the development of socialist production. Hence, socialist wages directly restrain the development of socialist production. In studying the problem of growth of the wage level, we should not study only the problem of nourishment, but also how to closely link wage and production and how to promote the development of production through the growth of the wage level. If we were to take the wage problem as merely relating to nourishment in the belief that solving the problem of food would ipso facto solve the wage problem and socialist problem of distribution, then distribution according to work would naturally be refuted. This is because in solving the problem of nourishment, we may resort to egalitarianism and asceticism. Moreover, under the conditions of a low level of the productive forces, these alternatives are the simplest and easiest wages of solving the problem of food. In our country, the prolonged enforcement of the egalitarian system of low wages and high subsidies has rendered the wage problem merely as one closely related to the problem of food. Because it severs the relationship between wages and production, this system has shackled the development of socialist production.

Over the past 30 years and more, the effects of accumulation in our country have been worsening, and losses and extravagance in production have become increasingly serious. Aside from structural reasons, the basic reason is found in distribution according to work not having been seriously implemented and in the relationship between wages and production having been severed, keeping the worker from being concerned with the development of socialist production due to his own material interests. The basic tasks of wage reform are precisely to effect a close relationship between wages and production, to determine the amount of remuneration in accordance with the labor volume provided and expended by the collective enterprises and the individual workers, to widen wage disparity, to raise the wage level, and generally to achieve the purposes of making wages perform the functions of rewarding the diligent, punishing the lazy, and promoting the development of production.

## II.

Whether or not the wage level can grow is determined by how society distributes the national income. If the means of consumption are treated as surplus after the gross social product has had various deductions, then the wage level can hardly grow even under conditions of growth in the national income. Under such conditions whether or not the wage level will grow and to what extent it will grow must be determined by whether or not there is a surplus and the size of the surplus after social expenditures have been deducted from the increase in the national income. But, under the conditions of an emphasis on accumulation and other expenditures of a social nature expenditures of a social nature can be inflated to an unlimited extent, even offsetting the whole increase in the national income. Even though the growth of the wage level is but a fraction of the financial expenditures and investments in fixed assets, there is no money for this purpose. Incurring a budget deficit and the additional issuance of bonds must be relied upon. Over the past decades, the distribution of the national income in our country has followed precisely this theory. As a result, year after year there was not enough money for wage increases and a strange phenomenon of a prolonged wage freeze appeared. On the other hand, if wages are treated as the precondition of expenditures of a social nature, then at any time, so long as there is a growth of the national income, there is the possibility of a growth of the wage level. This is because under such conditions, the amount of increase of the national income should first ensure the growth of the wage level. Only under the precondition of growth of the wage level is it possible to talk about the growth of the expenditures of a social nature such as accumulation, administrative expenses, and national defense expenditures.

Is wage, after all, the remaining item to be taken care of after the expenditures of a social nature, or does it precede such expenditures? The answer is that it should be the latter.

Wages is a necessary item, while accumulation and others belong to the category of remaining items. Remnant items follow essential items. In the gross social product, we should first of all deduct the consumption of the means of production and the necessary items, and not the surplus items. The necessary items form the basis of the remaining items and not the remaining portion after deduction of the surplus items.

It is true that in the "Critique of Gotha Program," Marx did say that consumer goods distributed under the conditions of distribution according to work constituted that portion after the various deductions from the gross social product. But this was said against the version of the Lassalle people of "non-deductible labor income." It did not imply necessary items being the remaining portion after deducting the remnant items. Marx all along believed remnant items to be the result of necessary items. He pointed out: "Deducting the necessary labor time from the whole day's work yields the amount of surplus labor." "If necessary labor vanishes, surplus labor will likewise vanish, since the latter is the result of the former." (Marx: "Das Kapital," Vol 1, 1975 Edition, People's Publishing House, pp 348-349, 582.)

Surplus items, as the source of socialist accumulation and of satisfying the other needs of socialist society, belong to the realm of expanded reproduction and to the realm of satisfying the common needs of the workers. Expanded reproduction takes simple reproduction as the precondition, while the common needs of workers takes the workers' individual needs as the precondition.

Under the socialist system, in society's distribution of the necessary products and surplus products, only the necessary products are ensured and not the surplus products. In society's distribution of the surplus products, only the necessary consumption of workers in the non-production area is ensured, not accumulation.

Moreover, necessary products should include the means of subsistence, the means of entertainment, and the means of development needed by a worker and his family. If the starting wage of a worker is set at a point to maintain the living standard of one and one-half persons (including the worker himself), then it will not be possible to maintain the reproduction of the labor force. Viewed from the composition of the means of livelihood, because labor force is not a commodity, socialist necessary products should not be confined to the narrow scope of the value of the labor force, but should be extended to the "scope necessary for the full development of the individual character." The means of livelihood necessary for the full development of the individual character of the worker is the top limit of socialist necessary products, while the bottom limit is the means of livelihood necessary for the development to a certain degree of the worker's individual character. This includes the absolutely indispensable means of subsistence, the minimum means of entertainment, and the means of development. The former limit is essential to those making up the labor force in the production and reproduction of the labor force, whereas the latter limit is essential to man as a master of society in developing his own individual character. Socialist necessary products can never be lower than the sum total of these several categories of the means of livelihood. Moreover, following the development of socialist production, the needs of the worker and his family will also develop, following which the minimum limit of socialist necessary products will also be raised.

Naturally, in a stated period, at a fixed level of production [word indistinct] the social average amount of necessary products is a constant. A socialist society may use the method of standard consumption to determine the social average level of necessary products. However, the social average level of necessary products is not identical to the amount of necessary products of individual workers. In regard to the amount of necessary products of individual workers, some cases may be determined by the social average, such as expenses for the upkeep of children, the means of entertainment, and so forth, but the majority of cases cannot be determined by the social average. The composition of necessary products is determined by various factors such as locality, enterprise, post, natural conditions, labor intensity, extent of labor skill, labor productivity rate, and so forth. These factors differ from each other, the amount of labor expended by workers is not the same, and the amount of necessary products to compensate the expended labor also should not

be the same. Society's determination of the amount of necessary products of each worker or the minimum wage should not be "once and for all." To do so would only result in a portion of the workers failing to get compensation for their expended labor, thereby sending the reproduction enthusiasm of the labor force into a withered state. This counters the nature of the socialist system.

Under the socialist system, increasing the volume of surplus products and raising the rate of surplus products should depend on improving the labor productivity rate and should not depend on sacrificing the necessary products. Increasing the volume of socialist surplus products and raising the rate of surplus products can only be based on increasing the necessary products as a pre-condition. Only by so doing can we make the workers become concerned with increasing the volume of surplus products and improving the rate of surplus products created.

### III.

The problem of the consequences of growth of the wage level principally refers to whether or not growth of the wage level will bring about a rise in commodity prices and currency inflation.

The theory ascribing the causes of an increase in commodity prices and currency inflation to growth of the wage level is an antiquated theory. It is at least as antiquated as the vulgar economists of the capitalist class. As early as 1848, when Britain enforced the ordinance calling for a 10-hour work day and compelled Britain's principal industrial departments to raise the wage level, You-er [1429 1422], Xi-ni-er [6007 1441 5101] and other economists of the capitalist class concluded that growth of the wage level would bring about an increase in commodity prices and the loss of markets. (Marx: "Wage, Price, and Profit," "Selected Works of Marx and Engels," Vol 2, pp 157, 167-169.) Since World War II, currency inflation has become a constant phenomenon in capitalist countries. At the end of the 1960's, a state of "stagflation" appeared among the Western countries. In consequence, Western economists vigorously reasserted the ancient belief that growth of the wage level would bring along a rise in commodity prices and currency inflation. For example, Samuelson contended that in "stagflation," growth of the wage level played a decisive role. He classified currency inflation into currency inflation forced by demand, and currency inflation promoted by production costs. "Stagflation" belongs to currency inflation promoted by production costs. Since wage directly fits into the cost of production, growth of the wage level directly brings about currency inflation, he reasoned. The decisive role of growth of the wage level on currency inflation is more direct and more obvious in currency inflation promoted by production costs than in currency inflation propelled by demand. Therefore, he recommended that the capitalist countries enforce an income policy, freeze wages, and restrain the growth of the wage level. (Samuelson, "Economics," Vol 11, 1982 Edition, Commercial Press, pp 260-286.)

Regarding theories of this kind, Marx long ago voiced his criticism. In his book "Wage, Price, and Profit," Marx already pointed out that raising the wage level would affect the profit rate in general, but would not affect the general level of commodity prices. Price is determined by value, and supply and demand relations may affect price, dissociating price from value. But seen from the social angle and examined from the angle of commodities as a whole, the gross amount of prices and the gross amount of value are identical. An increase in demand for certain commodities is offset by a decrease in demand for certain other commodities. An increase or decrease in the wage level may affect the actual supply and demand relations of certain commodities and in turn affect the prices of certain commodities, but will not affect the general level of commodity prices. (Marx: "Wage, Price, and Profit," "Selected Works of Marx and Engels," Vol 2, pp 157, 167-169.) Value determined by the quantity of social necessary labor does not follow the rise or fall in the wage level by an increase or decrease. Rise or fall of the wage level can only change the proportion of C, V, and M in the commodity value but cannot change the gross amount of the commodity value. Because C is the transfer of old value and its proportion in the commodity value is constant, a wage increase or decrease can only change the proportions of V and M. An increase in wages will bring about a decrease in profits; conversely, a decrease in wages will result in an increase in profits. Thus, to ascribe the rise in the general price level to the growth of the [word indistinct] does not agree with facts.

It is even more nonsensical to ascribe currency inflation to growth of the wage level. Currency inflation implies currency devaluation and necessarily causes a general rise in commodity prices. But a rise in commodity prices does not imply currency inflation. An increase in commodity prices and currency inflation are two different things and cannot be mixed together. So-called currency inflation refers to the volume of issuance of banknotes exceeding the volume of banknotes needed in the circulation process. Whether the volume of issuance of banknotes is large or small is not under the control of the workers, but is under the control of the state. Banknotes are a symbol of value and currency and are issued by authority of the state. Issuance of capitalist countries of currency in excess of the amount needed in circulation is done to meet budget deficits. Since World War II, various capitalist countries have carried out the Keynesian policy of financial deficits, making their financial deficits grow continuously. In general, there are three methods of meeting financial deficits: 1) Increase taxes; 2) flotation of bonds; and 3) issuance of more banknotes. Of these three methods, the increased issuance of banknotes is simple and easy. Even the flotation of bonds, if underwritten by the central bank and commercial banks, is not very different from the issuance of banknotes, because it will lead to an increase in the volume of credit currency in circulation. Hence, currency inflation has become a regular tactic employed by capitalist countries to meet financial deficits. In currency inflation, workers are the first ones to suffer the consequences. As a result of currency inflation, a general rise in commodity prices follows and a portion of the workers' necessary labor is converted into surplus labor. In the course of currency inflation, the wage

level can also grow, but frequently the growth of wage level cannot make up for the losses suffered from currency inflation.

Under the capitalist system, it is erroneous to ascribe the causes of currency inflation and rise of commodity prices to growth of the wage level. It is also erroneous to do so under the socialist system. Over the past several decades, wage level and commodity prices have been fixed by the state. In determining the rise or fall of commodity prices, the state did not take the rise or fall of wage level as the basis. Under the conditions of freezing the wages, commodity prices can rise just the same. Even though we have a longer period of survey, it is found that growth of the wage level has not caught up with the rise in commodity prices. Precisely because of this, for a protracted period, the average real wage of staff members and workers in our country has seen negative growth. Since 1979, although money wages have grown rather swiftly, in reality, the growth of real wages has not been rapid. From 1979-1983, the annual growth rate of the average real wages of the staff members and workers in enterprise units under the system of ownership by the whole people was equivalent to the growth rate in the "5th 5-Year Plan" period, far behind the growth rate in the "1st 5-Year Plan" period or in the 1963 to 1965 period. (The following table is illustrative:)

Annual Growth Rate (Percent) of Average Wage of Staff Members and Workers of Enterprises Owned by the Whole People

	<u>1st</u> <u>5-Year</u> <u>Plan</u> <u>Period</u>	<u>2d</u> <u>5-Year</u> <u>Plan</u> <u>Period</u>	<u>1963-</u> <u>1965</u>	<u>3d</u> <u>5-Year</u> <u>Plan</u> <u>Period</u>	<u>4th</u> <u>5-Year</u> <u>Plan</u> <u>Period</u>	<u>5th</u> <u>5-Year</u> <u>Plan</u> <u>Period</u>	<u>1979-</u> <u>1983</u>
Monetary wage	7.4	-1.5	3.3	-1.4	0.1	5.5	6.1
Real wage	5.4	-5.4	7.2	-1.2	-0.1	2.9	2.9

Source of materials: "1984 China Statistical Yearbook," published by the China Statistical Publishing House, 1984 Edition, p 460.

The situation in 1984 was rather unusual, as the growth of the average monetary wages of staff members and workers in the whole country was 16.3 percent and that of their average real wage was 13.2 percent. Nevertheless, it is still not possible to use this to draw the conclusion that growth of the wage level leads to a rise in commodity prices and the overissuance of banknotes.

First, staff members and workers of the whole country and staff members and workers of enterprise units owned by the whole people are two different concepts and have differences. Thus, staff members and workers of the whole country, in addition to staff members and workers of units owned by the whole people, also includes staff members and workers of units under the system of collective ownership. A speedy growth rate in the average wages of staff

members and workers of the whole country is not equivalent to a speedy growth rate in the average wages of staff members and workers of units owned by the whole people.

Second, speedy growth is not necessarily irrational. Whether or not growth of the wage level is rational must be judged by whether or not distribution according to work has been implemented and whether or not development of production has been promoted. If growth of the wage level is the result of implementation of the principle of distribution according to work and promotion of development of production, then even though the speed of the growth of the wage level is temporarily faster than the speed of the growth of the national income, it is still rational. In the course of wage reform, the speed of the growth of the wage level being faster than that of the national income is a natural and normal phenomenon. Since wage reform is intended to solve the problem of the small disparity and low level of wages, naturally it will bring about a large increase in the wage level. If only the growth of the wage level is lower than the growth of the national income and does not affect the necessary accumulation and other outlay of a social nature, it may still be interpreted as being within the realm of normal growth. Although in 1984 the total volume of remuneration to staff members and workers of the whole country was 19 percent more than that of the preceding year, the absolute amount of the increase was only 17.74 billion yuan and its proportion of the volume of increase of the national income was not large at all.

Third, the wage reform period is an extraordinary period and it is not possible during this period to use the proportionate relationship of a normal period to judge the rights and wrongs and to handle problems in general. In the period of wage reform, the proportionate relationships between accumulation and consumption and between social consumption and individual consumption should undergo rather big changes. According to the current level of the labor productivity rate, the proportion of the gross volume of wages out of the gross national income should be appropriately raised and in the course of wage reform, the accumulation funds and social consumption funds should be greatly cut down or at least should not grow or should grow only slightly. If simultaneously with the growth of the wage level, the growth rate of accumulation funds and social consumption funds is correspondingly lowered, then the problem of "eating next year's grain" will not occur.

Fourth, under the conditions of a rapid growth of the wage level and the corresponding lowering of the growth rate of accumulation and social consumption, although the high-speed growth of the wage level may influence demand and cause a rise in the prices of those consumer goods of individuals for which supply lags behind demand, the corresponding lowering of the growth speed of accumulation and social consumption can also affect demand and cause a fall in the prices of those means of production and social consumer goods whose supply exceeds demand, thereby maintaining an equilibrium in the general commodity price level. Naturally, at a time when our industry and commerce still lack competitive power, prices may not necessarily drop despite a surplus supply over demand. Nevertheless, at the least, the prices will not rise. In actuality, in 1984, not only the prices of a portion of consumer

goods rose, but also the prices of a portion of the means of production also rose, and rose rather considerably. The reason for such a situation was because under the conditions of a large-scale increase in wages, the high-speed growth of the accumulation and social consumption funds was still insisted upon. In 1984, the fixed asset investments of units owned by the whole people alone amounted to 118.5 billion yuan, an increase of 24.5 percent over the preceding year. Not only was this gross amount larger than the gross volume of wages of the staff members and workers of the whole country, but the ratio and absolute amount of the growth both greatly surpassed growth of the wage level of the staff members and workers of the whole country. Viewed from the proportion occupied by accumulation and consumption in the national income, the proportion of consumption in 1984 did not go up but went down, whereas the proportion of accumulation did not go down but went up. In actuality, the accumulation rate was 30 percent. The rapid increase in consumption in 1984 was principally due to the rapid increase in social consumption. The growth speed of administrative and management expenses was nearly twice that of the gross amount of wages. Thus, to ascribe the cause of the overissuance of banknotes and the rise in commodity prices in 1984 to the growth of the wage level is contrary to facts.

Nevertheless, this does not imply that the growth in the gross amount of wages in 1984 was completely rational. Of the growth of the gross amount of wages in 1984, a portion was caused by certain regions, departments, and units wantonly granting bonuses, subsidies, and awards in kind, and was thus irrational. Originally, bonus should be compensation for surplus labor, but at present practically no relationship exists between a bonus and surplus work. Irrespective of whether or not surplus work has been done, so long as funds are available, bonuses are granted just the same. Even though funds are not available, loans will be resorted to for this purpose. Naturally, phenomena of this kind should not be continued. But to solve this problem, resorting merely to administrative measures will not do. It is necessary to adopt economic measures to solve the problem. For example, we should establish a rational system of granting subsidies for commodity prices. We should change the fixed or constant commodity price subsidies which in reality cannot compensate for the rise in commodity prices, and turn to payment of wages on the basis of the price index. Problems of the basic wage being irrational and the low wage level should also be determinedly solved through wage reform.

In regard to the wage problem, what is dreadful is not the rise in wages but is that the growth of the wage level can produce no effect and cannot promote the development of production. For the country as a whole, if an increase of 1 yuan in wages can bring about an increase of 5 or 3 yuan in the national income, any great increase of the wage level is reasonable and worthwhile. Therefore, in wage reform, the pivotal question is not how much the wages are increased or whether the growth is fast or slow; rather, it is whether the economic results brought about by the growth of the wage level are big or small.

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NATIONAL POLICY AND ISSUES

JINGJI RIBAO REVIEWS PROGRESS OF ECONOMIC REFORMS

HK280455 Beijing ZHONGGUO XINWEN SHE in Chinese 0302 GMT 28 Dec 85

[Text] Beijing, 28 Dec (ZHONGGUO XINWEN SHE)--A pattern of winning victory in the initial battle has already developed in the reform of China's economic structure this year. The focal points next year are digesting and consolidating, rounding off and perfecting, and raising standards and promoting development. This is the evaluation and view of China's economic structural reforms as spelt out in a JINGJI RIBAO commentary today.

The commentary says that the reform of China's economic structure has started to break down the economic ossification and the closed form that formed over a long period. This is expressed in the following seven respects:

--Horizontal economic ties have developed rapidly. And an open-style radiating economic network centered on the cities has started to form.

--A new pattern of a crisscrossing and mutually penetrating variety of economic forms developing together, based on public ownership, and a pluralized socialist ownership structure are starting to take shape.

--The enterprises are gradually turning into relatively independent commodity production bases and handlers of commodities. They have been invigorated somewhat. Their market competitiveness and their ability to adapt to changes has been improved.

--As a result of implementation of the second stage of substituting tax for profit payment, the initial reform of the pricing system, and various reforms and readjustments in wages, bank interest rates, foreign exchange rates and so on, the economic management departments at all levels take a major step forward in consciously applying the law of value and in using economic levers.

--Along with the nationwide establishment of trade centers for consumer goods and production materials, the former regional separations and the convention of restricting activities to a given sphere have started to be broken down, with the result that there has been initial development of the socialist commodity markets.

--There has been a rapid increase in the number of rural specialized households engaged in producing and handling commodities. The commodity rate of agricultural products has been greatly increased.

--There has been some development in the scale of the foreign trade commodity economy.

The commentary says that the focal points of China's economic structural reforms next year are "digesting and consolidating, rounding off and perfecting, and raising standards and promoting development." Specifically, the following 12 tasks should be tackled: 1) In accordance with the principle of "delegating powers to the factories and serving the grassroots," straighten out the administrative-style companies at all levels and of all types; 2) Tangibly lighten the enterprises' burden, and improve the enterprises' ability to transform and develop themselves; 3) Consolidate the good momentum in the reform of small enterprises; 4) Further improve the financial revenue collection system; 5) Correctly apply the means of credit, develop a capital market, and exercise indirect macroeconomic control; 6) Properly control the prices of nonstaple foodstuffs and stabilize the markets; 7) Explore new ways in carrying out wage system reforms in the enterprises; 8) Actively develop the production materials market, and control the general price level of these materials; 9) Allow specially policies for exporting enterprises, to increase their capacity to make foreign exchange; 10) Practice multi-layer control to ensure both macroeconomic control and microeconomic invigoration; 11) Explore new systems for the management of the different trades; 12) Strengthen leadership and do a good job in the comprehensive rounding off and coordination of reforms.

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NATIONAL POLICY AND ISSUES

PRC JOURNAL ON COORDINATED SOCIOECONOMIC GROWTH

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[Article by He Jianzhang [0149 1696 4545] of the sociology department of the Chinese Academy of Social Sciences: "Ensure the Coordinated Development of the Economy and Society"]

[Text] The recent national party congress passed the "Proposals of the CPC Central Committee Concerning the Drawing Up of the 7th 5-Year Plan for National Economic and Social Development." Its main substance was as follows: First, the guiding thinking and struggle goals for our economic work during the period of the "7th 5-Year Plan"; second, the strategic principles and major policy measures for economic and social development; and third, the general program and steps for the economic system reform. One important spirit pervading the "proposals" is that of maintaining the coordinated development of the economy and society. The 7th 5-Year Plan includes not only economic, but social development plans; it is a plan for their coordinated development. All of the strategic principles and major policy measures it puts forward are designed to ensure coordinated social and economic development. And all of this development has as its prerequisite the reform of the old, stagnant system, and the establishment of a new socialist economic system full of vitality and strength. This article will discuss the issue from the following three points of view. First, the coordinated development of the economy and society represents an important transition in China's developmental strategy. Second, the rational definition of the speed of economic growth is necessary for the maintenance of the coordinated development of the economy and society. Third, the economic system reform must ensure this coordinated development.

I.

The "proposals" point out that the economic growth rate required during the period of the 7th 5-Year Plan is as follows: an average annual growth rate of 7 percent or more in the total output level of national production; an approximately 7 percent annual growth rate in gross industrial and agricultural output, of which the average annual growth rate in agriculture should be 6 percent, and that of industry should be 7 percent. In order to realize these goals, the "proposals" demand that for the period of the 7th 5-Year Plan and a little longer, three problems should be solved in the overall

arrangement of the economy. First, the further readjustment of the production structure; second, the maintenance of construction concentrated on the technological transformation and improvement of existing enterprises, following the road of expanded reproduction. Third, the correct handling of the developmental relations of the regional economy, and the promotion of the rational arrangement of the regional economies. To this end, the "proposals" put forward six major principles and policies concerned with enlivening the rural economy, actively developing consumer products industry and civilian construction industries, strengthening the construction of the energy, communications, transport, and raw materials industries, speeding up the development of tertiary industries, strengthening the technological transformation of existing enterprises, and handling correctly the relations between the economies of the eastern, central, and southern belts of the country.

On the subject of the orientation of social development, the "proposals" include a special chapter on "The People's Lives and Social Guarantees." Its main substance consists of the following: First, constantly raise the people's material and cultural living standards, and bring about the common prosperity of all the members of our society. It is necessary both to continue to carry out the policy of encouraging some regions, enterprises, and individuals to get rich first, and at the same time to guard against the gap between incomes getting too big. By 1990, the average actual consumption level of the people of the whole country should be around 25 percent higher than in 1985, and the gap between the consumption levels of urban and rural residents should be further reduced. Second, the improvement of the living environment should be an important part of the raising of the living standards and quality of life of the people. The construction of public facilities should be strengthened to make people's lives easier. Attention should be paid to environmental production, and great efforts made to develop the building of parks and gardens, gradually creating a clean and comfortable living and working environment for the people. Third, population growth should be strictly controlled and efforts should be made to keep the growth figure controlled below 12.5 per 1,000 within 5 years. At the same time, it is necessary to further develop public health work to improve people's health standards. Fourth, it is necessary to establish a diverse social security system with a variety of criteria. Such a system should include social insurance and welfare.

That the demands for social development have been set out in such a clear, systematic, and specific way is unprecedented in the history of China's planning work. Moreover, the "proposals" give top priority to demands for social development. The "proposals" point out: "The constant improvement of the people's material and cultural living standards on the basis of production growth, such that the whole of society's members become prosperous, represents the basic starting point for all our party and state policies for the promotion of socialist modernization." The struggle goals of the 7th 5-Year Plan put forward in the "proposals" fully embody this point. The major struggle goals for social and economic development during the 7th 5-year Plan period are as follows: Basically lay down the foundations for a new-type socialist economic system with Chinese characteristics; make great efforts to

promote the development of scientific and technological progress and intellectual strength; constantly increase economic efficiency, such that gross industrial and agricultural output value and national production output value in 1990 will have doubled or more from 1980, and the actual per capita consumption level of urban and rural residents will have risen 4-5 percent; and further improve the people's quality of life, living environment and living conditions. From this, we can see that social development is both the starting point of economic development, and its final aim. This signifies a fundamental shift in China's strategy for social and economic development.

For a long time, we one-sidedly stressed economic development, and ignored social development. State plans were entitled "Plans for the Development of the National Economy." The strategy for economic development adhered to for a long time in the past was as follows: with heavy industry as the center, work hard to increase the industrial and agricultural output value, and attempt to make it exceed the levels of advanced capitalist countries within a relatively short time. Under this strategic guiding thinking, heavy industrial growth was one-sidedly stressed, and the vast majority of total production investment in the national economy's capital construction went to heavy industry, with very little going to light industry or agriculture. In pursuit of a high growth rate in industry and agriculture, we went so far as to damage the ecological environment, denuding forests, going in for excessive iron and steel production, damaging crops, and turning cultivated land into wastelands. In order to accumulate funds needed for speedy development, the accumulation rate was increased, putting pressure on consumption. Of course, the implementation of this sort of strategy for growth could not be said to have totally ignored the needs of social development; and the subjective intention of the strategy was still a good one. For example, our past emphasis on giving priority to heavy industrial growth was after all necessary for the realization of socialist industrialization and the laying of material foundations for socialist society; it had as its basis the basic interests of the people, and if only industrial and agricultural production had also developed, the lives of the people would naturally have improved. But in practice, did not happen. During the first 30 years after the founding of the country, China's industrial growth, particularly its heavy industrial growth, was by no means slow, but this growth relied upon squeezing out agriculture and light industry, shrinking consumption, and maintaining the previous accumulation rate. The result was that production developed, but market supplies became increasingly tight, no solution was found to the food and accommodation problems, the ecological environment was damaged, and many serious social problems arose; the whole of the national economy was thrown into an extremely difficult situation and readjustment became urgently necessary.

The 3d Plenary Session of the 11th CPC Central Committee was of decisive significance to the shift in China's developmental strategy. The session decreed that beginning in 1979, the emphasis of work would shift to socialist modernization, and within a few years the major ratios of the national economy would be readjusted and a whole series of problems in the people's lives which had accumulated over many years would be solved. That is to say, the idea was

to deal with the phenomenon of a divorce between economic and social growth. Following this, China's economic theory workers and practical workers developed discussions on socialist production aims. The unanimous opinion was that China should draw lessons from the planning experiences of other countries, and coordinate social and economic development; that the aim of socialist production was constantly to satisfy the growing material and cultural needs of the people, that this should be the starting point of planning work, and that only in this way would the superiority of the socialist system be really brought out, the initiative of the masses fully mobilized, and the flourishing development of the economy promoted. In December 1982, the fifth session of the fifth NPC formally passed the decisions of the "Report on the 6th 5-Year Plan," and China's development plans were formally renamed "Plans for the Development of the National Economy and Society," and a separate, independent section given to social development. This was an important step forward. However, due to insufficient research into the issue of social development, we were as yet unable to draw up a relatively complete system of goals for social growth. In our plans for development, economic development goals were relatively specific and clear, but social goals were rather general and abstract. The "Proposals of the CPC Central Committee Concerning the Formulation of the 7th 5-Year Plan for National Economic and Social Development" further clarified the substance and requirements for social development plans, but we still have to strengthen our consciousness of the need for coordinated economic and social development.

## II.

One of the important pieces of guiding thinking in the "7th 5-Year Plan" is: "Maintain the basic balance between total social demand and supply, and make sure that the ratio between accumulation and consumption is appropriate." The history of China's economic construction proves that it is by no means simple to do this. The annual social product should not only satisfy the needs of that year's production and life consumption, there should also be a certain surplus; this is the essential condition for the smooth running of social reproduction. Marx said that since return on fixed assets already consumed is different in different years, "therefore the total production figure for the means of production must increase on one occasion, and decrease on another. In this situation, the only way is constantly to use relative production surpluses to compensate; on the one hand, it is necessary to produce fixed assets in a quantity to a certain degree in excess of direct need; and on the other hand, especially in the case of raw materials and other stored goods, it is also necessary to exceed the annual amount in direct need (this point is particularly applicable to the means of production). This production surplus is tantamount to the control of society over the various kinds of material things needed for its own reproduction. However, within capitalist society, this sort of production surplus is an anarchic factor." (Footnote 1) (Marx: "Das Kapital," Vol 2, People's Publishing House, 1975 Edition, p 527.) From this we can see that as long as we do things according to the objective economic laws of social reproduction, not only will we be able to avoid the occurrence of a situation of long-term tight supplies, but on the contrary we will be able genuinely to "leave some room for maneuver,"

the whole of economic life will be far more relaxed, and the economy and society can grow in a coordinated fashion. The main reason why China repeatedly found itself in a situation of disproportion in the major economic sectors, and uncoordinated social and economic development, was a mistaken developmental strategy--the independent, one-sided pursuit of economic growth in separation from social development, and the blind pursuit of speedier increases in industrial and agricultural output value in disregard of the actual capacity of the state. In the pursuit of high-speed economic growth, the scale of investment in fixed assets was expanded and the capital construction front was lengthened with the result that total social demand exceeded total social supply, and a "tight" situation prevailed everywhere. This caused us much hardship in the past. The CPC Central Committee and the State Council have repeatedly stressed the need to avoid making the same mistakes again. However, the tendency to blindly pursue high-speed economic growth has not yet been thoroughly changed even today. Beginning in 1982, there was another loss of control over the scale of investment in fixed assets. Over the past few years, the investment in fixed assets in whole-people-owned units has increased by 10 billion yuan or more each year (increasing in 1982 by 17.8 billion yuan, in 1983 by 10.6 billion yuan, and in 1984 by a massive 23.3 billion yuan). The result of this has been a tightening in the situation of materials, funds and market supplies, and a relatively big increase in prices, forming a latent threat to the stability of society. The "proposals" stress that "the central issue here is the need to pay close attention to drawing up a rational scale for investment in fixed assets, according to the capacity of the state, and at the same time improving the people's lives; the need to create an overall balance between state finances, credit, materials, and foreign currency. This is the fundamental condition for ensuring the coordinated ratios of the economy, the stability of economic life, and the smooth introduction of economic system reforms." This is entirely correct.

In order to maintain a basic balance between total social demand and supply, it is necessary to draw up a rational rate of economic growth, guard against blind pursuit of high-speed increases in output value, and avoid tightness and chaos in economic life. In order to reduce the present scale of construction, which is already too big, the "proposals" demand that the scale of investment in fixed assets during 1986 and 1987 be on the whole kept down to the level of 1985, and that for the following 3 years it be increased appropriately according to the situation. In a situation such as this in which the scale of investment in fixed assets does not expand, economic growth will mainly follow the path of internal expanded reproduction, that is, strengthening the technological transformation and reconstruction of existing enterprises, and using advanced technology to arm all sectors of the national economy. The technological transformation of all enterprises should be centered on improving product quality and capability, expanding variety, and lowering consumption; we cannot one-sidedly pursue expanded mass production capacity, but must instead genuinely bring our work onto the path of improving economic results.

### III.

The "proposals" demand that for the period of the 7th 5-Year Plan, the reform should continue to be given priority. Taking the reform as the guiding thinking of the entire 5-year plan, and using reform to promote modernization, is unprecedented in the history of China's 5-year plans. This is one of the important characteristics of the 7th 5-Year Plan. It may also be said that the 7th 5-Year Plan is a plan for reform, and a reform of the plan. The socialist economy is planned commodity economy, and the new economic system should be in line with this. First, it is necessary to recognize the status of enterprises, particularly state-owned enterprises, as commodity producers and managers, and to give them commensurate rights, making them relatively independent, autonomously-managing economic units responsible for profits and losses. The main problem at present is that large and medium-scale state-owned enterprises are controlled too strictly, putting them in an unfavorable position when competing with small and collective enterprises. Large and medium-scale enterprises form the backbone of our country, and have a decisive effect on the national economy. Only by enlivening them, therefore, can we really enliven the whole of economic life. The "proposals" stress the necessity to determinedly carry out the decisions and regulations already promulgated by the CPC Central Committee and the State Council on the expansion of enterprise autonomy, and to continue to adopt both external and internal measures to strengthen the vitality of enterprises, especially large and medium-scale enterprises, fully exploiting their hidden potential.

Second, a new economic system must break down the regional and administrative barriers, establish a unified socialist market, and correctly handle the relationship between plans and the market. We must gradually form and develop a market system under the guidance of plans. The key to the gradual perfection of the market system lies in reforming the price system and the system of price management. Under the new economic system, China's unified socialist market will comprise a combination of a directly and indirectly planned market. Production and consumption carried out according to mandatory and guiding plans, along with the portion of planned and floating prices drawn up by the state, constitute the direct-planned market. Though the commodities which enter this market are directly intervened in by the state, they are still produced and consumed as commodities, and the law of value still plays a regulatory role; the difference lies in the fact that they are consciously arranged by the state, rather than playing a spontaneous role. Production and consumption carried out according to market demand and supply without state plans constitutes the indirectly planned market. This market is also dissimilar to the free capitalist market; though the state does not intervene directly in this market, total social demand and supply achieve an overall balance through the exercise of the state, the scope of free production and price-setting are fixed by the state according to objective needs and conditions, and the state participates in market activities and actively participates in and regulates the market through state-owned industrial and commercial enterprises and materials departments. In this way, it plays the role of regulating the supply of goods and balancing prices. In short, China's unified socialist market is a market guided by plans; it is

characterized by a combination of unity and liveliness, and is essentially different from the anarchic socialist free market.

Finally, we must organically combine microeconomic enlivenment and macroeconomic control. With the streamlining of administration and the devolution of power, the expansion of enterprise autonomy and the regulation of the market, the management of enterprises by the state will gradually shift from mainly direct to mainly indirect control. Microeconomic enlivenment and macroeconomic control should progress in tandem. According to the capacity of the state for indirect control over the various economic activities, the scope, extent, and steps by which the state should decrease its control over microeconomic activities should be drawn up. The main methods by which the state may exercise indirect control over enterprises are as follows: First, plans. Ensuring the overall balance of all the country's economic activities, and maintaining the basic balance between social demand and supply. Second, legal measures. Fixing norms for more economic relations and activities by law, making the law into an important means of regulating economic activities and relations. Third, economic means. Using all sorts of economic levers to regulate social and economic activities. In general, prices are the most direct and effective way for regulating supply and demand and influencing production. However, after the scope of mandatory plans has gradually been decreased, after the regulation of the market has been expanded, and after the scope of prices fixed directly by the state has been decreased, we must seek other paths of influence prices and thereby exercise indirect control over enterprises. Bank credits are also an important means by which the state exercises indirect control over economic activities. The "proposals" demand that during the period of the 7th 5-Year Plan, full play be given to the role of banks in accumulating funds, directing fund circulation, increasing the effectiveness of fund utilization, and regulating total social demand. All the various specialized banks must give loans according to plans and credit policies authorized by the state. As China's central bank, the People's Bank of China must draw up overall credit plans, control the money supply and the scale of credits, and strengthen supervision and examination of all financial organizations and business. It has the right, when necessary, to exercise coercive measures and strictly control the credit activities of specialized banks and other financial organs. Banks at all levels will exercise indirect control over microeconomic activities through interest rates, currency rates, preparatory funds and so on.

The reform of the economic system affects the relations between state and enterprise, and between enterprise and workers. We must deal properly with the relations between the interests of all three; this will help the coordination of social relations, and ensure the smooth implementation of economic construction and reform of the system. The "proposals" point out that basically speaking, the reform must promote the flourishing development of the forces of production, and bring tremendous actual benefits to the people, but it must not attempt to make every single stage of the reform bring instant results to each individual; because the benefits of the reform often become obvious only after a certain period of time. We must teach the cadres and masses to fully realize the vastness and complexity of the reform, and come to

a full understanding of the fact that certain problems and bad tendencies may still occur during the process of the reform. We must strengthen the concept of the policies, the legal system, and the overall situation, and prepare ourselves mentally to overcome difficulties. In short, the economic reform is by no means simply an economic issue, but a social one as well. All programs for reform must take into account the social consequences they might give rise to, and prepare ways of dealing with interpersonal relations in advance. Only in this way can we ensure the coordinated development of the economy and society.

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NATIONAL POLICY AND ISSUES

ECONOMIST DISCUSSES ECONOMIC REFORM, WORLD ECONOMY

OW021601 Beijing XINHUA in English 1553 GMT 2 Jan 86

[Text] Beijing, 2 Jan (XINHUA)--China's economic reform will change the pattern of economic development in the pacific region, says economist Tong Dalin.

In an article in today's CHINA YOUTH NEWS, he says that China, a pacific country rich in natural resources, is changing the relations between different groups of interest in the region, which is becoming increasingly important in the world economy.

Tong, general secretary of the Chinese Economic Restructuring Society, calls attention to the fact that thanks to the reform, China's total industrial and agricultural output value rose by 14 percent in 1985 over 1984, while growth in most of the world's major nations slowed down.

In just a few years, he says, China has become able to produce enough to feed and clothe its one billion people. This has aroused the interest of the world, particularly the developing countries.

The open policy has enabled China to set up 1,800 joint ventures, 3,000 cooperative firms and 30 cooperative projects with foreign interests. In addition, China has 100 enterprises with sole foreign investment.

China is also participating in more than 140 joint ventures in 70 countries and regions in the fields of technological and labor service cooperation.

All these activities have strengthened world economic cooperation, he adds.

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NATIONAL POLICY AND ISSUES

STATISTICAL BUREAU SEES 1985 MARKET AS 'BRISK'

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[Text] Beijing, 28 Dec (XINHUA)--The Chinese market has been brisk and the living standards of the people have continued to rise this year, according to the latest figures from the State Statistical Bureau.

From January to November, retail sales totaled 383 billion yuan, representing a 17 percent increase over the same period last year, after deducting price fluctuations.

The figures showed there had been all-round increases in the sales of all consumer goods, particularly tv sets, refrigerators, washing machines, cassette recorders and electric fans.

Total retail sales of private businesses, which supplement the public sector, registered a 100 percent increase over the same period last year.

The bureau said the retail price index had risen 8.5 percent in the January-November period (11.2 percent in urban areas and 6.4 percent in the countryside).

However, city dwellers have been earning more because of the wage reforms carried out this year, and because of state price subsidies to people living in urban areas.

At the same time, peasants are also getting bigger returns from their products because of purchasing price rises. Average incomes have surpassed price rises--resulting in a prosperous market.

A bureau survey showed that average income per person in urban areas will reach 750 yuan this year, a 10 percent increase over last year after deducting price fluctuations. Average peasant per capita income will rise by 9.5 percent to some 400 yuan.

Meanwhile, bank savings are growing. Up to the end of November, bank savings totaled 158 billion yuan--36.5 billion yuan more than at the beginning of the year.

Keeping pace with the brisk home market, China's foreign trade is also growing. According to figures from customs officials, China's total imports and exports were worth U.S.\$59.9 billion during the January-November period, up 26.5 percent from the same period last year.

Big increases were registered in the export of corn, soybeans and cotton, and in the import of rolled steel, chemical raw materials and consumer durables.

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NATIONAL POLICY AND ISSUES

PRC JOURNAL ON CONSTRUCTION DECISIONMAKING, CONTROL

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[Article by Zhang Zhonghua [1728 0022 5478] and Liu Tielian [0491 6993 3550], research students of the Capital Construction Department of the Hubei Institute of Finance and Economics: "On Expanded Microeconomic Decisionmaking Power and Macroeconomic Control in Capital Construction"--completed September 1985]

[Text] The key question in the reform of the capital construction system is how to both guarantee the brimming vigor and vitality of enterprises and achieve the coordinated development of the overall national economy. In order to resolve this problem well, we must expand enterprises decisionmaking power in regard to capital construction, and at the same time must guarantee that the scale and structure of capital construction and the demands of economic development accord with capabilities. This article discusses some views on these relationships and how we can achieve these two aims at the same time.

I.

When we speak of expanding enterprises' decisionmaking power in regard to capital construction, it refers to the original capital construction system. It mainly refers to enterprises, under the precondition of subordinating themselves to state planning and management, having the right to use depreciation funds, retained after-tax profits, and bank credit to engage in capital construction, carry out renewal and transformation, and acquire fixed assets in accordance with the demands of their production operations.

The expansion of enterprises' decisionmaking power is an objective demand of the socialist commodity economy. First, there is the objective demand that enterprises exercise operational autonomy. Under the conditions where science and technology are developing quickly and there are continual changes occurring in social demand, enterprises must appropriately adjust the production structure and expand production capabilities. Toward these ends, they need to carry out technological transformation and acquire additional fixed assets. That is to say, if enterprises are to really exercise operational autonomy in production, they must have investment decisionmaking power. Only in this way will it be possible to increase enterprises' enthusiasm for production operations, increase their capabilities for self-transformation and

self-development, improve economic results, and add vigor to the overall national economy. Second, there is the objective demand that capital construction responsibility systems be established and that compensated use of funds be implemented. The lack of strict economic responsibility systems and uncompensated use of investment funds are major reasons why there has been a lack of control in the scale of capital construction. In order to control the scale of capital construction, need to establish strict economic responsibility systems and implement compensated use of investment funds. Experience has shown that if enterprises lack decisionmaking power, the phenomenon may occur whereby decisionmaking power is divorced from the power to use investment, and production experiences many problems. Those who decide on investment are not responsible for the repayment of the principal and interest and do not take on any of the risks in regard to the after effects of their investment decisions. The users of the investment funds do not have decisionmaking power and thus do not take complete responsibility for the use effectiveness of the funds either. The result is that no one takes responsibility. If the loans cannot be repaid on time, the only option is for the financial departments to cancel the debt after verification. Third, there is the objective demand that enterprises' investment enthusiasm be motivated. After the state's financial system is reformed, the enterprises will have great amounts of depreciation funds and retained after-tax profits in their hands. Whether an enterprise's own funds are used in consumption or in capital construction is determined by the relative intensity of their consumption intentions and their investment intentions. Consumption provides short-term benefits for the enterprise, while construction provides long-term benefits for the enterprise. Thus, enterprises' desire for consumption is much stronger than for construction. If we restrict enterprises' decisionmaking power, the enterprises' enthusiasm for capital construction will be affected and enterprises' funds will, through various channels, change into consumption funds. Only by giving enterprises decisionmaking power in regard to capital construction, thus encouraging them to make investment, will it be possible to curb the excessive growth of consumption and prevent its overmaturation.

However, there are certain contradictions between expanding the decisionmaking power of enterprises in regard to capital construction and controlling the scale and structure of capital construction. These contradictions originate in the differences between the interests of society and the interests of the enterprises. As socialist enterprises are relatively independent commodity producers, their material interests are relatively independent. Enterprises generally tend to put funds into those sectors or those products from which they can obtain extra profits. Changes in market prices and the signals which appear from these have decisive influence on enterprises' decisionmaking in regard to capital construction. If pricing signals which are contrary to the demands of macroeconomic development appear after market supply and demand are affected by disorder in currency or consumer mentality, or if the information network is impeded, the transfer of pricing signals is distorted or late, or the decisions of the enterprises themselves are faulty, then the activities of the enterprises in seeking extra profits may contradict the coordinated activities of the overall national economy. Such contradictions are

manifested in: First, the scale of enterprises' capital construction may exceed the capabilities of national economic development. Enterprises mainly decide whether or not to make investment on the basis of market demands and the likelihood of profits. In the situation where market demand is expanding, the enterprises will invest their own funds in the construction field if they feel that the capital construction will bring them profits. When their own funds are insufficient, they will go to banks to obtain credit. When an enterprise starts a project it has decided upon, if it has not made arrangements for all the funds and materials which will be needed in the project and if its original estimates were faulty, it may occur that the investment needed for the project exceeds the enterprises' construction capabilities and debt repayment capabilities. This can result in the scale of construction becoming excessive. It can be seen that expanding investment decisionmaking power also conceals the possibility that an excessive scale of construction will result from faults in microeconomic decisionmaking or from microeconomic decisions not according with macroeconomic demands. Second, the direction of enterprises' capital construction may diverge from the demands of national economic development. Enterprises are conditioned by partial interests, short-term interests, and construction capabilities. In general, they do not invest in those projects which have long construction periods, require great investment, or are not directly related to their own immediate interests. Those projects which have short construction periods, require minimal investment, and from which benefits can be obtained in the short-term are those projects which enterprises most actively compete to invest in. In the present situation in which the pricing system has not yet been put in order, it is even easier for the direction of enterprises' capital construction to diverge from the demands of national economic development. Third, enterprises' capital construction can increase the inequalities between different regions. Under the condition of no external investment flowing in, the speed of economic development in all regions is determined by the accumulation capabilities of their enterprises. In economically backward regions where there are few enterprises and accumulation capabilities are weak, economic development is extremely slow. Conversely, economically developed areas, because they are fairly saturated in terms of productive forces, experience the phenomenon whereby there is a surplus of capital construction capability. Finally, enterprises' capital construction may contradict the state construction. Under the condition where there is a fixed overall scale, capital construction by enterprises and key state construction are in a relationship whereby one gains only at the expense of the other. If the scale of enterprise capital construction is excessively great, it may displace key state projects in terms of finances, materials, and labor. Conversely, if there are too many key state projects, it will affect the construction capabilities of enterprises.

## II.

If we wish to achieve the two opposing but unified aims of expanding the decisionmaking power of enterprises in regard to capital construction and controlling and regulating the scale and structure of capital construction, the key lies in establishing project decisionmaking responsibility systems and

at the same time establishing macroeconomic control and regulation systems which accord with the expanded decisionmaking power of enterprises.

1. It is necessary to establish strict project decisionmaking responsibility systems. Project decisionmaking is the chief link in overall capital construction and has a decisive influence on the benefits derived from capital construction. Viewed from the microeconomic angle, once a project is decided upon, in order to ensure that it is completed on time, during the course of construction it is necessary to continually increase investment. If the decisions made were wrong and construction is abandoned midway or if after construction it is impossible to bring the project's functions into full play, this will result in great losses. Viewed in terms of the overall national economy, whether or not the scale and structure of capital construction accords with the demands and capabilities of socio-economic development is mainly determined by the general scale and structure of the construction projects in a set period. Under the conditions where the finance, materials, and labor which can be supplied by social reproduction are fixed, if the overall scale of construction is too great, it may result in extended capital construction cycles and reduced investment results. When the general scale is fixed, by increasing the scale of annual capital construction it will be possible to reduce the capital construction cycle and increase the pace of construction. Thus, the major target of macroeconomic control and regulation should be the overall scale and structure of construction projects within a set period. Only by controlling the overall scale and structure can we ensure that the investments which the enterprises have been encouraged to make are beneficial rather than harmful. However, if project decisionmaking is to accord with the demands of the national economy, we must ensure that, from the enterprise angle, strict project decisionmaking responsibility systems are established. If they are given decisionmaking power in terms of investment but there is no strict responsibility system, enterprises may misuse this decisionmaking power. This will affect the coordinated development of the overall national economy.

Strict project decisionmaking responsibility systems require clearly demarcated rewards and penalties, that is, good rewards and firm punishments. They also demand that an enterprise risk its own economic life when taking on the hazards of investment. If serious losses result from faulty project decisionmaking, an enterprise will have to sell off its assets to repay its debt. When an enterprise declares bankruptcy and goes into liquidation, all of its staff and workers, including the secretary and the director, should be treated in the same way and should all be transferred to wait for employment. Only in this way will enterprises really pay attention to decisionmaking in regard to capital construction projects and will they consider project decisionmaking to be linked with the enterprises' economic future and destiny. At the same time, the enterprises will not just consider immediate interests and ignore long-term interests.

2. Establishing a strict project decisionmaking responsibility system can only guarantee the economic benefits of projects which are carefully considered by the enterprise. It cannot guarantee that enterprise decisionmaking

will accord with the demands of the macroeconomy. In order to guarantee the enterprise decisionmaking is consistent with the demands of the macroeconomy, macroeconomic information must be sent to enterprises in a timely and correct way. In order to achieve this, the state, in accordance with the demands and capabilities of national economic development in any period, must first formulate medium and long-term fixed plans which accord with the national conditions and with future development. Medium and long-term plans are sketchy and are rolling-type plans. They are a system of reference in overall capital construction economic movement. If the enterprises want to obtain good investment results, they will have to voluntarily refer to the state's medium and long-term plans. In this way, the formulation of medium and long-term plans will become a centralized force. At the same time, by comparing what was planned and what was achieved, the state will be able to determine in a timely way the degree to which capital construction activities have diverged from the macroeconomic goals. Thus it will be possible to take effective regulatory measures. The state must also comprehensively use economic policies, economic legislation, and economic levers to transfer macroeconomic requirements to the enterprises. Economic policies can set down the direction for economic activities; economic legislation will set the bounds within which an enterprise can operate; and economic levers will regulate enterprises' activities from the level of economic interests. These three aspects all play irreplaceable roles. However, whether or not it is possible to comprehensively use economic levers to transfer macroeconomic goals into market information is the key to whether microeconomic decision-making can be consistent with macroeconomic goals. If this can be achieved, there will be identity between the interests of enterprises and macroeconomic interests. Enterprises seeking extra profits will thus be beneficial to the development of the overall economy and will not go against the requirements of the macroeconomy.

The major economic levers by which the state can control and regulate enterprises' capital construction activities are pricing, taxes, and interest rates. The functions and effects of these measures are different, and it is necessary to comprehensively use them in accordance with the demands of the medium and long-term national economic plans.

3. Rational control of bank credit is important. The major sources of enterprises' capital construction funds are their own funds and bank credit. Investment funded by an enterprise's own funds is restricted by the level of production development, depreciation rates, and tax rates. At the same time, this is also affected by the strong tendency of the enterprises towards consumption. Thus, its influence on the macroeconomy is restricted. Bank credit can break through the restrictions imposed by only using one's own funds and can even change excessive investment demand into purchasing power, with expenditure capabilities either in the form of currency or transfer accounts. When bank credit is excessive, it is manifested as the amount of money invested into the circulation sphere in excess of the demands of commodity circulation. This inevitably leads to currency inflation, which in turn leads to commodity supply not meeting demand and the raising of prices. Conversely, this can also stimulate an abnormal demand for investment. At

the same time, a portion of funds are deposited in the banks because there are no suitable goods on which to use these funds. This causes bank deposit funds to falsely increase, thus encouraging banks to provide credit for capital construction. In brief, if things are left to drift and any enterprise which wants credit is supplied with it, bank funds will play an exacerbating role in the blind expansion of capital construction. In order to do well in macro-economic control over capital construction, it is necessary to strictly control the total amount of bank credit provided for capital construction. While doing well in controlling the total amount of this credit, we must achieve a comprehensive balance in terms of finances, credit, materials, and foreign exchange, so that the total amount of direct state investment, investment through enterprises' own funds, and investment funded through bank credit accords with the labor, finances, and materials which can be supplied. While arranging a comprehensive balance in capital construction, the organs of state power should give priority to satisfying the demands of key state construction and those projects funded by enterprises' own investment. After this, in accordance with the difference between the decided scale of capital construction and the amount of investment in key state construction, together with projects funded by enterprises' own investment, they can set down the limits for bank credit. Through varying the bank credit limits, it will be possible to ensure that the scale of capital construction accords with national capabilities.

In controlling capital construction credit, we cannot solely adopt the methods of control through planning. Rather, we must increase banks' responsibilities in regard to credit and link the results of credit supplied with the banks' material interests. In this way, the banks will assist by automatically ensuring that borrowing units have carried out feasibility studies. This will play a role in inhibiting blind capital construction.

4. The state must carry out a certain amount of key construction. In the past, capital construction decisionmaking power was centralized in the hands of the state. The state, in turn, in accordance with the demands of national economic development, successfully organized the construction of some important projects. Under the new economic system, the state cannot abandon key construction. Key state construction projects are the means by which the state arranges the balancing of overall social demand and overall social supply. There objectively exist certain ratios between the various sectors of the national economy. If we rely solely on enterprises to carry out capital construction, because of the contradictions between enterprises' interests and the interests of society, some sectors may fall seriously behind others. We especially cannot rely solely on enterprise investment during the period when the old system is changing into the new system, when the problem of the uncoordinated national economy has not yet been completely resolved, and the pricing system has not, for the moment, been put in order. For example, while there has been some improvement in the tight situation in the energy and communications sectors, there has not yet been a basic turn for the better. If the state does not centralize funds in carrying out investment, under the situation where energy and communications demand is quickly rising, we will not be able to alleviate the pressing contradictions between supply and

demand to improve the external environment for enterprise economic activities. At present, our productive forces are still centered on the eastern coastal region. The border regions and the minority nationality regions are still very backward. If we are to shift productive forces from the eastern sector to the western sector so as to achieve a balanced deployment of the productive forces, it is necessary to fund some basic facilities through state investment, so as to create a fine environment within which enterprises can invest and use foreign funds. Finally, the new technological revolution, as represented by the information revolution, is surging throughout the world. In order to make use of the opportunities and take on the challenges, so as to develop and continually raise the levels of the overall national economy and technology, the state should invest in the leading sectors of the new technological revolution. In brief, key construction plays a role in the coordinated development of the national economy which cannot be taken over by construction carried out by enterprises. Of course, we do not suggest that the greater the scale of key construction, the better. The scale of key construction should be fixed by arranging a balance between overall social demand and overall social supply.

The four aspects mentioned above are intimately related. The point of stress in all cases is how we are to guarantee the brimming vitality of enterprises while assuring that the overall national economy operates in a coordinated way. Establishing strict project decisionmaking responsibility systems is the base for concurrently achieving these two goals. Formulating medium and long-term plans for capital construction and transforming macroeconomic demands into market information is the key to concurrently achieving these two goals. Controlling the overall amounts of bank credit and carrying out key construction is a guarantee in the state's arrangement of a balance between overall social demand and supply.

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NATIONAL POLICY AND ISSUES

JINGJI YANJIU ON REFORM, CONSTRUCTION RELATIONSHIP

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[Article by Gui Shiyong [2710 0013 6978] of the State Planning Commission: "Correctly Handle the Relationship Between Reform and Construction"--completed October 1985]

[Text] The CPC Central Committee's proposal on the formulation of the 7th 5-Year Plan proceeds from the overall economy and from long-term economic development. It proposes that during the 7th 5-Year Plan period, we should persist in placing reform in the prime position, so that reform and construction can accord with each other and promote each other. This is the basic principle we must adhere to in correctly handling the relationship between reform and construction.

The reason that at present and for a time to come in economic work we need to persist in placing reform in the prime position, is that in this period our nation's socialist economic system will change from an ossified pattern to a pattern which is full of vitality and vigor. This change will have decisive significance not only on present economic development, but also, and more importantly, on the continued development of the economy over the next 10 to 20 years and in the long term.

In the 1950's, after our nation's proletariat and masses took the political power of the whole nation into their hands, socialist transformation was successfully carried out and a socialist economic system with public ownership as its base was established. This historical change in the social relations of production opened up wide paths for the development of our nation's productive forces. In the 20 years after that we achieved huge successes in economic construction. However, we also experienced several setbacks, and the superiority of the socialist system was not consistently and fully brought into play. A major reason for this was the implementation of the "leftist" policy of "taking class struggle as the key link." The continual political movements battered the normal advance of economic development, and the "Cultural Revolution" went even further, to the extreme of not even engaging in production. The "leftist" guiding ideology even permeated economic work itself. The "urgency to effect a transition" and the "urgency to achieve results" resulted in our suffering great losses. Another reason was that the ossified economic structure seriously fettered the development of the

productive forces. Excessively centralized management suppressed the enterprises' appropriate vitality and vigor and ensured the inevitability of serious subjectivism and bureaucratism. This is where the crux of the problem whereby we have paid a high price but not obtained the due results lies.

Since the 3d Plenary Session of the 11th CPC Central Committee, following the bringing of order out of chaos and the correcting of the long-time interference of "leftist" policies in our undertakings, we have unswervingly changed the focal point of party and national work to socialist modernization. At the same time, we have established a guiding ideology in economic work which seeks truth from facts and promotes stable progress. This creates fine political preconditions for the continued development of our nation's economy. At that same time, from the rural areas to the urban areas, we have gradually developed overall reform of the economic structure. The reforms have already achieved obvious achievements. However, those overall structural reforms which have the urban areas as their base are still in the initial stages and require 5 years or even more before results will be seen. Thus, persisting in reforms so as to achieve the predicted aims is the basic condition for promoting the continued development of our nation's economy.

Under a socialist system, following the development of the productive forces, some links regularly occur in the superstructure and in the relations of production which do not suit the development of the productive forces. These require timely readjustment. Reforms of such a nature will run through the entire socialist historical period. The economic system reforms which we are carrying out at present, however, are different from the regular, partial reforms of these links. They are overall reforms of the modes and mechanisms of economic movement carried out under the precondition of firm adherence to the basic principles and basic system of socialism. This type of reform is self-improvement by the socialist system and, at the same time, involves revolutionary changes to differing degrees. In promoting construction, it is long-term rather than short-term. Its realization requires thorough planning and the adoption of a series of related reform measures. Thus it needs to be carried out in a planned and step-by-step way, with efforts being made over a certain period of time. The 7th 5-Year Plan is the key period of the reforms. Through efforts over this 5-year period or a little longer, we must make basic preparations for reform and lay new economic base for the economic system. It is precisely for this reason that we must place reform in the prime position and ensure that the arrangements for construction are beneficial to the smooth carrying out of reform. This certainly does not mean that we will ignore construction. Rather, this is laying a base for the long-term, healthy development of construction.

In placing reform in the prime position so that the arrangements for construction are beneficial to the carrying out of reform, the most important thing is to establish an appropriate rate of economic growth and rational scale of construction. This will provide a relaxed and stable economic environment for reform. In brief, our reforms must eliminate the maladies in the current system whereby things are excessively controlled and controlled too tightly. The law of value must be used in a planned way and the positive role of

the market mechanism must be brought into play so as to promote both the continued vigor and the planned, proportional development of the national economy, and to obtain good socio-economic results. In carrying out reforms of this type, we need financial and material support as well as a market wherein total supply and demand are basically balanced. If the speed of growth is too fast or the scale of construction is too great, the various economic relationships will be stretched too tightly. In such a case, it will be difficult to develop reforms deeply and to carry them out smoothly. Thus, while we will have to make great efforts to bring about changes, the anticipated results will not be achieved. On the basis of this requirement, and in accordance with the growth of total social and excessively swift industrial growth over the last 2 years, the CPC Central Committee's proposal on the formulation of the 7th 5-Year Plan points out that the speed of economic growth during the 7th 5-Year Plan period must be a little slower than over the last 2 years. It also notes that annual growth of total industrial and agricultural output value should be fixed at about 7 percent, while annual growth of the GNP should be fixed above 7 percent. In the first 2 years of the 7th 5-Year Plan, that is, 1986 and 1987, the overall scale of investment in fixed assets should be maintained at the 1985 level. In the latter 3 years, it may be possible to appropriately increase investment a little after examining the situation and conditions at that time. However, we must continue to pay attention to controlling the overall scale of investment. At the same time, we must also appropriately control the growth of consumption funds. Firmly implementing this decision of the Central Committee will have decisive significance upon controlling the excessive growth of total social demand so that it gradually regains a balance with total supply. This will thereby eliminate some of the unstable factors which exist at present in economic life and will provide a fine economic environment for reform.

Is this to say that in order to benefit the carrying out of reforms, in the field of construction we only need to control the speed of production development and the scale of construction? No, this is not so all reform must be continued for a good number of years. During the course of the reforms, the population will increase and the people's lives must be continually improved. In order to sustain the development of production, necessary projects must be carried out. The various reform measures will also affect the redistribution of economic benefits among the state, collectives, and individuals, and among the various levels of the society. In order to assure that this redistribution can easily be borne by the people, we must carry out adjustments on the basis of generally, and to the extent raising the economic benefits of all sides. All this requires a great increase in state income. In brief, only if there is a great increase in national income and at the same time there is appropriate control of consumption and accumulation will the reforms have a relaxed economic environment. Only in this way will there be a great scope for change in the carrying out of the various reform measures. If we are to increase national income, there are only two avenues: One is reliance on greater investment. This increases national income by the same ratio as production volume is expanded. The other avenue involves economizing on material consumption and the raising of labor productivity and, on the condition of maintaining an appropriate growth of production, increasing

national income as much as possible. The former avenue will not be of assistance in promoting modernization and will inevitably be restricted by existing material resources. Exceeding the capabilities of energy, communications, materials, and other such basic facilities and basic industries, and seeking an excessive expansion of production volume will lead to economic instability and will affect the smooth carrying out of reforms. This is not a viable path. We should make up our minds to follow the latter path and put efforts into improving economic benefits, especially into the raising of product quality and the reduction of material consumption. Poor product quality, high material consumption, and low economic results are the fatal weaknesses of our national economy and also where latent potential which can be developed in the future lies. If we wish to bring this latent potential fully into play, we must basically rely on the success of the reforms. However, during the course of the reforms, under the situation in which the structural patterns have not yet been formed, there is still much to be done. The most important thing here is that at the same time as we improve macro-economic management, we must strengthen enterprise management, especially the management of quality, technology, materials, and costs, be strict in technological and labor discipline, and perfect all aspects of basic work. In the construction sphere, we must persist in implementing the policy which takes the technological transformation and renovation or expansion of existing enterprises as its main part, and strictly control new projects. In all construction projects, from their preliminary planning and construction planning to the organization of construction, various types of responsibility systems must be instituted and perfected. Under the condition of guaranteeing construction quality, efforts must be made to reduce the construction period, and with reduced investment, efforts must be made to obtain greater comprehensive production capabilities. At the same time, in accordance with the demands of modernization and the changes in the people's consumption structure, we must appropriately adjust the industrial structure and the product structure so as to ensure that all types of production resources are used as rationally as possible. By doing well in this work, we can raise economic results in various fields and thus create the necessary conditions for reform. In various senses, this is more arduous and more basic work than that involved in ensuring that construction accords with and promotes reform.

Placing reform in the prime position requires that, within certain limits, construction must give way a little to reform. However, this certainly does not mean that reform can be carried out in an isolated way without regard to the needs of construction. In the end, reform is carried out in the course of the development of construction and serves construction. It can and should be suited to construction and they should promote each other. The various reform measures should be of benefit to the stable growth of the economy, of benefit in promoting technological progress and the rationalization of the industrial structure, and of benefit in improving socio-economic benefits. Thus, the reforms must consider the capacity of the economy and of society to bear them and must be carried out in a step-by-step manner and in stages. We cannot seek to do everything in one step. The various reform measures must be linked so that their positive roles can be fully brought into play and so that impediments and contradictions can be kept at the lowest level. As many of

the specific methods of reforms need to be explored through practice, we must pay great attention to discovering problems in a timely way, summing up experiences, and perfecting reform programs and measures. Proceeding from the situation at present, in order to better accord with and promote the development of construction, during the reforms we must pay special attention to doing well in regard to the following issues:

1. Further enlivening the large and medium-size enterprises with ownership by the whole people. The enterprises are the backbone of our nation's economic and technological development. Fully bringing into play their enthusiasm and motivation and increasing their capabilities in self-transformation and self-development has great significance in promoting overall modernization. Through the last few years of reform, the vigor of large and medium enterprises has increased. However, compared to small enterprises, their vigor is still greatly insufficient. Thus, in accordance with the demands of the "proposal," adopting both external and internal measures to further enliven large and medium enterprises is something we should pay great attention to in future reforms. Opening reform, pricing reforms, financial reforms, and reforms in other areas should all be advantageous to bringing into play the role of large and medium enterprises. Only in this way can we cause reforms to better bring into play their role of promoting construction.

2. Reducing direct control of enterprises by the state and enlivening the scope, scale, and pace of the microeconomy should accord with the ability of the state to exercise macroeconomic control. Strengthening enterprises' vitality should be of real benefit in raising socio-economic benefits and must have the guarantees of new macroeconomic regulatory and control mechanism. Thus, while streamlining administration and reducing direct state control is reform, and strengthening indirect controls in accordance with the new situation is also reform, the degree of difficulty of these reforms is much greater than those in enlivening the microeconomy. It is appropriate to divide production and construction during the 7th 5-Year Plan into two stages. In the reforms during the first 2 years of the 7th 5-Year Plan, we should center around the need for a stable economy. While we continue to enliven enterprises, especially large and medium enterprises, we must pay attention to strengthening and perfecting indirect control systems in the macroeconomic sphere and make efforts in using economic measures to regulate the economy. At the same time, we must grasp economic legislation and strengthen economic supervision and economic information systems. In the latter 3 years, we must center on the need to develop a socialist commodity market, further strengthen indirect controls, seriously do well in the reform of the pricing systems for the means of production and of the pricing management systems, and perfect tax systems and reform financial systems so as to promote a fine external environment for enterprises. In this way we can cause reform and construction to be closely linked so that they promote each other.

3. The transition from the state exercising direct control over enterprises to it exercising indirect control must be in accord with the change from enterprises' budgets having "soft restrictions" to them having "hard restrictions." That is to say, the expansion of enterprises' autonomy must be

coordinated with greater economic responsibility by enterprises. We must make clear stipulations in regard to the scope of an enterprise's activities, formulate systems whereby enterprises bear responsibility on the economic level for their own activities, and formulate various related social insurance systems. At the same time, we must perfect economic supervision. Only in this way can we ensure that enterprises plan their activities so that they benefit the improvement of socioeconomic benefits. Only thus will we be able to cause enterprises to react flexibly and positively to regulation by economic measures and ensure that indirect state control achieves the desired results. In regard to this issue, we should differentiate two different categories--the "hard" restrictions on the budgets of privately-owned enterprises and the "hard" restrictions on the budgets of publicly-owned enterprises. We cannot take the private enterprises system as a general conception of "hard" restrictions and thus set these against the "hard" restrictions on the budgets of publicly-owned enterprises. We must proceed from the reality of the publicly-owned enterprises and explore measures and methods for raising the "hardness" of budgets. This is a difficult problem in our reform but is also precisely where the direction and innovativeness of the reforms lie.

4. The reduction of the use of direct administrative measures must accord with the strengthened use of economic measures. In our nation's socialist economic management, necessary administrative measures cannot be dispensed with. The former problems resulted from the excessive and sometimes unitary use of administrative measures in directly managing the economy. This practice must be eliminated. Through reforms, we must gradually move towards mainly using economic measures to regulate the economy. However, in the period of structural changes, while some of the economic measures are restricted and cannot be brought into play, administrative measures must be retained. Only in this way will it be possible to guarantee the ordered implementation of reforms and only thus will we be able to guarantee the normal functioning of economic life.

Planning and carrying out economic reforms and economic construction in a combined way is a basic guiding idea of the "proposal." Seriously implementing this guiding idea and related policies will play a great role in the smooth carrying out of reform and construction and in the overall realization of the objectives during the 7th 5-Year Plan period.

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NATIONAL POLICY AND ISSUES

BRIEFS

SALES GROWTH TO SLOW--Beijing, 3 Jan (XINHUA)--China's total retail sales volume will increase from 420 billion yuan in 1985 to between 485 and 490 billion this year, according to a forecast in today's ECONOMIC DAILY. But the rate of growth will be about 9 percent lower than last year, the paper quoted an information center under the State Economic Commission as predicting. Retail sales of consumer durables this year are expected to increase by 16 percent--15 percent in urban areas and 17 percent in the countryside. The center also forecasted increased spending on low fat, high-protein foods and clothing of higher quality. The Chinese will spend 12 percent more money on food than last year, and the increase in clothing expenses will be 22 percent, the center said. The market will remain stable and on the up as a whole, even though growth will be slower, the center reported. The center called for still more effective control by the government over the increase of consumption. Meanwhile, factories should produce more goods of higher quality that cater to market demand to allure people to buy so that more money can be withdrawn from circulation. The center also called for helping people use their money to develop production, instead, of buying. /Text/ /Beijing XINHUA in English 1231 GMT 3 Jan 86 OW/ 12228

MILITARY SUPPLY FACTORIES--Beijing, 27 Dec (XINHUA)--China's military supplies factories have boosted output value this year by 32 percent compared with 1984, a senior army officer said here today. He declined to disclose actual figures. Of the products made, 30.8 percent have been made for civilian use--5.8 percent more than last year. Military supplies factories began mass-producing civilian goods in 1980. Now, 200 of these factories manufacture civilian goods, including shoes, clothing, artificial leather, furniture and pharmaceuticals. The officer said 100 quality civilian products were now selling well abroad. Camping tents produced by a military supplies factory in Nanjing, Jiangsu Province, are exported to Finland and Italy. Padlocks made by a repair factory are sold in Australia, New Zealand and the United States. A shoe factory has exported three million pairs this year. One tenth of these have been ordered by a United States firm. [Text] [Beijing XINHUA in English 1634 GMT 27 Dec 85 OW] /9738

CSO: 4020/160

PROVINCIAL AFFAIRS

GUIZHOU VICE GOVERNOR URGES DEVELOPMENT OF COMMUNICATIONS SYSTEMS

HK301217 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 27 Dec 85

[Excerpts] At the recent provincial communications work conference, provincial Vice Governor Zhang Shukui pointed out that communications departments must give full play to the initiative of all departments, areas, and trades in developing communications, and must encourage state-run, collective, individual, and all other communications means to develop simultaneously, so as to speed up the development of communications in the province.

Zhang Shukui said that during the Sixth 5-Year Plan period, an unprecedentedly excellent situation appeared in the province's communications departments. By the end of 1985, the length of highways covered by state statistics is some 28,000 kilometers. Compared with 1980, the freight transport volume of vehicles has increased by 44.9 percent; the freight turnover has increased by 64 percent; the passenger volume has increased by 79.6 percent; and the number of passengers has increased by 83.6 percent. State-run communications enterprises in the province are expected to submit some 11 million yuan of taxes and profits to the state this year.

On how to develop communications in the province during the Seventh 5-Year Plan period, Vice Governor Zhang Shukui said that communications departments must switch the method of grasping enterprises directly under them to the method of catering to all communications enterprises in the province, and must control and arrange communications work in a coordinated macroeconomic way. It is necessary to change the method of directly managing enterprises and production to the method of exercising direct management of and giving direct guidance over the whole communication work.

Zhang Shukui said that the province has established an overall transport system with Guiyang as its pivot, and railway, highway, river transport, and civil aviation as its networks. But the whole foundation of the province's communications is very poor. The development of communications lags far behind the development of industry and agriculture in the province. Therefore, it is necessary to strengthen basic construction in communications during the Seventh 5-Year Plan period, to properly control and use communications funds so as to attain the target of: Increasing the length of highways and railways by 15 percent; increasing professional vehicle passenger transport volume by 27 percent; increasing the freight transport volume by 26 percent; and

increasing passenger and freight transport volume in river transport by 50 and 40 percent respectively by 1990.

Zhang Shukui emphatically pointed out that communications departments must seriously strengthen their leadership and establish and perfect the responsibility system with a strong sense of responsibility to the people, and exert strenuous efforts to grasp communications work so as to sharply decrease traffic accidents during the next year. In addition, they must: Continue to improve their services; refrain from handling passengers roughly and loading and unloading freight carelessly; and establish a new business style.

/8918

CSO: 4006/512

PROVINCIAL AFFAIRS

HEILONGJIANG GOVERNOR RECEIVES SUPPORT TECHNICIANS

SK290547 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 28 Dec 85

[Text] On the afternoon of 28 December, Hou Jie, governor of the province; Jing Bowen, vice governor of the province; Li Rui, adviser to the provincial people's government; and Du Xianzhong, secretary general of the provincial people's government, received in Zhaozhou County the engineering technicians and workers who came from Beijing Municipality, Harbin City, Mudanjiang City, and Jiamusi City to provide industrial production support to the county in line with the agreements of technical coordination.

At the reception, Governor Hou Jie, on behalf of the provincial CPC Committee and the provincial people's government, extended cordial regards to these technicians and workers and expressed appreciation on behalf of the plants they are helping. Governor Hou Jie stated: The achievements scored by Zhaozhou County in having the county-run industrial enterprises switch their losses to profits by expanding lateral technical coordination and economic association are inseparable from the efforts of these technical personnel. The county's experience gained in this regard will certainly yield positive results throughout the province.

Governor Hou Jie stated: A large number of industrial products made in Heilongjiang are sold in various localities throughout the country. Therefore, the support given by these comrades to the province's construction is support for the country's construction as well. Governor Hou Jie urged the comrades of Zhaozhou County to work together with these comrades and to mutually strive to build the four modernizations.

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CSO: 4006/512

PROVINCIAL AFFAIRS

SHANGHAI COMPLETES INFRASTRUCTURE PROJECTS

OWO20814 Beijing XINHUA in English 0700 GMT 2 Jan 86

[Text] Shanghai, 2 Jan (XINHUA)--Three overpasses were opened to traffic at Shanghai's busiest crossroads this week.

The overpasses will help solve the chronic traffic jams in China's leading industrial and commercial city, according to local officials.

For example, about one million people walk along Xizang Zhong road every day; holidays can see more than 100,000 pedestrians an hour.

At a recent municipal meeting, major Jiang Zemin said that Shanghai's investment in public utilities in 1985 more than doubled that of the previous year.

The nine major projects completed last year include residential houses with a total floor space of five million square meters, nine overpasses, 32,000 urban telephone lines and 400 international telephone lines, a cultural center and a cinema, expansion of four hospitals and a waste-water recycling plant.

The municipal authorities noted that Shanghai's infrastructure construction had lagged behind its urban development for years. This has caused a bottleneck for economic activities and created many difficulties for ordinary people in their daily lives.

During the Sixth Five-Year Plan period (1981-1985), the city invested 5.2 billion yuan in developing electricity supply, communications, posts and telecommunications, and other infrastructure projects. The figure is 1.7 times that of total in the previous five years.

Shanghai will make greater efforts to improve infrastructure facilities in the Seventh Five-Year Plan period starting from this year, according to the municipal authorities.

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CSO: 4020/160

PROVINCIAL AFFAIRS

ECONOMIC STRATEGY CONFERENCE CONCLUDES IN HARBIN

Harbin HEILONGJIANG RIBAO in Chinese 17 Sep 85 p 2

[Article: "Third Conference on Economic Strategy in the Northeast Concludes; Li Lian [2621 0500 1344], Chen Lei [7115 7191], Hou Jie [0186 2212], Chen Yunlin [7115 0061 2651], Shen Yue [3088 6390] and Others Attend; Northeastern Economic Zone Economic and Technological Research Association Established"]

[Text] The Third Northeast Regional Conference on Economic and Social Development Strategy concluded today in Harbin. The conference had been jointly convened by the Northeast Economic Zone Planning Office of the State Council, Liaoning, Jilin and Heilongjiang provinces and Inner Mongolia. Eighty-nine research reports and theses were presented at the 8-day conference which was attended by 300 delegates.

The discussion focused on the following five topics relating to economic development strategy in the Northeast Economic Zone: development and conservation of energy; communications, and transportation; reform and renewal of the northeast's old industrial base; modernization of agriculture; and tertiary industry.

The delegates agreed that due to their geographical proximity, Heilongjiang, Jilin and Liaoning provinces and eastern Inner Mongolia have long had a special relationship characterized by close, mutual reliance. The rapid development over the last few years of productive construction projects has heightened and improved interprovincial and regional coordination, and economic and technological cooperation at an even higher level. The study of overall development strategies for the Northeastern Economic Zone will serve well in facilitating and guiding efforts to coordinate horizontal and vertical ties to promote horizontal economic relations, and to develop economic networks.

The delegates suggested that economic development in the northeast ought to be built on a foundation of technological progress, and that in problems relating to the improvement and importation of technology, and in adjusting the product mix and industrial structure, emphasis

should be placed on improving technological administration, enhancing our ability to absorb advanced technology and raising the technological level in general. We must shift from the old traditional product mix which was characterized by the development of natural resources, extensiveness and absence of specialization, to new industrial structures characterized by intensive processing using the intensive application of technology and the coordination of specialized departments.

The conference was attended by the provincial CPC committee secretary, Li Lian; the provincial consultative committee chairman, Chen Lei; Governor Hou Jie; the provincial CPC committee assistant secretary, Chen Yunlin; the director of the State Council's Northeastern Economic Zone Planning Office, Shen Yue; and assistant office directors Peng Mengyu [1756 1125 1662] and Wang Luming [3769 6424 2494] and others. Hou Jie delivered the concluding address.

The Northeastern Economic Zone Economic and Technological Research Association was established today in Harbin. Organized by leading comrades involved in provincial and regional economic work, experts and scholars in all fields and economic management workers, the association is to be an organization devoted to academic research on problems relating to comprehensive economic development.

The establishment of the association will encourage research and experimentation concerning economic, scientific, technological and social development strategies in the northeastern region among the vast ranks of theoretical research workers and comrades engaged in practical work. It will organize research and discussion on major economic and technological problems in the long-term plans of all provinces and regions of the northeast, and will provide economic, technological and information services to key industries and enterprises.

Shen Yue was elected conference chairman. Chen Jianfei [7115 0494 7378], Peng Mengyu and others were named assistant chairmen, while Gu Zhuoxin [7357 0587 2450] was selected to the post of honorary conference chairman.

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CSO: 4006/89

PROVINCIAL AFFAIRS

GOVERNOR NI XIANCE'S SPEECH ON ECONOMY

OW202027 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 17 Dec 85

[Text] The provincial economic work meeting opened in Nanchang today. On the basis of summing up this year's economic work, the meeting analyzed the economic situation in the coming year; reached a common understanding; determined policy, tasks, and measures for the year's economic work; and made initial preparations for the annual economic and social development plan. A total of more than 400 leading comrades of the provincial party committee, the provincial Advisory Commission, and the provincial government; commissioners of all prefectures, cities and counties; and mayors, county heads, and responsible persons of all departments of the provincial government and offices of the provincial government in other provinces and cities attended the meeting today.

Provincial Governor Ni Xiance made an important speech.

He first spoke about the economic situation facing our province in 1986. Ni Xiance said: Jiangxi's situation has been very good. The province's total industrial and agricultural output value, on the basis of last year's 13.3 percent increase, again increased by big margins this year. The speed of economic growth and the rate of increase in economic results were slightly higher than the national averages.

Ni Xiance said: The economic situation in our province next year has five characteristics:

1. Economic construction will further develop based on the all-round over-fulfillment of the Sixth 5-Year Plan, and on an economic growth rate that surpassed the national average for the first time.
2. Reform of economic, scientific and technological, and educational systems will be carried out more thoroughly next year.
3. A crucial point in the production and construction of the Seventh 5-Year Plan, and an important objective of economic work next year as well, is to attend closely to the work of improving product quality, lowering material consumption, and vigorously increasing economic results of enterprises.

4. After the state has adopted a series of macroscopic control measures, it is up to us to judge correctly important issues concerning the emphasis of economic work next year, as well as the resources available to achieve the goal of slightly surpassing the national average.

5. An important task for next year is to persist in simultaneously developing the two civilizations.

Ni Xiance said: To choose the correct orientation for economic development and guarantee a sustained, stable, and coordinated development of Jiangxi's economy, we must reach a common understanding on four questions. First, to develop Jiangxi's economy a little faster than the national average, we must rely mainly on vigorous development of the rural economy. Jiangxi has abundant surface resources, and there is plenty of labor in the rural areas. We have a good foundation and conditions for the development of the rural economy. In addition, more than a half of Jiangxi's rural zone is old liberated area. Therefore, development of the rural economy is closely integrated with construction in old liberated areas. The development of rural economy is closely related to the construction in the old liberated area. Developing the rural economy is a correct approach to accelerating Jiangxi's economic development. All leading cadres from the provincial to the township level must attach great importance to developing rural economy. To do so we must set our eyes on the mountains, rivers, farmland, forests, and mines, and focus our attention on fish breeding, as well as village and enterprises.

Second, to develop industrial production, we must extend productivity. To expand this production, we must pay attention to tapping the potential of existing enterprises. Although obsolete equipment and backward techniques are important reasons why Jiangxi's production is poor and its economic results are low, the most important current issue is poor administration and management. Leading cadres at all levels and comrades engaged in economic work must overcome the old idea that production on an extended scale means asking for funds, materials, and investment from the state. Instead, they must work hard to raise the enterprises' technological levels, strengthen management, and try to improve product quality, raise economic results, and increase output through technical transformation and improved management.

Third, while we are promoting production, we must also pay great attention to the question of circulation and marketing. A prominent question in Jiangxi's economic work today is poor circulation and market supplies. To speed up circulation, guarantee adequate market supplies, and stabilize commodity prices is a very arduous task. Market supplies and commodity prices are the concern of all households, and comprehensively reflect our economic situation. If we cannot solve this question properly stability will be affected. Leadership at all levels should take the overall economic situation into consideration, and make proper arrangements for urban and rural markets while developing production. They should simultaneously attend to production and circulation.

Fourth, to make an overall arrangement for Jiangxi's economic development, we must correctly handle the relationship between long-term and short-term

development. During the Seventh 5-Year Plan period, it is necessary to speed up construction in the northern area, and bring Jiujiang Port's decisive role into full play, while opening the whole province to the outside world. For short-term development, it is necessary to bring into full play the central area, particularly the role of the economic belt along the Zhejaing-Jiangxi railway, and develop the southern area. Our principle is: Combine short-term with long-term development plans; integrate developments in northern, central, and southern areas into an organic whole; and make each part fully functional while supporting the other's development so they will promote one another and achieve common prosperity.

Ni Xiance pointed out: The general task of Jiangxi's economic work in 1986 is to uphold overall reforms, boldly implement the policy of invigorating the economy and opening to the outside world, seriously strengthen overall management, vigorously develop the rural economy, speed up construction in old liberated areas, improve the quality of enterprises, develop education in science and technology, and continue improving the people's living standards.

Ni Xiance emphatically pointed out: To reach this goal, we must concentrate on 10 aspects. First, speed up readjustment of the structure of rural industry. Second, firmly grasp construction in old liberated areas. Third, conscientiously grasp production of consumer goods. Fourth, amass necessary material and financial resources to guarantee construction of key projects. Fifth, make great efforts to improve the quality of enterprises. Sixth, pay great attention to the development of tertiary industry. Seventh maintain adequate market supplies both in cities and in the countryside to basically stabilize commodity prices. Eighth, do financial and monetary work well. Ninth, open to the outside world still more boldly. Tenth, grasp development of science, education, and other social undertakings.

Ni Xiance stressed: Reform should be given top priority. Resolute efforts should be made step by step to push the all-round reform of economic system focused on cities. The general requirements for next year are: Assimilate, consolidate, and perfect the reform programs and measures that have yielded results. It is necessary to streamline administration and relegate power while promoting economic integration. Microscopically, the auxiliary plans supporting reform measures should be carried out well. Macroscopically, regulatory and supervisory work should be strengthened so as to enhance the vitality of enterprises, large and medium-sized ones in particular, and make the cities play a more important role, thereby enlivening the economy. The entire reform should be carried out under the unified planning of the central authorities in a resolute, careful, and steady manner.

Ni Xiance said: Next year reform should continue to focus on enhancing the enterprises' vitality. Measures from within and without the enterprises should be adopted to enliven them. Economic supervisory organs of the government should further streamline administration and relegate their power. They are not allowed to grab power at the middle levels, or to rescind any powers already relegated to the lower levels. It is necessary to sort out and consolidate companies of all categories, and resolutely reduce unnecessary middle management. In the reform of economic system next year, it is necessary

to ensure success in the experimental comprehensive reform program for two cities and seven counties, and to implement an important decision of applying a special and flexible policy for Gannan Prefecture.

Ni Xiance finally said: In the first year of the Seventh 5-Year Plan, we must, under the provincial party committee's direct leadership, actively plunge into the plan's great tasks by developing the spirit of reform, blazing new trails, and marching forward to make more contributions for the development of Jiangxi's economy.

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CSO: 4006/474

PROVINCIAL AFFAIRS

HEILONGJIANG GOVERNOR GIVES NEW YEAR MESSAGE

SK020332 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 31 Dec 85

[Recorded New Year Message by Governor Hou Jie--place and date of message not given]

[Excerpts] All comrades and compatriots on the various fronts throughout the province:

Taking advantage of the happy opportunity of saying good-bye to a successful 1985 and greeting the splendid 1986, I extend festive regards and greetings to the people of various nationalities throughout the province on behalf of the provincial people's government and in my name, wishing all of you a happy New Year and success in everything.

The past year was a year in which the people of our province worked hard, blazed new trails, and achieved great success in socialist construction. Our province's economic structural reform as well as other fields of work have been developed in a sustained, steady and coordinated manner. Most of the Sixth 5-Year Plan targets had been overfulfilled ahead of schedule. In agricultural production, we overcame serious natural disasters. The total agricultural output is expected to reach about 28 billion jin. [Words indistinct] The urban and rural markets were brisk. We also scored remarkable achievements in party rectification work and in public security. All these achievements should be attributed to the (?correct leadership and directives) of the CPC Central Committee, the State Council, and the provincial CPC Committee, and the (?joint efforts) of the broad masses of people throughout the province. On behalf of the provincial people's government, let me extend my hearty thanks to all comrades who contributed to vitalizing Heilongjiang Province.

The year 1986 will be the first one in implementing the Seventh 5-Year Plan, and the tasks confronting us will be very arduous but glorious. You should conscientiously implement the guidelines of the National Conference of Party Delegates, persist in grasping the two civilizations simultaneously and adhere to the policies of carrying out reform and technical transformation, opening the province to other localities and foreign countries, and making the country and the people prosperous, enhance spirit, work in unity, and make a good beginning in the implementation of the Seventh 5-Year Plan.

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CSO: 4006/512

PROVINCIAL AFFAIRS

HEBEI ENTERPRISE TAXES RISE SIGNIFICANTLY

Beijing ZHONGGUO XIANGZHEN QIYE BAO in Chinese 14 Sep 85 p 1

[Article: "Tax Income from Hebei's Rural and Small Town Enterprises Increases by 100 Million Yuan in 7 Months; Cultivate and Develop Sources of Tax Income; Stabilize and Increase Tax Income"]

[Text] [Summary] From January to July of this year, rural and small town enterprises across the province contributed 394 million yuan in taxes to the state, an increase of 130 million yuan, or 40.2 percent, to the same period last year. This figure represented one-third of the province's excess tax revenue for the year. [End of summary]

Reporter Ma Qingqiang [7456 8095 1730] has learned from the Hebei Province Tax Bureau that from January to July, rural and small town enterprises in Hebei contributed 394 million yuan in taxes to the state, which was an increase of 130 million yuan, or 40.2 percent over the same period last year.

Of that sum, 267 million yuan was contributed by rural collective enterprises, which was an increase of 31.6 percent. Rural joint enterprises and independent households contributed 126 million yuan, an increase of 64.2 percent. The provincial government has claimed that a guaranteed 300 million yuan in excess taxes will be collected this year in the province. The amount of taxes paid in excess of the quota in the first 7 months of the year for rural and small town enterprises is already one-third of the total of such taxes to be collected across the province for the entire year. This will be a contribution toward making a basic improvement in the financial situation of Hebei Province.

There are three factors involved in the marked increase of tax income collected this year from rural and small town enterprises. The first stems from the results of years of input, investment and work by the enterprises. By making innovations and strengthening management, enterprises have increased their economic effectiveness and income. Second is education of staff and workers concerning the enterprises paying taxes according to the law which has heightened political

consciousness about the duty of the enterprise to take the initiative in paying taxes. Third is that after undergoing reorganization, the enterprises have improved their systems of financial management and have eliminated loopholes. Some enterprises even took the initiative to make up for back taxes owed.

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CSO: 4006/89

PROVINCIAL AFFAIRS

SPECULATION, SWINDLING CASE EXPOSED IN FUJIAN

OW291630 Beijing XINHUA in English 1621 GMT 29 Dec 85

[Text] Beijing, 29 Dec (XINHUA)--A case of speculation and swindling activities involving a total of 240 million yuan was exposed in southeast China's coastal province of Fujian.

Du Guozhen, a 53-year-old office worker, and his 21 accomplices, including a deputy commissioner of a prefecture and a city district court president, have been arrested. This was disclosed in a press release issued here this evening. The gang also bought 108,000 U.S. dollars and 619,000 Hong Kong dollars from the black market and illegally took them to Hong Kong and foreign countries, the release said.

In a note to the release, the central party Consolidation Guidance Commission said that some leading departments and leading officials, while suffering from serious bureaucracy, lowered their guard against those illegal activities undermining the country's economic reform and even fell in the trap set by those people. These people were also accused of having given a bribery equivalent to 200,000 yuan.

However, the commission stressed: "We resolutely follow the policy of opening to the outside world and invigorating the domestic economy and our restructuring of the economic set-up is bound to succeed." The commission called for greater efforts to overcome bureaucracy and improve the party's style of work so as to ensure China's economic reform a complete success.

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CSO: 4020/160

PROVINCIAL AFFAIRS

BRIEFS

GANSU LOCAL INDUSTRY--The province's local industry developed rapidly during the Sixth 5-Year Plan period. By 1984 there were more than 4,000 industrial enterprises under prefectural and county authorities, and their total output value amounted to some 2.31 billion yuan, an increase of 32 percent over 1980. The average annual increase rate over the years was 7.3 percent, higher than average annual increase rate of the province's industry. By the end of November this year, the total output value of prefectural and county industrial enterprises amounted to some 2.672 billion yuan, an increase of 25 percent over the same period of 1984. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 27 Dec 85 HK] /8918

SHANXI CIVIL AFFAIRS WORK--During the Sixth 5-Year Plan period, Shanxi Province has completed its work of building townships. The whole province has set up 1,917 township and town people's governments and 32,218 villagers' committees. During the Sixth 5-Year Plan period, the whole province has defrayed operating expenses of 400 million yuan for civil affairs, 37.7 percent more than during the Fifth 5-Year Plan period. This has played an important part in helping those in the urban and rural areas who should enjoy preferential treatment. The number of hospital and sanatorium beds for disabled servicemen and demobilized and retired servicemen has increased by approximately 500. The province has set up 700 homes for the aged in rural areas which have admitted 4,200 old people. The whole province has nearly 10,000 houses enjoying five guarantees which enjoy regular state subsidies. During the Sixth 5-Year Plan period, civil affairs departments have arranged employment for 4,800 blind, deaf, and dumb people, 200 percent more than in 1980. [Summary] [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 30 Dec 85 HK] /8918

HORIZONTAL ECONOMIC COOPERATION--Our province has carried out reform of the economic structure with the focus on developing horizontal economic cooperation and cooperation in other fields in a step-by-step manner. So far, over 740 enterprises throughout the province have involved themselves in 1,040 projects of economic cooperation. Through horizontal economic cooperation, enterprises of the province have added more than 456 million yuan in production value and more than 77 million yuan of profits and taxes. Our province's economic cooperation has been changed from single-item, temporary cooperation on material supplies and certain production to long-term stable cooperation with enterprises in many fields. This is a guarantee for long-term economic results by the enterprises. [Excerpts] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 30 Dec 85 SK] /8918

SHANDONG INDIVIDUAL BUSINESSES--Shandong Province scored achievements in developing individual industrial and commercial units during the Sixth 5-Year Plan period. As of the end of October, the province as a whole had 1.32 million licensed individual industrial and commercial business units. The ratio of workers to the total population of the province has increased from 0.12 percent in 1980 to 1.72. The retail sales of commodities of these business units accounted for 17.7 percent of the province's total amount of commodity retail sales. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 30 Nov 85 SK] /8918

PROCESSED PRODUCTS EXHIBIT--Beijing, 17 Dec (XINHUA)--An exhibition of products processed by the country's supply and marketing cooperatives opened today at Beijing's Agriculture Exhibition Hall. The exhibition was jointly sponsored by the supply and marketing cooperatives of 28 provinces, municipalities, and autonomous regions and was one of the largest since the founding of the country. Tian Jiyun, member of the Political Bureau of the CPC Central Committee and vice premier of the State Council, visited the exhibition during its preview. He urged the supply and marketing cooperatives to continue the reform, as it has produced results. He called on them to analyze their experience and explore new opportunities in order to serve the agriculture even better and to bring about economic prosperity. [By reporter Qiu Yuan] [Excerpt] [Beijing XINHUA Domestic Service in Chinese 1240 GMT 17 Dec 85 OW] /8918

GUANGDONG ECONOMIC SITUATION REVIEWED--Governor Ye Xuanping spoke this morning at the 14th meeting of the 5th provincial CPPCC Standing Committee, declaring that the province's economic situation in 1985 was good and had laid a sound foundation for victoriously entering the Seventh 5-Year Plan. Ye Xuanping said: The total value of the province's industrial and agricultural production this year is expected to reach 65 billion yuan, a rise of 21.4 percent over last year. In agriculture, except for grain, whose production dropped due to natural disasters, increased output was recorded in all other agricultural, forestry, animal husbandry, sideline, and fisheries products, and the commodity rate increased further. In industry, the province increased output of consumer goods needed by the people and products for export, and opened up new trades such as electronics. The situation in commerce is also good. Ye Xuanping said in conclusion: In the future we must devise ways of overcoming past problems such as excessive scale of investment in fixed assets, excessive growth rate in industry, and loss of control over consumption funds, and strive for still greater development in the province's economic work during the Seventh 5-Year Plan. [Excerpts] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 20 Dec 85 HK] /8918

CSO: 4006/474

ECONOMIC PLANNING

PRC REGIONAL PLANNERS SET 'REALISTIC' GOALS

HK020530 Beijing CHINA DAILY in English 2 Dec 85 p 4

/Article by Zhang Kewen/

/Text/ /Begin editor's Note/ Recently, more than 300 government officials, economists, academicians and researchers from all over China attended a national symposium on regional development strategy in the Jiangxi provincial capital of Nanchang.

In the following article, the writer, a CHINA DAILY reporter who has just returned from the symposium, gives his impression about the 6-day event. He found that past setbacks have made the country wise enough to proceed with a regional development plan firmly based on reality. /End editor's note/

When Anhui Province's development strategy was discussed in recent years, it was suggested to make it China's equivalent of the Ruhr, Germany's industrial heartland.

The idea was rejected, according to an article distributed at the national symposium, because to Anhui's east lies Shanghai's Baoshan Iron and Steel Complex, both the country's steel complex, both the country's steel giants. Shandong Province in the north has much richer coal and iron ore deposits than Anhui.

The article said that there was no possibility Anhui could become the country's production base of coal, iron and steel, and nonferrous metal.

The article's view is typical of the nationwide emphasis in recent years on "being realistic in economic construction."

According to the symposium, many of China's provincial areas, prefectures and cities have now worked out draft strategic plans for future development carrying them to the end of this century.

Articles and speeches introducing these plans particularly stressed that local authorities must base their regions' development on reality.

A good example of their practical attitude is the fact that tremendous efforts have been made to gain a true economic picture of a region before drawing up such plans.

Ou Yuanfang, director of the Anhui Academy of Social Sciences said: We cannot assume we know enough about the province's true situation just because we have lived there for years. It is useless to work out a draft design without acquainting ourselves with the facts.

In Anhui, the provincial Party Committee and People's Government formed a special committee to organize hundreds of specialists in a 6-month investigation of the province's economic development.

They also made careful comparisons between Anhui and other provinces.

It was not without research that the unrealistic idea of building Anhui into "China's Ruhr" was rejected.

Historically, the nation has had some painful experiences of impractical economic construction. In the "great leap forward" drive of the late 1950's, for instance, overambitious targets were set in a bid to catch up with Britain's output of steel and other major industrial products in just 10 years.

The goal was divorced from the reality of a then backward agricultural country like China.

Locally, regional authorities became even more rash. The nation's economy, as a result, suffered heavy losses between 1959 and 1961.

But past setbacks have made China's current planners wiser.

A national work conference held by the central authorities in 1979 focused on correcting "leftist" mistakes in economic fields. It stressed that economic construction must be based on the country's reality and the nation must not do what is beyond its capability.

Because of change in the guiding ideology concerning economic construction, the realistic approach has got an upper hand in the planning development of many localities.

In Sichuan, China's most populous province with more than 100 million people, officials have set the moderate goal of matching the country's most advanced areas in per capita output value and living standards between the years 2030 and 2050.

The coastal city of Ningbo in Zhejiang Province, on the other hand, has a much more ambitious aim: Among other things, the city's gross industrial and agricultural output value should be seven times higher than in 1980 by the end of this century.

Ambitious as it is, the goal is not unrealistic. Over the past 35 years, the city's industrial and agricultural output value has grown at an average annual rate of 9.4 percent. Since 1980, its growth rate has risen to 17.6 percent.

If the city can keep annual growth rate at 11 percent over the next 15 years, which is considered quite possible, the city's goals will be fulfilled.

The sharp difference between Sichuan's and Ningbo's targets shows that local economic planners are now much more soberminded in planning development. Less developed areas like Sichuan dare face up to the fact that it may be a long time before they can catch up with better developed regions.

All this of course does not mean that there is never rash thinking in economic construction. The idea of building Anhui into the country's "Ruhr" is an example. But warnings have always been issued on time by central authorities against impetuous planning.

The latest example was given by Vice Premier Li Peng in a speech at a recent NPC Standing Committee meeting. Judging the country's economic construction before and after the end of last year, he said, some localities set unrealistically high targets and vied with each other to achieve high growth rates.

But, the State Council had adopted effective measures and production growth rates were now normal, he added.

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CSO: 4020/521

ECONOMIC PLANNING

XINJIANG LEADERS DISCUSS SEVENTH 5-YEAR PLAN

HK280201 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 27 Dec 85

[Excerpts] A discussion meeting on the outline proposal for the Seventh 5-Year Plan in Xinjiang, convened by the regional government, concluded this afternoon. Song Hanliang, Tomur Dawamat, and other regional party and government leaders discussed the Seventh 5-Year Plan with experts from various sectors.

The experts held: The outline proposal for the Seventh 5-Year Plan in Xinjiang takes enriching the country and people as its starting point and assigns first place to reform. In accordance with the Xinjiang regional nationality autonomy characteristics and its strong points in resources, it proposes the guideline of active exploitation with focus on key points and [word indistinct] advance. This accords with the basic principle of the state proposal on the Seventh 5-Year Plan and the central authorities' strategic plan for exploiting and building Xinjiang, and it also accords with the region's realities. It is a relatively scientific outline plan for economic construction and social development in Xinjiang during the Seventh 5-Year Plan.

The experts held that in order to achieve sustained, steady, and coordinated development of Xinjiang's national economy during the Seventh 5-Year Plan, the key lies in truly harmonizing on a macro scale the various economic relationships, strengthening macroeconomic policymaking, readjusting the production structure, getting a clear idea of the key points and the orientation for investment, taking advantage of Xinjiang's strong points and avoiding the weak ones, and thus enabling the national economy to develop in a planned and proportioned way.

At the same time it is necessary to pay attention to overcoming trends of attaching too much importance to external assistance and little to tapping internal potentials, and of attaching much importance to growth rate and little to economic results, firmly embrace the concept of commodity economy, and switch economic construction onto the track of relying on scientific and technological progress to raise economic and social results.

/8918  
CSO: 4006/510

JPRS-CEA-86-009  
27 January 1986

## ECONOMIC PLANNING

### RUI XINGWEN ADDRESSED SHANGHAI DEVELOPMENT FORUM

OW261048 Shanghai City Service in Mandarin 2300 GMT 25 Dec 85

[Text] How can Shanghai achieve a breakthrough in reform and opening to the outside world in the light of its special features? This issue--one of historic significance--has become a main research project for Shanghai's theoreticians.

A large meeting of Shanghai's theoreticians and policy researchers the first seminar for the study of Shanghai's development and opening to the outside world--opened at the Hengshan Guest House yesterday. The seminar is co-sponsored by the Shanghai Economic Research Center, the Shanghai Academy of Social Sciences, and 23 other units. Nearly 300 experts and scholars are attending the seminar.

The year 1985 has been an extremely important year for Shanghai. The State Council's approval of the Outlines of the Strategy for Shanghai's Economic Development last February indicated that Shanghai's economic, social and cultural development has entered an important transitional stage, and that theoreticians in Shanghai, by integrating theory with practice and by enthusiastically presenting their proposals on reforming and rejuvenating Shanghai, have served the building of Shanghai's material and spiritual civilizations.

The seminar has so far received nearly 60 of these proposals, which contain noteworthy new concepts on Shanghai's social, economic, and cultural development, as well as on expediting Shanghai's reform and further opening Shanghai to the outside world.

Rui Xingwen, secretary of the Shanghai Municipal Party Committee, attended and addressed the opening ceremony that took place yesterday afternoon. He said: In order to become a trailblazer in the four modernizations, as required by the central authorities, Shanghai must open wide to the outside world and achieve a new breakthrough in attracting foreign capital.

Rui Xingwen maintained that it is high time for theoreticians in Shanghai to focus their attention on studying Shanghai's development and how to further open up to the outside world. He said that only when certain theoretical concepts and policies have been cleared up can there be a consensus

of understanding in this area, and can new experiences be accumulated in reforming Shanghai and opening Shanghai wider to the outside world.

Wang Jian and Wang Tao, vice chairmen of the Standing Committee of the Shanghai Municipal People's Congress; and Li Zhaoji, vice mayor of Shanghai, were also present at the opening ceremony. Vice Mayor Li Shaoji also addressed the opening ceremony.

The seminar will continue today.

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CSO: 4006/474

ECONOMIC PLANNING

GUIZHOU SECRETARY ATTENDS CONFERENCE ON TOWNSHIP ENTERPRISES

HK261310 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 24 Dec 85

[Excerpt] The provincial work conference on town and township enterprises, which was convened by the provincial government, concluded on 23 December. The main purpose of the conference was to further seek a common understanding in and to place in an important strategic position the province's town and township enterprises, to determine their direction and goal of development in 1986, to discuss their plans and tasks for 1986, to study and perfect the province's policies on the development of town and township enterprises.

The conference discussed the setup of organizations in charge of work concerning town and township enterprises. Also, the conference summed up experiences in this respect. Hu Jintao, secretary of the provincial CPC Committee, Zhang Yuhuan, chairman of the Provincial People's Congress Standing Committee, and Zhang Shukui and Luo Shangcai, vice governors, attended the conference and made speeches.

After summing up the province's achievements made this year by the town and township enterprises, Zhang Shukui stressed: The town and township enterprises must take as the guiding principle the spirit of the National Conference of Party Delegates. They should subordinate themselves to and serve the general task and general goal put forward by the 12th CPC Congress. During the Seventh 5-Year Plan period, they must readjust their trades and industry, and do well in technologically transforming the existing enterprises. They must greatly develop the expanded reproduction within their trades, and do well in developing some core enterprises for producing a whole series of products. They should also heighten to a new level the work of supervising town and township enterprises which are still facing many problems. Our next step is to adopt measures for actively helping them, to seriously formulate plans, to attach importance to the work of guiding them, to strengthen our supervision and to greatly develop them. In order to do well in the work, we must seriously study and solve the following issues:

First, we should open all avenues for developing town and township enterprises. We may adopt such methods as importing, joint ventures, investments, and granting loans.

Second, we should take a further relaxed attitude toward policies concerning the taxation of collective enterprises run by the rural areas. Therefore, they can have more accumulated capital for reproduction.

Third, we should strengthen the planning guidance and technological training of town and township enterprises.

Fourth, we should promote the coordination of town and township enterprises, and make them improve themselves while developing.

In the course of meeting, Hu Jintao, secretary of the Provincial CPC Committee, attended the conference and made a speech.

He said: The key to developing town and township enterprises rests with our down-to-earth work. Various localities must give play to their advantages, and advocate scientific work but guide against blind actions. They should pay attention to maintaining a balanced overall situation and macroscopic guidance. They must grasp firmly the implementation of policies, and do well in developing intellectual resources. These are the key points where the development and vitality of town and township enterprises lie. Therefore, we must attach great importance to them.

/8918  
CSO: 4006/474

ECONOMIC PLANNING

GUANGDONG ECONOMIC WORK CONFERENCE CONCLUDES

HK240850 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 23 Dec 85

[Text] The 4-day Guangzhou conference on economic work concluded yesterday. The conference defined that the specific goal of Guangzhou's 1986 economic work is to increase the gross industrial output value by 9 percent over this year and to increase the profit amount by 7 percent over this year.

The conference pointed out eight tasks for Guangzhou's 1986 economic work. They are:

First, the city will grasp well reforms which focus on invigorating enterprises, particularly those in large and medium-sized cities.

Second, it will arrange the production by focusing on the improvement of product quality, the reduction of consumption, and the production of marketable goods.

Third, it will formulate a strategy for developing products, will develop new products which have great potential in terms of earning foreign exchange, will expand exports, and will earn more foreign exchange.

Fourth, it will seriously act in the spirit of the third national conference on technological advancement among industrial enterprises. It will do well in the importation, assimilation, and innovation of technology.

Fifth, it will actively promote modern management skills and improve management standards.

Sixth, it will play the role of being a key city and promote the industrial development among prefectures, counties, and towns.

Seventh, it will do well in the areas concerning communications, posts and telecommunications, and highways and ports.

Eighth, it will grasp well in the work of training cadres and workers.

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CSO: 4006/474

ECONOMIC PLANNING

LIAONING'S LI GUIXIAN MEETS WITH EXPERTS, SCHOLARS

SK280351 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 27 Dec 85

[Text] This afternoon, leading comrades of the provincial CPC Committee and government met with the comrades of the consultative group for the strategy to develop Liaoning Province's economy and society, and asked for their opinions on the strategy to develop the province's economy and society.

Leading comrades of the provincial CPC Committee and government present at the consultative meeting were Li Guixian, secretary of the provincial CPC Committee; Guan Shuren, deputy secretary of the provincial CPC Committee and provincial governor; Li Changchun and Sun Qi, deputy secretaries of the provincial CPC Committee; and Lin Sheng, vice governor of the province.

The purpose for the provincial CPC Committee and government to establish the consultative group for the strategy to develop the economy and society is to thoroughly study the strategy to develop Liaoning's economy and society, to give full play to the role of experts and scholars in giving consultation when making policies, and to pool the wisdom of the collectives to promote the building of the two civilizations in an all-round manner by using advanced domestic and foreign scientific and technological findings in a timely manner.

Comrades invited to join the consultative group are mainly researchers, associate researchers, and scientific and technical workers with a level equivalent to or above associate researchers working at scientific research units, possess fairly erudite theoretical knowledge and fairly rich practical experiences, and have scored certain academic achievements; professors, associate professors, and teachers with a level equivalent to or above associate professors of colleges and universities who have scored fairly great academic achievements; high-grade engineers, economists, statisticians and accountants, and comrades with a level equivalent to those with high-grade specialized technical titles who work at economic, scientific, and technical management departments or enterprises and establishment, and possess fairly rich experiences; and veteran comrades who used to work at economic, cultural, educational, scientific and technical departments, and party, government, and army organs but who have resigned from leading posts, who are fairly healthy, possess fairly rich experiences, and are willing to give consultation. Members of the consultative group will serve for a term of 3 years after being recommended by the units where they belong and approved by the provincial CPC Committee and government. An official letter of appointment will be issued by the

provincial CPC Committee and government, or various provincial research units.

At the consultative meeting, Comrades Li Guixian and Quan Shuren spoke on the strategy to develop the province's economy and society, and the consultative activities.

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CSO: 4006/510

ECONOMIC PLANNING

BRIEFS

EFFORTS FOR IMPROVEMENTS IN 1986--Beijing, 3 Jan (XINHUA)--Extra efforts will be made in the course of the Seventh 5-Year Plan (1986-90) to develop the liquor, tinned foods, dairy products and infant foods industries, according to government sources here today. Priority will be given to developing raw materials for winemaking and improving the supply of beer and spirits, they said. In addition, supplies of amino acids, monosodium glutamate, citric acid, yeast and zymase will be increased. The export of tinned foods is expected to double and the domestic sales volume increase by 1.4 times in the next 5 years. Technological reform will be conducted in large- and middle-sized dairy products factories, and there will be an increase in the number of such plants.  
/Text/ /Beijing XINHUA in English 0718 GMT 3 Jan 86 OW/ 12228

WANG FANG AT ECONOMIC MEETING--The Zhejiang Provincial Conference on Planned Economy concluded today. While the meeting was in session, leading comrades of provincial, prefectural, and county economic departments heard a report by Wang Fang, secretary of the Zhejiang Provincial CPC Committee, on the current economic situation and economic plan for 1986. They discussed the 1986 economic plan and reached a consensus of understanding. The meeting set forth the following guidelines for next year's economic work: --Promote reforms actively and steadily, continue to improve the measures for reform, and strive to integrate overall control and local initiative in order to achieve better economic performance and maintain an appropriate economic growth; --expedite scientific and technological development and development intellectual resources so that both management and operation can be improved, and economic growth can be maintained; --correctly handle the relationship between supply and demand to make sure that the needs of the people in urban and rural areas are met.  
[Text] [Hangzhou Zhejiang Provincial Service in Mandarin 1000 GMT 4 Dec 85 OW] /8918

CSO: 4006/510

AGGREGATE ECONOMIC DATA

CHINA'S ECONOMIC DATA FOR THE FIRST 6 MONTHS OF 1985

Beijing JINGJI RIBAO in Chinese 31 Jul 85 p 1

[Text]

Table 1. Statistical Indices of Industrial Production and of Communications and Transportation, January to June, 1985

1. GVIO (in 1980 constant prices)	Unit	Jan-June 1985	Percent compared with same period last year
	billion yuan	408.60	123.1
Light industry	-do-	204.66	125.3
Heavy industry	-do-	203.94	121.0

2. Quantity of Major Products:

TV sets	10,000	797.9	184.5
Tape recorders	10,000	590.1	210.0
Washing machines	10,000	411.7	170.0
Cameras	10,000	78.3	142.6
Electric fans	10,000	1,591.4	196.2
Refrigerators	10,000	56.6	320.0
Beer	10,000 t	141.3	143.9
Paper/cardboard	10,000	403.6	118.2
Raw coal	10,000 t	41,352	111.8
Crude oil	10,000 t	6,145.9	110.9
Natural gas	0.1 bill. m3	64.4	107.9
Electricity	0.1 bill kWh	1,991.0	109.1
of which:hydro	-do-	425.2	107.4
Pig iron	10,000 t	2,108.7	106.3
Steel	10,000 t	2,311.7	107.3
Cement	10,000 t	6,705.1	118.4
Sheet glass	10,000		
	stand.cases	2,700.6	122.9
Electricity generating equipment	10,000 kW	248.4	167.2
Metal cutting lathes	10,000	7.8	122.4

Motor vehicles	10,000	22.5	158.8
Small tractors	10,000	46.9	146.7
Locomotives	pc.	393	119.1

### 3. Communications and Transport

Freight by rail	0.1 billion t	6.3	104.9
Freight by ships of the Ministry of Communications	- do -	0.9	109.1

Table 2. Statistical Indices of Urban and Rural Retail Sales Markets and Main Import-Export Statistics (Unit: billion yuan)

	January-June 1985	Percent compared with same period last year
Retail Sales of Social Commodities	192.9	129.1
1. By use of goods:		
Retail sales of consumer goods	166.93	132.9
Retail sales of means of agricultural production	25.97	109.1
2. By economic categories:		
State ownership	86.37	120.3
Collective ownership	78.97	123.3
Jointly owned	.56	180.6
Individually owned	27.0	202.7

Table 3. Major Statistics on Capital Construction, January-June, 1985

	January-June 1985	Percent compared with same period last year
1. Total investment in capital construction		(Unit: billion yuan)
	31.19	14.35
(1) By source of funds:		
state investment	13.17	10.76
(2) By use:		
Productive construction	18.55	13.15
Non-productive construction	12.64	16.57
Of these: housing	5.47	15.26

(3) By sector:		
Industrial	14.69	13.20
Light industry	1.50	14.53
Heavy industry	13.19	13.06
Of these: energy sources industry	6.62	13.07
Agriculture, forestry, water conservancy, meteorology	1.56	10.77
Transport, posts and telecommunications	4.6	12.88
Commerce and foreign trade	1.20	17.71
Finance and banking	.14	20.17
Scientific research	.17	14.07
Culture, education, and public health	1.78	17.83
Urban construction	2.56	21.12
Others	4.41	18.04

2. Floor Space of Buildings Completed		(Unit: million sq m)
Floor space of all buildings under construction	194.4641	133.8
Of these: residences	95.647	131.4
Floor space of all buildings completed	16.283	122.9
Of these: residences	9.135	120.0

3. Large and medium-sized projects completed and put into operation, and individual engineering projects:	
Large and medium-sized engineering projects completed and put into operation:	8
Individual engineering projects among large and medium-sized engineering projects completed and put into operation:	15

Table 3. Surplus Funds in Deposit from Urban and Rural Residents at the End of June, 1985  
(Unit: billion yuan)

	End of June	Percent compared with same period last year
Deposits by urban and rural residents	142.07	20.68
Deposits by urban residents	92.48	14.82
Deposits by rural residents	49.59	5.78

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AGGREGATE ECONOMIC DATA

BRIEFS

SHAANXI INDUSTRIAL PROGRESS--Shaanxi's industrial output value this year is estimated at 17 billion yuan, an increase of 17.4 percent over 1984. The province has climbed from 20th to 11th in the national growth-rate table. It is estimated that 630 million yuan of investment in technological transformation will be completed this year, a rise of 26 percent over 1984. The projects already completed in this respect can increase output value by 900 million yuan and tax and profit by 180 million yuan. The province developed 959 new products this year. The number of plants now practicing the managerial responsibility system has increased from 20 in 1984 to 739, representing 33 percent of the state-owned enterprises. The task of enterprise solidation has been completed. The 152 major energy-consuming enterprises in the province reduced their consumption per 10,000 yuan of output value by 7.8 percent compared with 1984. The number of enterprises running at a loss fell by 30 in the first 11 months of the year. [Summary] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 30 Dec 85 HK] /8918

SHANXI COMMERCIAL WORK--According to statistics, the total amount of the retail sales of consumer goods in Shanxi Province this year may reach 8.65 billion yuan, an increase of some 100 percent over 1980. Judging from the whole province, it is estimated that the total amount of the retail sales of social commodities this year may reach 10.3 billion yuan and the amount of profits may reach 130 million yuan, an increase of 21.5 percent over 1980 and an average annual increase of 3.47 percent. The number of social commercial, catering, and service units by the end of 1984 was 255,000 and was 265 percent more than in 1980, average annual increase of 38.2 percent. These units have 550,000 workers, 168 percent more than in 1980. The total amount of investment in capital construction of the commercial system throughout the province in the past 5 years is 81.36 million yuan and the average annual amount of investment is 16.27 million yuan. The province has built 13 cold storage warehouses and a large number of large and medium-sized warehouses, retail departments, worker's houses, and commercial schools. The gross output value of industrial enterprises run by commercial units had reached 290.95 million yuan by 1984 and was 33.1 percent more than in 1980. Their profits had reached 18.35 million yuan, recording an increase of 122 percent over 1980. It is estimated that the output value of industrial enterprises run by commercial units this year may reach 286.35 million yuan. [Summary] [Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 30 Dec 85 HK] /8918

HUNAN TOWNSHIP ENTERPRISES--Hunan vigorously developed township enterprises during the Sixth 5-Year Plan. Total income of these enterprises is expected to reach 9.5 billion yuan this year, compared with 3.1 billion in 1980. This income would thus equal the province's total social production value of 1965. Output value of township industry this year is expected to reach 5.2 billion yuan, exceeding the province's total industrial output value in 1965. Township enterprises now produce 44 percent of the province's annual coal output, over 50 percent of its manganese ore, and a considerable proportion of its lead, zinc, gold, and other non-ferrous metals. Total social production value in rural Hunan this year is estimated at 26.38 billion yuan, compared with 12.56 billion yuan in 1980. The province now has 7.27 million people working in secondary and tertiary industries, representing 33.4 percent of the total rural labor force. In the first 4 years of the Sixth 5-Year Plan, the township enterprises paid 753 million yuan in tax to the state and made a profit of 1.825 billion yuan. [Summary] [Changsha Hunan Provincial Service in Mandarin 1100 GMT 22 Dec 85 HK] /8918

REFRIGERATORS, WASHING MACHINES NOT LUXURIES--To the Chinese people, refrigerators and washing machines are no longer exotic luxuries: confined to the pages of foreign novels. In the past 5 years, China produced 22 million washers, the CHINA COMMERCE JOURNAL reports. Retail sales in 1985 alone hit about 4.5 million units, double that of 1984. Last year, the country manufactured 1.4 million refrigerators and imported 900,000. Currently, about 74 factories are turning out washers and 100 factories turning out refrigerators. In 1984, there were an estimated 19 million washers in the country. About 4 out of every 100 rural households and 37 out of every 100 urban households now own a washing machine. As living standards improve, customers tend to prefer high-grade, multipurpose washers. In next 5 years, China expects to turn out more semi-automatic, twin-tub washers. Production of laundry detergent is also flourishing. Sales grew an average 15 percent a year in the 1981-1986 period. In the first 9 months of 1985, about 500,000 tons of detergent were sold, and this year's sales are expected to jump to 750,000 tons. /Text/ /Beijing CHINA DAILY in English 8 Jan 86 p 2 HK/ 12228

CSO: 4020/521

ECONOMIC MANAGEMENT

PRC COLUMNIST QUESTIONS VALIDITY OF SACKING 'TO IMPROVE EFFICIENCY'

HK120827 Beijing CHINA DAILY in English 12 Dec 85 p 4

/"It Seems to Me" column by Ye Yaoxian/

/Text/ Some factory directors are currently resorting to sacking employees as a way to improve efficiency.

One Shenzhen plant, for example, recently sacked 100 workers in one go.

In Shanghai, some 8,000 employees of state-run factories were fired in 1984 and the first half of 1985.

Does sacking have the magical power to bring industry dynamism and speed? Chinese and foreign experience may throw some light on this question.

Almost all ancient Chinese statesmen who achieved political prominence followed the principles of harmony, respect and unity.

Wei Zheng, prime minister during the reign of the Tang Emperor Tai Zong (597-649), which was one of the most prosperous times in Chinese history, once advised his empires began their enterprises well, but few finished well. Why? When their reigns had just started, they had to deal with their subordinates respectfully. But once in power, many treated their subjects arrogantly. Disunity developed and the emperors then had to resort to severe punishment and despotic power to keep people in line. This frightened people but could not win their hearts.

Mao Zedong also repeatedly stressed respect for subordinates, soldiers and even prisoners of war.

Our neighbor Japan may be considered advanced in management. Some Japanese managers provide workers with housing and run training classes for their technical improvement. Staff are given special treatment on their birthdays, and managers eat together with employees at festivals.

American managers are less concerned with workers welfare than their Japanese counterparts. But they pay special attention to giving equal opportunity to workers. They try to evaluate their ability and efficiency fairly and promote those who have shown talent.

American workers move more frequently from one factory to another than in Japan. This is because the new jobs promise more pay and quicker promotion.

American managers too, it seems to me, do not believe in infusing vigor into enterprises by sacking people.

The focus of managerial theories has now shifted from the management of things to that of people. Traditional theory, emphasizing workers actions and word indistinct/ of production links met with workers hostility because it ignored the human factor.

The new theories maintain that efficiency is achieved by the scientific analysis of production and harmony between worker's psychology and his work, not by coercion. People's desires, motivations and hopes should be satisfied.

Modern management tends to respect and stimulate human nature, and cultivate people's sense of participation and accomplishment. It also stresses wide application of computers to facilitate decisionmaking, the training of qualified managerial personnel at various levels and marshalling the collective intellectual resources to develop new products.

All this indicates that the improvement of management hinges on appealing to people's initiative, not on giving them the sack. That should only be the last resort.

CSO: 4020/521

ECONOMIC MANAGEMENT

SECOND NATIONAL SEMINAR ON ECONOMIC LEGISLATION

OW101556 Beijing XINHUA in English 1442 GMT 10 Dec 85

/Text/ Guangzhou, 10 Dec (XINHUA)--China promulgated 18 important economic laws and regulations in the first 10 months of this year.

Another 16 economic laws and 21 regulations have been or will be submitted this year to the Standing Committee of the National People's Congress and the State Council for discussion, XINHUA learned at the Second National Seminar on Economic Legislation which opened here today.

Since 1979, China has issued 409 laws and regulations; among them, 327 are related to economic activities.

Those under deliberation include laws on posts and communications, protection and control of air pollution, tourism, maritime trade and customs, as well as enterprises jointly managed by Chinese and foreign firms, and enterprises with sole foreign investment.

Gu Ming, a leading member of the State Council's Economic Legislation Research Center and president of China's Economic Law Society, said at the opening ceremony that economic jurisdiction, research on economic legislation and exchanges with foreign countries have also been stepped up.

Gu said that the increasing number of economic cases handled by the courts showed that more and more enterprises are turning to the law to defend their legal economic interests.

In order to better meet the needs of the ongoing reform of the economic structure and opening to the outside world, most of the economic departments and commissions under the State Council have set up economic legislation organs. A number of national corporations and large enterprises have also established law offices of their own. Courses on economic legislation are offered by more than 200 universities.

In the past 2 years, China has held seminars with experts from the United States, Federal Germany, Japan, Australia and the European Economic Community countries on laws concerning investment, trade, and bankruptcy.

More than 300 delegates from all over the country are attending the seminar.

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CSO: 4020/521

ECONOMIC MANAGEMENT

GUANGXI DECIDES TO INSPECT QUALITY OF PRODUCTS

HK250911 Nanning Guangxi Regional Service in Mandarin 1130 GMT 24 Dec 85

[Text] In his report to the 18th meeting of the 6th Regional People's Congress Standing Committee yesterday, (He Bing), chairman of the Regional Economic Committee, proposed: In order to further stabilize and improve the quality of the industrial products in our region, our region has decided to establish a system of carrying out a region-wide large-scale inspection of quality every quarter during the year and of holding a report meeting on quality.

He said: Since the beginning of this year, the quality of some industrial products in our region has tended to drop. With a view to changing this situation, the Regional Economic Committee has decided to carry out a region-wide large-scale inspection of quality every quarter and to resolutely enforce the state's five not-allows, namely: products which do not measure up to the standard are not allowed to go out of the factory and the calculation of the output value and output are not allowed; raw materials and accessories which do not measure up to the standard are not allowed to be used and installed; products which have been announced obsolete are not allowed to be produced and sold; units which do not have the quality inspection standard, inspection organs, and inspection measures are not allowed to carry out production; and practicing fraud, passing off inferior products as good products, forging brands, and imitating famous brands are not allowed.

The Regional Economic Committee has also provided: In the course of the region-wide large-scale compulsory sample inspection every quarter, the great majority of samples will be taken from the markets. The main samples to be taken in the region will be the main products, the products of famous brands and superior quality, raw materials for heavy industry, food, medicines, domestic electrical appliances, and consumer goods which are closely related to the people's livelihood.

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CSO: 4006/474

ECONOMIC MANAGEMENT

WAN SHAOFEN ATTENDS JIANGXI ECONOMIC FORUM

OW230508 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 22 Dec 85

[Excerpts] A provincial conference on economic work ended in Nanchang this afternoon after 6 days in session. Leading comrades of the provincial CPC Committee, the provincial Advisory Commission, the provincial Discipline Inspection Commission, the provincial People's Congress, and the provincial People's Government, including Wan Shaofen, Liu Fangren, Ni Xiance, Jiang Zhuping, Zhao Zengyi, Wang Shufeng, Zhu Zhihong, Qian Jiaming, (Sun Xiyue), (Chen Guizun), and (Xu Shaolin), attended today's meeting. Delegates to the conference and leading comrades of the provincial and city government departments concerned were also present.

Wan Shaofen, secretary of the provincial CPC Committee, gave a speech, entitled: "Work in Unity to Prepare for the New Task, and Strive for New Victories in the First Year of the Seventh 5-Year Plan."

Jiang Zhuping, member of the Standing Committee of the provincial CPC Committee and vice governor, gave the summing up at the conference.

On next year's goals, Ziang Zhuping said: Jiangxi's total industrial and agricultural output value for next year will top 30 billion yuan, 10 billion for agriculture and 20 billion for industry. Its revenue should increase by 0.4 billion yuan. To achieve this goal the whole province should work together and give top priority to raising economic effectiveness. Enterprises should pay attention not only to the microeconomic results but also to the macroscopic effects on society. They should integrate speed with results and quantities with qualities. They should work hard to improve management and pay close attention to raising quality standards and to lowering material consumption and operation expenses.

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CSO: 4006/474

ECONOMIC MANAGEMENT

HEILONGJIANG STEPS UP FIGHT AGAINST ECONOMIC CRIME

Harbin HEILONGJIANG RIBAO in Chinese 16 Sep 85 p 3

[Article: "Heilongjiang Achieves Remarkable Results in Its Fight To Combat Serious Economic Crime; Procuratorial Organs Throughout the Province Have Heard Over 4,000 Cases Involving Economic Crime Since Last Year, Recovering 6.18 Million Yuan in Economic Losses"]

[Text] Reporter Ma Wenyuan [7456 2429 0337] reports: Heilongjiang Province has achieved remarkable results in its fight to combat serious economic crime. Since 1984 procuratorial organs throughout the province have heard 4,750 cases involving economic crime of all kinds, and have begun investigation and prosecution in 2,678 cases, of which 283 are major cases. They have recovered over 6.18 million yuan in economic losses for the state, confiscated over 90,000 catties of grain and more than 6,300 cu m of lumber.

Procuratorial organs at all levels have focused their attack on serious criminal elements, who, in the guise of conducting reform, have engaged in graft, bribery and smuggling, have stolen state property, and have encroached upon the legal rights of specialized households and integrated economic bodies. The Tahe County, Procuratorate of Da Hinggan Ling Prefecture dealt with three major cases in a row involving the sale of over 140 tons of stolen petroleum, valued at more than 132,000 yuan. Last year provincial procuratorial organs dealt with 54 serious economic crimes conducted in the name of, or taking advantage of reform, which represented 41.9 percent of all major cases.

Procuratorial organs at all levels concentrated their efforts and investigated deeply into systems and departments where most cases took place in order to dig up economic crime. During the "3 cleans and 10 investigations" activity held at the beginning of last year throughout the province's grain system, over 200 cases involving sums of over 1,000 yuan, and 28 cases involving sums of 10,000 yuan were brought to light.

The chief procurator at all levels personally handled cases during the struggle to combat serious economic crime. In the Huaxia Co fraud case involving Bao Lianyou [7637 6647 0645], chairman of the board of directors and others, which was handled by the assistant chief procurator of Harbin City, Zhang Chao [1728 3390], 20-odd units within and outside the province had been swindled out of huge sums for a total of over 4.5 million yuan. During the Mishan County Procurate's investigation of the big Fuyuan grainary graft case involving the grainary cashier Zhou Wansheng [6650 5502 3932], the chief and assistant chief procurators led the police in a 7-day struggle and turned up the facts in Zhou's criminal embezzlement of over 38,000 yuan.

12221/12223  
CSO: 4006/89

FINANCE AND BANKING

AGRICULTURAL BANKS TO INCREASE FUNDS FOR RURAL AREAS

Beijing RENMIN RIBAO in Chinese 10 Sep 85 p 2

[Article by Wang Gang [3768 6921]: "Organize Rural Deposits, Plan Disposition of Funds--The Agricultural Bank of Liaoning Province Reactivates Funds for Rural Areas"]

[Text] Since the start of this year, the Agricultural Bank of Liaoning Province, in view of the need for macroeconomic control, has energetically adopted measures and exerted great efforts in reactivating agricultural funds for this area.

Energetically organizing rural deposits: The Agricultural Bank of Liaoning Province made this task a focal point of its work this year and firmly grasped the work of increasing its network of savings bank offices. Up to the end of May, it had established 44 marketplace savings offices. In its business offices it newly arranged 25 special counters for savings deposits and set up several savings deposit agencies. After the establishment of these network points, the deposits of surplus funds in the rural marketplaces rapidly increased.

Overall planning of disposition of funds, using funds at key points: In the first half of this year, when funds were tight, the bank first assured its customers that they could withdraw deposits, then it satisfied the demand for funds necessary to production, and then again gave its support, to the best of its ability, to township enterprises, differentiating the urgent from the less urgent needs, and made funds available in support of agriculture. The Agriculture Bank system of Liaoning Province was also careful to coordinate its activities with local finance authorities, the departments in administrative charge of enterprises, and the enterprises themselves, in an overall planning of disposition of state funds, bank loans and funds available in the enterprises, in order to reduce duplication in allotting funds and creating financial waste, using the limited funds where they are needed most.

Recovery of overdue loans, reactivating idle funds: This year the bank drew up an annual plan for the recovery of overdue loans, which would make it possible to reactivate 360 million yuan by the end of the year.

Strengthening lateral adjustments: To satisfy the needs at the beginning of the year, still derived from the preceding year, for funds to purchase agricultural and sideline products and for agricultural production, the bank, after fully exploiting all potential in its own system, strengthened lateral adjustments and temporarily borrowed credit funds from the People's Bank, the Industry and Commerce Bank, the Bank of China, and the Reconstruction Bank.

By adopting these measures, the tight money situation as regards rural funds in Liaoning Province has been mitigated. From January to May this year, agricultural loans granted by the Agricultural Bank of Liaoning Province and the credit cooperatives amounted to 280 million yuan more than during the same period last year, effectively supporting production and the structural readjustment of agriculture.

9808

CSO: 4006/17

FINANCE AND BANKING

COLLECTION OF INDUSTRIAL, COMMERCIAL TAXES INCREASED

Yinchuan NINGXIA RIBAO in Chinese 4 Aug 85 p 1

[Article by correspondent Yu Chunqun [7625 2504 5028]: "Strengthen the Work of Tax Collection and Tax Management, Promote Development of Commodity Production--Large Increases in Tax Receipts During First Half-Year in Ningxia"]

[Text] Collection of industrial and commercial taxes throughout Ningxia up to the end of June, amounting to 124.28 million yuan, has been completed. The amount is 65.3 percent of the amount of the annual plan, and is an increase of 47.7 percent over the corresponding period last year. Average growth rates for the entire region have been exceeded in the cities and counties of Yinchuan, Wuzhong, Zhongning, Lingwu, Tongxin and Yanchi.

Starting this year, the tax offices at all levels throughout Ningxia have employed effective measures in organizing the tax receiving and collection management. The large majority of our cities and counties parceled out allotments of the annual tax plan to branch bureaus, offices and special officials in charge and carried out assessments with an integration of a responsibility system for each person at his post, which fully aroused the enthusiasm of the large number of tax cadres. Targeting its tax collecting problems, the tax bureau of Zhongwei County issued a circular throughout the county entitled "On Rectifying Unhealthy Tendencies in Tax Collection," calling on the leadership at all levels and on all units to straighten out the triangular relationship among the state, enterprises, and individuals, to maintain tax collection discipline and ensure the steady increase in tax revenue for the state treasury. The tax bureau of Yinchuan Municipality specially arranged classes for personnel of the finance committees of collective industries and commerce to propagate taxation policy, explaining accounting systems and encouraging enterprises to do their own checking and pay their overdue taxes. Cadres of this bureau carried out in an organized way a check of tax fraud and tax evasion, which yielded a total of 649,000 yuan in due taxes. In the city of Shizuishan the tax bureau discovered and solicited payment of overdue taxes amounting to 689,000 yuan.

In the first half of this year, Ningxia's industrial and commercial enterprises have had increases in their economic results, and the profits they realized as well as the taxes turned in increased conspicuously. Ningxia's

light industry and textile sectors, according to market information, adjusted the composition of their products, increased production of readily selling articles and achieved a 96-percent increase in sales receipts compared to the same period last year. At the same time, service volume in Ningxia's tertiary industries also increased, providing a source for taxation and increasing tax revenue.

9808

CSO: 4006/17

INDUSTRY

SUPPORT FOR DEVELOPMENT OF AUTOMOTIVE INDUSTRY

OW300734 Beijing XINHUA in English 0653 GMT 31 Dec 85

[Text] Beijing, 31 Dec (XINHUA)--China's automotive industry is aiming at becoming a pillar of the national economy, according to Chen Zhutao, general manager of the China Automotive Corporation.

The 57-year-old general manager believes that the way to achieve the goal should be specialized mass production.

Chen Zhutao has worked as an engineer at China's top automotive plant in Changchun, Jilin Province, and was the designer of the second biggest manufacturer, in Hubei Province.

At a national conference held last week for the automotive industry, Chen stressed that cooperation among all sections of the industry was the only way to overcome the lack of financial, material and technological resources facing China's scattered and isolated, yet overlapping, motor vehicle enterprises.

The general manager recalled how China's first manufacturing plant was built in only three years, and how depending on its own efforts, China successfully designed and built another with an annual capacity of 100,000 vehicles. Now China can turn out 400,000 motor vehicles a year.

However, China's automotive industry is still far from being developed, Chen said. Kept back for a long time by the idea that motor vehicle production quotas should be fixed according to the output of petrol, and by insufficient highways, domestically made motor vehicles have failed to meet the needs of the home market and lagged behind foreign vehicles in quantity, quality and variety.

Chen holds that China should energetically expand its automotive industry to promote the output of petroleum, rubber and steel, and the construction of highways rather than wait passively for the development of these sectors. His view was supported by the central government.

The first step in the coming five years is to lay a good foundation for a big leap in automotive production in the 1990s, and his corporation, headquarters of China's automotive industry, has worked out concrete plans:

The country's 3,000 state-owned manufacturers and parts and accessories plants will be merged into ten big manufacturers and a parts and accessories corporation.

Chen explained that such specialized mass production would aim at producing advanced motor vehicles of the 1980s.

He has had some difficulties, accustomed to manufacturing motor vehicles in an exclusive way. Some medium-size or small enterprises are not willing to join specialized mass production in areas such as refitting or parts and accessories plants.

Chen said he would not restrict certain plants whose products were still needed at these localities for the time being. However, the general manager showed his firmness by saying that he would take administrative and economic measures to quicken the merge.

Chen has fixed his eyes on the international market also, hoping that China will soon export motor vehicles instead of importing them.

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CSO: 4020/159

INDUSTRY

JINGJI RIBAO FORECASTS INCREASE IN TOURISM

OW062025 Beijing XINHUA in English 1501 GMT 6 Dec 85

[Text] Beijing, 6 Dec (XINHUA)--Three million foreign tourists will visit China in 1990--twice the present annual figure, according to a forecast in today's ECONOMIC DAILY.

And the figure could be as high as 10 million by the end of the century, the newspaper quoted tourism experts as saying.

The paper devoted two-thirds of its front page to the importance of developing tourism in China, which it described as a business involving low investment and high profits.

It said the industry was expected to earn U.S.\$5 billion of foreign exchange in the current five-year plan (1981-1985).

At present, two-thirds of the foreign visitors are from the West, but more tourists from developing countries are expected over the coming decade.

More than 3,000 factories are turning out goods for the industry, and 500 tourist hotels have been opened in recent years. Many are run as Sino-foreign joint ventures.

The paper said the industry had been exploiting the attractions of Chinese traditions, culture and scenery.

The kite festivals in Shandong Province, the Tibetan mountains, horse races on the inner Mongolian grasslands and ice sculptures in Heilongjiang Province have all proved to be big tourist attractions.

State Councillor Gu Mu was quoted as saying that cities famous for their history, culture or beauty spots should give a high priority to the development of tourism.

Gu also stressed the importance of improving the training of tourism officials. Management experience from other countries would be a great help to improving services.

The paper published a letter from the National Tourism Administration complaining about the lack of skilled tourism service workers.

Only three percent of service employees in the industry had received professional training. More tourism training establishments and courses should be organized.

ECONOMIC DAILY also published four letters from foreign tourists, two praising services in China and two complaining.

The complaints concerned problems with air and rail services and hotel accommodations.

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CSO: 4020/159

INDUSTRY

BRIEFS

1986-90 STEEL OUTPUT--Beijing, 19 Dec (XINHUA)--China plans to produce 260 million tons of steel during the Seventh Five-Year Plan, which begins in 1986, according to the metallurgical industry ministry. This represents a 30 percent increase over total output during the Sixth Five-Year Plan, which ends this year, a ministry official said. Steel output during the Sixth Five-Year Plan is a record 200 million tons, 11 times what it was during the first (1953-57), the official said. Except for the Third Five-Year Plan, which began in 1966, extra steel production exceeded 32 million tons during each of five other plans. Increased output topped 55 million tons during the Sixth Five-Year Plan, roughly equivalent to the total produced during the second (1958-62). China is expected to turn out 37 million tons of rolled steel and 46.5 million tons of standard steel by the end of this year. [Text] [Beijing XINHUA in English 0706 GMT 19 Dec 85 OW] /9738

WOLFRAM ASSOCIATION SET UP--Nanchang, 26 Dec (XINHUA)--The Chinese Wolfram Industry Association was set up last week in this Jiangxi Province city regarded as the "capital of China's Wolfram Industry". The association aims at promoting foreign trade in the metal and providing information about the international Wolfram market, said an official of the association. China leads the world in Wolfram deposits, concentrated ore and output, the official noted. Verified reserves in China come to almost half of the world's total, and the export of concentrated ore amounts to about 40 percent of the international market supply, he said. Exports this year were 25 percent higher than in 1984, and production increased 4.8 times. Wolfram power output increased 57.6 percent, and the export of Wolfram carbide powder increased 40 times, the official revealed. [Text] [Beijing XINHUA in English 1436 GMT 26 Dec 85] /9738

MORE STEEL PRODUCED--Beijing, 2 Jan (XINHUA)--The Anshan Iron and Steel Company in Liaoning Province has produced 34,540,000 tons of steel in the 1981-1985 period, today's "economic daily" reported. It has supplied the state with 8.16 billion yuan in profits and taxes. It is one of China's largest iron and steel companies, and the figure represents 17 percent of the country's total revenue from the industry during the Sixth Five-Year Plan. Anshan's profits and taxes have been increasing at an average annual rate of 10 percent over the past three years. In the period, it has produced 22,910,000 tons of rolled steel and 31,500,000 tons of pig iron. [Text] [Beijing XINHUA in English 0640 GMT 2 Jan 86 OW] /9738

NEW PETROCHEMICAL CONGLOMERATE--Beijing, 24 Dec (XINHUA)--China has set up a petrochemical equipment conglomerate by merging 116 manufacturing, designing and research enterprises, the overseas edition of the PEOPLE'S DAILY reports. The Guangzhou-based new company specializes in developing complete sets of equipment for China's oil, petrochemical, coal chemical, and chemical industries. It will also offer sales and consultancy services, the paper says. Sponsored by China Petrochemical Equipment Company, the conglomerate consists of petroleum, geology, engineering, aviation, ordnance, railway, metallurgy and nuclear enterprises. It will provide equipment for China's key capital construction projects planned for the Seventh Five-Year Plan period (1986-90), the paper adds. These will include projects of onshore and offshore oil prospecting and development, intensive processing of petrochemical products and urban gas work. [Text] [Beijing XINHUA in English 0734 GMT 24 Dec 85 OW] /9738

LIAONING MACHINERY INDUSTRY--During the implementation period of the Sixty 5-Year Plan, machinery industry enterprises throughout Liaoning Province are expected to realize a total output value of 7.35 billion yuan, a 69 percent increase over the 1980 figure. The number of product varieties will increase from 4,700 in 1980 to 7,000 at present. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 25 Dec 85 SK] /8918

HEBEI BUILDING MATERIALS INDUSTRY--The building materials production of Hebei Province increased by a large margin during the "Sixth 5-Year" Plan period. In 1984 the province's total output value of the building materials industry reached 1.69 billion yuan, attaining the Sixth 5-Year Plan target 1 year ahead of schedule. So far, more than 30 varieties of building materials have been named quality products by the state and the province. During the "Sixth 5-Year" Plan period, this province has increased its cement production capacity by 3 million tons and its plate glass capacity by 3.9 million standard boxes. [Summary] [Hebei HEBEI RIBAO in Chinese 12 Dec 85 p 1 SK] /8918

GUIZHOU CIVILIAN GOODS INDUSTRY--The total output value of civilian products by the Guizhou Administration Bureau of Ministry of Astronautics from January to November this year amounted to some 125.1 million yuan, an increase of 72 percent over the same period last year. [Summary] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 27 Dec 85 HK] /8918

CSO: 4006/508

CONSTRUCTION

PROVINCIAL GOVERNMENT HOLDS PROJECT APPRAISAL MEETING

SK310814 Jinan Shandong Provincial Service in Mandarin 2300 GMT 29 Dec 85

[Text] From 25 to 29 December, the provincial government held a meeting to examine the design of a project for diverting Huanghe waters to Qingdao City in Jinan. The meeting participants expressed the firm belief that the guidelines and the overall arrangements of the project design are reasonable and feasible. Vice Governor Lu Hong presided over the meeting and delivered a speech.

Comrade Lu Hong said: The project on diverting Huanghe water to Qingdao City is our province's largest local capital construction project since the founding of the PRC. Making this project successful is of great significance in vitalizing Qingdao's economy and the province's economic construction. At present, state and local financial resources are very limited; therefore, we must strive to practice economy.

Comrade Lu Hong called on the prefectures and cities along the water diversion route to take the whole situation into account. Those prefectures and cities on the upper reaches of the river should take care of those on the lower reaches and those on the lower reaches should give consideration to those on the upper reaches. Prefectures and cities on the middle reaches of the river should give consideration to those both on the upper and the lower reaches. All provincial-level departments should make positive contributions to the project on diverting Huanghe water to Qingdao City, strive to complete the project and put it into operation in 3 years, and ensure water supply to Qingdao qualitatively and quantitatively.

Invited to the meeting were leaders of the State Planning Commission and the Ministry of Water Resources and Electric Power, the Ministry of Urban and Rural Construction and Environmental Protection, the Provincial Planning Commission, and the Provincial Construction Committee, as well as other provincial-level relevant departments and leaders, experts, engineers, and technicians from Qingdao and Dongying cities and Weifang and Huimin prefectures, totaling some 140 persons.

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CSO: 4006/508

CONSTRUCTION

FORECAST FOR CHINA'S BUILDING CONSTRUCTION, 1985 TO 2000

Beijing JIANZHU JINGJI [ARCHITECTURAL ECONOMY] in Chinese No 10, 18 Oct 85 p 19

[Text] The Ministry of Urban and Rural Construction and Environmental Protection's Group in Technical Policy Blueprinting for Construction has constructed a preliminary forecast of the amount of China's building construction between 1985 and 2000, adopting the combined methods of ratio analysis and a survey of expert opinion. The results are indicated in the chart below. The major methodological basis for this forecast is the ratio of building construction to national income and fixed capital investment. The channels of investment in building materials vary according to locale: in urban areas, most of the investment is channeled through the system of state ownership (there is relatively comprehensive statistical data to this effect), while a portion of the investment derives from collectives or individuals; in the countryside, the overwhelming majority of the investment derives from individuals and collectives.

Forecast of the Amount of Building Construction in China from 1985 to 2000

Period		1985	1986 to 1990	1991 to 2000	Total for all 16 yrs. 1985-2000	Percent
Housing construction in cities & towns	investment*	22.331	126.700	410.700	559.731	52.6
	area**	0.12845	0.65614	1.67375	2.45834	58.2
Public facilities construction in cities & towns	investment	10.710	62.630	207.060	280.400	26.4
	area	0.05178	0.26347	0.67250	0.98775	23.4
Industrial construction in cities & towns	investment	8.318	49.220	165.830	223.368	21.0
	area	0.03402	0.18295	0.55979	0.77676	18.4
Total construction in cities & towns	investment	41.359	238.550	783.590	1,063.499	100
	area	0.21425	1.10256	2.90604	4.22285	100
Construction in countryside	investment	26.95	154.00	385.00	565.95	--
	area	0.77	3.85	7.70	12.32	--
Total construction in countryside and cities & towns	investment	68.309	392.550	1,168.59	1,629.449	--
	area	0.984	4.953	10.660	16.543	--

\*Investment listed in units of billions of yuan.

\*\*Area of construction listed in units of billions of square meters.

CONSTRUCTION

XINJIANG CONSTRUCTION OF PETROCHEMICAL WORKS TO BEGIN SOON

HK280842 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 26 Dec 85

[Text] (Li Heping), a reporter of this station, learned from the meeting on the coordination of design and construction of (Depu) petrochemical work in southern Xinjiang which concluded today that all preparations for the construction of (Depu) petrochemical works--a key project in the region during the Seventh 5-Year Plan period--have basically completed and that construction will begin in the first quarter of next year.

(Depu) petrochemical works is a key project which, with the approval of the State Council, will be built with state investment. This project will include a chemical fertilizer plant whose annual output of synthetic ammonia will be 60,000 tons and whose annual output of urea will be 110,000 tons, an oil refinery which will process 150,000 tons of crude oil a year, and a plant which will produce 10,000 tons of LPG a year. The total investment will be nearly 500 million yuan. After these three main projects are all completed by 1989, the demand for chemical fertilizers, fuel oil, and LPG in Kashi and Hotan prefectures and Kizilsu Kirgiz Autonomous Prefecture in southern Xinjiang and in Ngari Prefecture in Xizang can be basically met.

During the meeting on the coordination of design and construction of (Depu) petrochemical works, comrades, including Song Hanliang, secretary of the regional CPC Committee; and Tomur Dawamat, chairman of the region, attended the meeting, listened to the reports on the preparatory work for the construction of the project, and spoke.

Comrade Song Hanliang said: The construction of the three plants of the (Depu) petrochemical works project fully embodies the cordial concern of the CPC Central Committee and State Council for the people of all nationalities in the minority-nationality areas in southern Xinjiang and is extremely important for speeding up the economic development in southern Xinjiang, improving the livelihood of the people of minority nationalities in distant border areas, strengthening national unity, and consolidating and developing the excellent situation of stability and unity.

Song Hanliang demanded: All departments in the region must regard supporting the construction of the three plants of (Depu) petrochemical works as their duty and go all out to support it in manpower, material resources, and other aspects to ensure the completion of the project with good quality and to benefit the people of all nationalities in southern Xinjiang.

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CSO: 4006/508

CONSTRUCTION

PLA FULFILLS CONSTRUCTION PLAN FOR REMOTE POSTS

OW200620 Beijing Domestic Service in Mandarin 1200 GMT 18 Dec 85

[Text] According to a report by this station's reporter (Wang Shude), the 3-year all-Army construction plan for border defense areas and islands, approved by the State Council and the Central Military Commission, has been successfully fulfilled. The more than 20,000 new projects built since 1983 have been put to use to the benefit of commanders and fighters stationed in border defense areas and on islands, tremendously improving their livelihood exercise of duties, and training.

Recently, the PLA General Logistics Department delivered a report to the party Central Committee on the fundamental changes of the Army's border defense areas and islands. Since the implementation of the 3-year construction plan for border defense areas and islands, the General Logistics Department has made various allocations totaling nearly 800 million yuan for building and remodeling barracks covering more than 1.8 million square meters of floor space and for building more than 4,000 km of highways, enabling companies stationed in remote areas which previously had no barracks to move into new housing. In addition, scores of companies stationed in remote areas of Heilongjiang Province have installed heating equipment. Those remote companies with fixed locations are now accessible by highway, and a fundamental turn for the better has taken place in the communications, lighting, and drinking water facilities in border defense areas and on islands. More than 10 kinds of vegetables are growing at the border defense companies in Xinjiang, the northeast, and Xizang, thus improving the livelihood of the fighters.

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CSO: 4006/508

CONSTRUCTION

GANSU, NATIONAL LEADERS INAUGURATE STEELWORKS FURNACE

HK280706 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 26 Dec 85

[Text] At 1500 today, Li Ziqi, secretary of the provincial CPC Committee; and Lin Hua, vice minister for metallurgical industry, cut the ribbon in the inauguration ceremony of a steelmaking converter at the steelmaking workshop of Jiuquan steelworkers.

After cutting the ribbon, Li Ziqi enthusiastically went to the control room of the steelmaking converter, and lightly pressed a button. Then, the converter poured out molten steel from the chamber.

At the ribbon-cutting ceremony, Governor Chen Guangyi expressed on behalf of the provincial CPC Committee and government congratulations to workers, cadres and technicians who took part in the construction of the project, as well as to steelworks' whole staff and their families. He also expressed sincere thanks to the Ministry of Metallurgical Industry and all other units in other parts of China, which greatly supported the project.

Governor Chen Guangyi pointed out that after 2.5 years of tense construction work, the steelmaking project of Jiuquan steelworks, which has been the focus of attention of the province's people, is operational today. This is a great achievement in the province's economic construction, and it has great significance for the economic construction of the province as well as northwestern China.

Chen Guangyi said: The provincial CPC Committee and government hope that the whole staff of Jiuquan steelworks will uphold the practice of giving priority to reforms, will further perfect various kinds of economic responsibility systems, will do well in the technological transformation of enterprises, will do well in training workers, will constantly apply the advanced technology and techniques to their production, and will strive to build the steelworks into a modern steelmaking joint enterprise.

Liu Hua, vice minister for metallurgical industry, also spoke at the ceremony. The ceremony also read out the congratulatory letters of the provincial CPC Committee and government.

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CSO: 4006/508

CONSTRUCTION

NI ZHIFU CUTS RIBBON AT WORSTED MILL OPENING

Zhenhua Worsted Mill

OW240027 Beijing XINHUA Domestic Service in Chinese 1220 GMT 23 Dec 85

[Text] Tianjin, 23 Dec (XINHUA)--Zhenhua Worsted Mill in Tianjin Municipality, a large enterprise making worsted fabrics, was completed and put into trial operation today. Ni Zhifu, secretary of the Tianjin Municipal CPC Committee, cut the ribbon at a ceremony marking the completion of this worsted mill.

With more than 19,000 spindles and some 460 sets of weaving and dyeing equipment, Zhenhua Worsted Mill in Tianjin can produce 2,328 metric tons of worsted yarn and 6.1 million meters of worsted fabrics annually. With the operation of this mill, the production of worsted fabrics in Tianjin will be more than doubled.

Zhenhua Textile Plant Completed

SK240352 Tianjin City Service in Mandarin 0030 GMT 24 Dec 85

[Excerpts] Yesterday the construction of Zhenhua woolen textile plant, one of the municipal key technical transformation projects and the largest light textile and woolen fabric plant in China at present, was completed and put into operation on a trial basis.

At present, 10 of the municipality's 12 key technical transformation projects in the textile departments have been put into production on a trial basis. The remaining two projects will be completed and will go into production in the first quarter of next year. Upon completion and entry into production, these projects will help increase the annual output of coarse woolen textile fabrics by 2.61 million meters, fine woolen textile fabrics by 6.1 million meters, and middle- and high-grade bed sheets by more than 4 million, which will make the municipality's textile products more rich and colorful.

Ni Zhifu, secretary of the municipal CPC Committee, cut the ribbon at the opening ceremony of Zhenhua woolen textile plant. Mayor Li Ruihuan attended and addressed the opening ceremony.

The municipal leading comrades attending yesterday's ceremony to mark the trial operation of Zhenhua woolen textile plant also included Nie Bichu, Bai Hualing, Hao Tianyi, Li Zhongyuan, Mao Changwu, Li Yanwu, and Wang Jiexiang.

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CSO: 4006/509

CONSTRUCTION

NEW DRAINAGE SYSTEM SUCCESSFULLY INAUGURATED

Harbin HEILONGJIANG RIBAO in Chinese 16 Oct 85 p 1

[Article by Shen Cai [3088 2088] and Pan Futian [3382 4395 3944]: "Completion of the Bielahong He Drainage System--Criss-Cross Network of 1,000 Drainage Channels Converts Vast 'Devil's Swamp' Into Fertile Cropland; 30 cm of Water Stood in Fields by the Time Rain Stopped; on Following Day, Combine Harvesters Could Begin Work in Fields"]

[Text] Construction has now been completed on the Bielahong He drainage system, which is one part of the Comprehensive Engineering Project for the Control of Waterlogged Areas in the Sanjiang Flatlands. The drainage system has begun to be put into operation.

The marshy lands in the Bielahong He Valley were formerly referred to as a vast "Devil's Swamp." Today, the area contains a criss-cross network of over 1,000 drainage channels. During July and August this year, the total rainfall in the Bielahong He Valley was 34.16 cm. After one particularly heavy rainstorm, the ground was covered by a vast sheet of water to an average depth of over 20 cm. Yet due to the functioning of the drainage works, the surface water had basically drained away within 24 hours after the heavy rainstorm, and the farmlands were thus protected. This year, 11 farms in the Bielahong He Valley planted a total of 510,000 mu of wheat. After the floods, their rush harvest yielded a total of 119 million jin of wheat, which, at an average yield of 233.5 jin per mu, amounted to 34.8 jin per mu more than the average harvest in flood-beleagured wheatlands outside the Bielahong He Valley. Torrential rains fell during August at Hong He farm, situated along the middle reaches of the Bielahong He's central watercourse. Over 18 cm of rain fell within one 16-hour period, and water stood in the fields to a depth of nearly 30 cm. Yet in less than a day after the rain stopped, all the surface water had drained away, and by the afternoon of the second day, large-horsepower combine harvesters set to work in the fields.

Approved by the state in 1977, this construction project was placed in the category of key national water conservancy construction projects for that year. With an overall length of 117 km, it is second only to the Yinnen Canal as the most extensive large-scale water conservancy project in the province. After the principal portion of the Bielahong He project was

completed and put into operation in 1979, the second stage of the Bielahong He drainage project was carried on by the Water Conservancy Bureau of the Provincial Central Bureau of Agriculture and by the Sanjiang Agricultural Administration Bureau, and was furthermore placed under the category of key construction projects in the provincial Sixth 5-Year Plan. Technicians and workers at the construction site bore up under extremes of hot and cold, withstanding the hardships of wading through muddy water, treading atop marshes, and eating and sleeping without shelter from the elements. Within a marshy area over 3 million mu in extent, they dug 1,312 drainage ditches with a total length of 2,843 km; they built 479 bridges, culverts, and spillways, as well as 5 central aqueducts; and they moved a total of 46.2 million m<sup>3</sup> of earth. By doing so, they basically solved the problems of water conservancy and drainage in channels of branch size and larger throughout all of the farms along the upper and middle reaches of the river.

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CSO: 4006/272

CONSTRUCTION

HARBIN HIGHWAY BRIDGE PASSES QUALITY INSPECTION

Harbin HEILONGJIANG RIBAO in Chinese 13 Oct 85 p 1

[Article: "Construction Quality of Songhua Jiang Highway Bridge Excellent--Meticulous in Design, Guaranteed for Quality"]

[Text] The Harbin Songhua Jiang highway bridge currently being built is an important construction project of the Ministry of Communications and Heilongjiang Province. The Ministry of Communications recently entrusted the provincial Department of Communications with the task of implementing a comprehensive quality inspection of the bridge. The inspection ascertained the excellent achievement of this construction project.

Having completed a careful investigation of the construction materials and made spot checks at the site, the inspection group considers that in regard to standard dimensions, the axial symmetry over the length of the entire bridge is precise. The elevation of the section of cast suspension over the main arch of the central span has been controlled very well, for the degree of precision with which the two ends of the bridge are joined in the middle is relatively high, reaching an advanced level by industry standards. With regard to the elevation of each section of construction underneath the main span, the gradient of the piles, and so on, the inspection results all fall within the range of error permitted by regulation standards. The geometrical configuration of the beams over the southern entrance to the bridge also matches with regulation standards. The strength of the concrete portions within the overall bridge construction meets with design requirements, and as for the quality of the concrete, it is solid throughout, smooth-textured, and flat and even along its surfaces. Moreover, the depth of the riverbed sediment layers into which the bridge piles are sunk accords with advanced national targets.

The inspection group considers that the highway bridge under construction is meticulous both in design and in construction, and meets with both construction standards and quality requirements.

The inspection group considers the adoption of a series of quality control measures by all the construction work units to have been crucial for the achievement of excellence in this construction project. The group established a quality control system, launching full-scale quality management

activities. It tightened quality inspections of the construction process, perfecting the system of coordinating changes in workshifts. Moreover, the inspection group intensified work duties involving the testing of materials and the standardization of measurements, establishing strict controls on how to grade raw materials as passable in quality. It also established various kinds of economic responsibility systems in order to guarantee quality, providing strict and clear guidelines on the distribution of bonuses and penalties.

Over 20 persons have taken part in this inspection, including engineers and technicians from committees on construction at the provincial and municipal levels, as well as specialists from colleges, research institutes, and bureaus of design research.

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CSO: 4006/272

CONSTRUCTION

BRIEFS

ECONOMIC CONSTRUCTION AIDED--Units under the Commission of Science, Technology, and Industry for National Defense have supported the nation's economic construction with their high technical capability and advanced equipment and facilities. In 1985 they assisted 390 local construction projects, about 3 and 1/2 times as many as in 1984, with economic results 8 times as high. In developing new technologies, the commission undertook to develop XINHUA NEWS AGENCY's computerized news transmission system, whose first phase has already been put into operation. The system uses computers to control the entire process of manuscript input, processing, transmission, handling, and storage, with a transmission and receiving speed 10 times higher than under the old system. Engineering design units under the commission have also actively taken part in civil project design. After accomplishing its tasks in national defense design, the Engineering Design Institute of the commission allocated 25 percent of its manpower to accomplish the design of an automatic warning system for detecting petroleum liquefaction agent leaks, an automated stage for the Central Song and Dance Theater, and 32 other major projects, covering 135,000 square meters in floor space. This year various units under the commission also built nine factories with investments from various localities and with an expected output value of 3 million yuan. [Text] [Beijing Domestic Service in Mandarin 1600 GMT 27 Dec 85 OW] /8918

SHANDONG SHENGLI BRIDGE DEDICATION--The construction of a highway bridge--the Shengli bridge which will be China's longest fixed-cable bridge spanning the Huang He--has formally began on the eastern part of Kenli Ferry on the lowest reaches of Huang He. The Shengli Oilfield ceremoniously held a foundation stone-laying ceremony at the construction site. State Councillor Kang Shien attended the ceremony and threw the shovels of dirt for the foundation stone of the bridge. The Shengli Bridge, the 34th bridge spanning the Huang He, is 40 kilometers from the Huang He Estuary. This bridge will be 2,817 meters long and 19.5 meters wide, of which 16 meters will be used for traffic lanes sufficiently wide for four large trucks to drive abreast. The principal part of the bridge will be 682 meters long and the main span 288 meters long, which is 68 meters longer than the Jinan Huang He Highway Bridge, the one with the longest span. Under the bridge will be four oil pipelines and three communications and electric cable lines. This bridge has been designed by the Shandong Provincial Communications Planning and Design Institute, and the construction undertaken by the Shandong Communications Engineering Company. This bridge will be completed and opened to traffic in 1987. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 28 Dec 85 SK] /8918

JIANGSU GRAND CANAL UPGRADING--Nanjing, 30 Dec (XINHUA)--The 400 km section of China's Grand Canal passing through Jiangsu Province has been developed into a major waterway for the shipment of coal from north to south. This section, after 3-year widening and dredging operation, is now 60 to 70 meters in width and 4 meters in depth. It is a key item in China's Sixth 5-Year Plan (1981-85). The section is between Xuzhou and Yangzhou. With a history of 2,500 years, it is the oldest section of the Grand Canal, which connects Beijing and Hangzhou. More than 600,000 laborers took part in the project. Apart from the dredging of 158 km of narrow channel, they also built two lock gates. Now, 5 million more tons of freight can pass through the section in a year. Eight pumping stations were built, and this increased the flow of irrigation water from the Yangtze River to the arid lands around Xuzhou from 15 cubic meters to 50 cubic meters per second. The excavated earth was used to strengthen anti-flood barriers to the east of the canal. Further work on this section, with the focus on harbors, docks, bridges, communications systems, and other facilities will begin in 1986. [Text] [Beijing XINHUA in English 1127 GMT 30 Dec 85 OW] /9738

CITY HOUSING CONSTRUCTION--Tianjin, 30 Dec (XINHUA)--One-tenth of the families have moved into new apartments this year, eliminating all housing endangered by floods in this north China coastal city, Mayor Li Ruihuan said today. This week, 14,000 families--the last of the 100,000 that have moved--began living in a new 310,000 square meter apartment complex. Tianjin has been building housing at break-neck speed since 1976, when an earthquake damaged three-quarters of the city's buildings and left hundreds of thousands of people homeless, Li said. By 1981, the city was able to provide permanent housing for all who had been living in temporary shelters. Since then, Tianjin--with four million people in its urban areas--has built 16.9 million square meters of housing complexes safe from flooding. [Text] [Beijing XINHUA in English 0652 GMT 30 Dec 85 OW] /9738

CSO: 4020/159

DOMESTIC TRADE

TIANJIN-NORTHWEST CHINA TRADE LINKS TO STRENGTHEN FOREIGN TRADE

SK260740 Tianjin City Service in Mandarin 0030 GMT 26 Dec 85

[Text] The 5-day meeting on foreign trade cooperation of the north and northwest China successfully concluded in Tianjin on 25 December. The provinces, autonomous regions, and the municipality participating in the meeting decided to provide Tianjin with more than 300 million yuan worth of commodities for export. Attending the meeting were Chen Jie, assistant minister of foreign economic relations and trade, and responsible comrades of the Tianjin Municipal People's Government.

Participants of the meeting maintained that striving to expand the export and actively strengthening the ability in earning more foreign exchange constitute an important strategic task for both port and inland areas. Both the Tianjin port and inland areas have their own favorable factors. Only by strengthening the lateral contacts and vigorously organizing various forms of cooperation will it be possible to fully mobilize the initiative of all fields, to stand firmly amid the acute competition on the international market, and to help our country expand export and earn more foreign exchange.

During the meeting, in accordance with the principles of equality, mutual benefit, friendly negotiations, close cooperation, and common development, the participants examined various ways of cooperation such as carrying out cooperative operation in export business between the Tianjin port and the inland areas or among the various inland areas and carrying out export business on a commission basis.

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CSO: 4006/493

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DOMESTIC TRADE

BRIEFS

GANSU-ZHEJIANG ECONOMIC COOPERATION--Gansu's leading organs have signed 96 economic cooperation contracts with their counterparts in Zhejiang to develop the two provinces' rural enterprises. Zhejiang has relatively well developed rural enterprises, whereas Gansu lacks technology but is rich in resources. At present, rural enterprises of the two provinces are coordinating efforts in carrying out various construction projects. [Summary] [Beijing Domestic Service in Mandarin 1200 GMT 19 Dec 85 OW] /8918

CSO: 4006/493

FOREIGN TRADE AND INVESTMENT

PROPOSED REFORMS FOR FOREIGN EXCHANGE CONTROL SYSTEM

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 11, 5 Nov 85 pp 19-21

[Article by Wu Chuanying [0702 0278 5381]: "The Case for Integrating Foreign Exchange Control with Foreign Exchange Management"]

[Text] Since China adopted the open door policy, its foreign exchange reserves have risen year after year, reaching \$14.342 billion by late 1983, up 8.2-fold over 1978, and rising to another high of \$16.481 billion at the end of the second quarter in 1984. From the fourth quarter onward, however, a downward trend has emerged in our foreign exchange reserves, accompanied by a worsening foreign exchange black market. There are two reasons for this development. First, as we further pursue our open door and economic vitalization policies and accelerate the pace of economic development, the amount of foreign exchange used also soars. Second, in a foreign exchange system still fraught with imperfections, our foreign exchange control and foreign exchange management are not coordinated, resulting in a lack of control in our use of foreign exchange on the macroeconomic level. Premier Zhao Ziyang has pointed out, "One of our major problems following the opening of China to the world is the foreign exchange issue. We cannot afford a serious foreign exchange imbalance and we must always maintain our ability to pay in foreign exchange." Hence the urgency of studying the foreign exchange problem, which, however, is a complex one. There are the macroeconomic aspects of control and management as well as the microeconomic aspects of economic vitalization. In addition, there are questions related to the coordination of the two. This article presents a few personal views on how to coordinate foreign exchange control with foreign exchange management as a step toward successful macroeconomic control and microeconomic vitalization.

I

Since the founding of the PRC, we have followed the principle of "centralized control, unified management" with regard to foreign exchange. This principle took statutory form with the promulgation by the State Council of the "Provisional Regulations for Foreign Exchange Control of the People's Republic of China" in December 1980. Three decades of experience shows that this principle suits China's circumstances. For one thing, China is a socialist country practicing economic planning. Foreign exchange planning is an organic component of overall national economic planning and occupies a crucial place

in maintaining the four-way balance among finance, credit, materials and foreign exchange. Second, as an economically underdeveloped nation with 1 billion people, we have to live with the shortage of foreign exchange and funds in our four modernizations for a long time to come. Third, our foreign exchange, and there is only a small amount of it, is hard to come by and earned at a high cost. We must avoid any waste and use our limited funds in a balanced manner and at the cutting edge. Fourth, in the wake of the open door and economic vitalization policies, all regions, departments and enterprises are scrambling for foreign funds in a variety of ways. In a microeconomic sense their activities are justified as they are necessary to economic vitalization. From the macroeconomic perspective, however, they must be subject to strengthened control. To ensure that the four modernizations can advance in a sustained, stable and coordinated way and avoid major foreign exchange difficulties, we must steadfastly adhere to the principle of "centralized control, unified management" at the present stage.

## II

Given China's present circumstances, any serious attempt to implement the principle of "centralized control, unified management" inevitably involves an examination of the existing foreign exchange control and management systems and such questions as how to correctly interpret and handle the relations between foreign exchange control and foreign exchange management. Generally speaking, foreign exchange control falls under macroeconomic control while foreign exchange management focuses on economic vitalization on the microeconomic level. But control and management cannot be put in separate watertight compartments; especially under our present economic system in which macroeconomic control and economic vitalization by state banks must be consistent with each other, close coordination between the two assumes particular significance. Divorced from foreign exchange management, foreign exchange control will not be able to exercise comprehensive and effective control over the entire area of foreign exchange and may come to nothing. Conversely, without foreign exchange control, foreign exchange management tends to become sheer business operations and lose its sense of purpose, in which case it will not be able to contribute to the four modernizations as much as it should. Only by closely combining the two can we accomplish our desired objectives and get twice the results with half the effort.

As we all know, foreign exchange control and management were in the hands of the Bank of China, the state bank specializing in foreign exchange, from 1949 to 1982. During this period, the bank, in coordination with other departments concerned, not only overcame the state's foreign exchange difficulties created by the embargo and blockade imposed by the imperialists in the early years of the PRC, but also made due contributions to the subsequent long-term effort by the state to import advanced technology and equipment, secure information in a timely way, and raise large amounts of foreign exchange and funds in order to develop the economy. Moreover, it has built up a solid reputation at home and abroad. From 1982 onward, however, influenced by the theory in certain Western nations that the central bank should oversee foreign exchange control, China has severed foreign exchange control from foreign exchange management. Its functions now whittled down to foreign exchange management, the Bank of China became no different from an ordinary commercial bank. Whether or not

such an approach suits China's situation merits further investigation. First, the Bank of China is the state bank of the PRC which specially handles foreign exchange for the state. It possesses administrative powers and represents government interests. In accordance with regulations, it can sign all necessary agreements, including agreements with foreign governments, as authorized by the state and mandated by the People's Bank of China. Herein lies an essential distinction between the Bank of China and commercial banks in most Western nations. Second, the Bank of China is an economic entity at the bureau level directly under the State Council. Within its jurisdiction as defined by the state, it can exercise its functions independently and play its role to the full in accordance with state laws, regulations, policies and plans. In this aspect too it is fundamentally different from the banking system in a Western nation. Third, the Bank of China was originally a functional department within the People's Bank of China whose special responsibility was foreign exchange control and management. Only after the 3d Plenum of the 11th CPC Central Committee when the highly centralized banking system then existent failed to meet the requirements of the nation's developing economy did the People's Bank of China directly submit a report to the State Council proposing that the Bank of China be hived off. The August 1982 circular of the State Council on the status of the Bank of China reiterates its functions as follows: organize, use, accumulate and manage foreign exchange and funds; handle all foreign exchange transactions; undertake international financial activities, and serve socialist modernization. It is thus evident that after its separation from the People's Bank of China, its foreign exchange control and managerial functions remain unchanged. The only difference is that today the division of labor is more elaborate and better defined. Fourth, as a bank specializing in foreign exchange, the Bank of China not only takes care to vitalize its microeconomic operations, but also attaches a good deal of importance to strengthening macroeconomic control. This cannot be mentioned in the same breath as the exclusive profit motive of commercial banks in Western nations. In my opinion, therefore, the Bank of China is different from both a Western commercial bank and most enterprises in the nation. It is a special kind of enterprise. Given its responsibilities, not only must it not be detached from foreign exchange control, but it must go out of its way to strengthen it.

### III

Judging by the situation in various parts of our province, many problems have emerged after China separated foreign exchange control from foreign exchange management. First of all, foreign exchange control in many instances exists in a vacuum and cannot play its role effectively. Foreign exchange derived from trade, for instance, accounts for over 85 percent of Fujian's foreign exchange income. But since all import transactions are in the hands of the Bank of China, foreign exchange control agencies rarely have access to specific data and do not have a clear idea as to exactly when or where foreign exchange derived from exports is deposited. Hence the difficulties in trade-related foreign exchange control. Second, there is no clear division of labor or functional delineation. Under foreign exchange control regulations, enterprises must first obtain the approval of the foreign exchange control agency before they can open a foreign exchange deposit account with the Bank of China or remit deposits. It was originally within the jurisdiction of

special banks to handle deposits and remittances. To strengthen macroeconomic control, the Bank of China is now required to apply to foreign exchange control agencies for approval before it can undertake such activities. This means more tedious formalities for enterprises and may lead to buck-passing, to the detriment of the normal functioning of the bank. Clearly such a development is no help to economic vitalization. Third, the separation militates against improving the quality of foreign exchange control and foreign exchange management. As far as departments in charge of the former are concerned, since most of their staff members are novices relatively unfamiliar with foreign exchange work, it will be difficult for them to do a good job in foreign exchange control in the short run. As for the Bank of China, which used to be responsible for both foreign exchange control and management, it has been able to raise foreign exchange and funds on fairly favorable terms for the four modernizations in the past, given its substantial resources and considerable influence. Now, by removing foreign exchange control from it, we all but guarantee that foreigners' misunderstanding about the status of the bank will deepen, which will adversely affect the development of further cooperation between the bank and the international financial community. All the signs suggest that after the hiving off of foreign exchange control from the Bank of China, not only have we failed to achieve the hoped-for objective of strengthening macroeconomic control, but the microeconomic vitalization of special banks has actually been affected to a certain extent.

#### IV

At present as the restructuring of the city-oriented economic system gets under way, the financial system must inevitably be further reformed. As an important organic part of the financial system, the foreign exchange system must also be reformed accordingly. Foreign exchange is different from the renminbi; it has its own special characteristics and involves domestic and international circumstances, trade and nontrade issues, among other things. For these reasons, its reform must be tackled with extra caution. I believe that in reforming the foreign exchange system, we must first take China's past and present as our point of departure and hammer out a foreign exchange system that fits the nation's circumstances. Then we must use to advantage two sets of mechanisms, those for foreign exchange control and those for foreign exchange management, to ensure that the state achieves a balance in its foreign exchange accounts. Third, we must abide by the spirit of streamlining administration and delegating power. In light of these principles and spirit, I believe the existing system in which foreign exchange control is totally severed from foreign exchange management must be changed. State banks in foreign exchange should continue to take care of foreign exchange and funds and engage in all foreign exchange transactions. Since it is designated by the state to be a foreign exchange special bank, the Bank of China is duty bound to exercise macroeconomic control over the state's foreign exchange and be responsible for microeconomic vitalization as well. If it is limited to mere foreign exchange business and kept out of foreign exchange control, it will be hard pressed to play its proper role as the foreign exchange bank of the state. Second, even as a bureau in the People's Bank of China in the past, the Bank of China for a long time concerned itself with both foreign exchange control and management, with very impressive results. In the process

it has accumulated considerable experience which should prove useful if it is allowed to continue this function. Third, though a bureau-level economic entity directly under the State Council, the Bank of China is still subject to the leadership of the People's Bank. People's banks across the nation can actually coordinate, guide, supervise and inspect the foreign exchange work of the local Bank of China. Hence the return of foreign exchange control to the Bank of China will not undermine the powers of the People's Bank as the central bank. Instead it may relieve the latter of much routine work so that it can better concentrate on macroeconomic policies and the inspection and supervision of various special banks. Fourth, by centralizing foreign exchange control and management in the Bank of China, we will enable it to use the two kinds of mechanisms to better effect, successfully control the state's foreign exchange, put it to good use and ensure the availability of foreign exchange and funds needed by the four modernizations. Fifth, combining foreign exchange control and management can help avoid fragmentation, simplify paperwork and improve efficiency.

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CSO: 4006/425

FOREIGN TRADE AND INVESTMENT

HEBEI FOREIGN ECONOMIC, TRADE WORK CONFERENCE ENDS

SK180422 Shijiazhuang HEBEI RIBAO in Chinese 4 Dec 85 p 1

[Text] The provincial foreign economic and trade work conference ended recently. The conference participants studied and analyzed the situation of the province's economic and trade front and clarified the guiding ideology for future work, and called for focusing the foreign economic and trade work on importing more and creating more foreign exchange.

During the "Sixth 5-Year" Plan period, our province earned a total of more than \$4.42 billion from exports, showing an increase of 1.65 times over the "Fifth 5-Year" Plan period. As of the end of October 1985, our province had earned a total of some 1.045 billion from exports, an increase of 69 percent over the same period of last year.

The conference called for grasping the development of some key commodities, increasing the sources of goods, and expanding exports. Corn, cotton, carpets, clothing, textile products, aquatic products, ceramics, animal feed, knitting and cotton fabrics, hardware and mining products were listed as key products for development. The conference called for proceeding from the whole situation of the economic development strategy, making rational arrangements for the production of products according to the economic divisions, and gradually establishing more export commodities bases and special plants. The export commodities bases whose constructions are being prepared the corn export and production bases in the eastern part of Hebei Province and in Langfang Prefecture, the cotton export and production base in the Heilonggang valley, and the textile products export base in Shijiazhuang and Handan cities.

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27 January 1986

## FOREIGN TRADE AND INVESTMENT

## YUNNAN MEETING DISCUSSES FOREIGN TRADE WORK

HK220351 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 20 Dec 85

[Excerpts] The provincial government recently convened a foreign trade work conference, which studied questions of how to strengthen the province's ability to make foreign exchange through exports and create a new situation in foreign trade work. The meeting also drew up plans and measures for 1986 and for the Seventh 5-Year Plan.

Vice Governor Zhu Kui said: Developing foreign trade and strengthening our ability to make foreign exchange through exports is the requirement of implementing the open policy. It is an extremely important strategic issue related to China's modernization drive. Yunnan is a province awaiting exploitation. The exploitation of our variety of rich natural resources and the development of our economy will require a great deal of capital. Lack of foreign exchange will be a long-term problem. Yunnan relies on exports for 90 percent of its foreign exchange. How much foreign exchange we gain from exports determines the scale of our use of foreign capital to import technology and various goods. Hence, under the premise of persevering in reform and opening up, and continually improving quality and economic results, we must adopt effective policies and measures in our foreign trade work to fully mobilize the positive factors in all sectors, so as to achieve a new breakthrough in our foreign trade economy, and especially in our export capacity, during the Seventh 5-Year Plan.

Vice Governor Zhu pointed out: The key to promoting exports lies in having a source of key products that sell well, meet market needs, and are of high quality, low priced, and competitive in foreign markets. To achieve the province's export goal for the Seventh 5-Year Plan, we must act in accordance with the foreign trade policies and intentions contained in the CPC Central Committee's proposal on the Seventh 5-Year Plan, and encourage production and expand exports. All prefectures and counties and the departments concerned must base their efforts on supporting the development of production.

We must establish various types of export commodity bases and special factories and mines in a planned and measured way. On this basis, we should build an export production setup with Yunnan characteristics.

Vice Governor Zhu Kui pointed out: To make a success of foreign trade work in the province, we must strengthen leadership over the work. Government at all levels and the departments must put foreign trade work in an important place on their agenda.

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CSO: 4006/493

FOREIGN TRADE AND INVESTMENT

JIANGXI FOREIGN TRADE CONTINUES TO EXPAND

OW240536 Jiangxi Provincial Service in Mandarin 1100 GMT 23 Dec 85

[Excerpts] During the Sixth 5-Year Plan period, by establishing a correct guiding management and operation ideology, our province's departments of foreign economic relations and trade have achieved marked results in opening up international markets and in improving their ability to earn foreign exchange. Over the past 5 years, our province's total import and export amounted to \$1.21 billion, up 95.1 percent from the previous 5-year plan period. Compared with the Fifth 5-Year Plan period, Jiangxi's exports during the Sixth 5-Year Plan period increased 120 and its imports 23.38 percent. This year, Jiangxi is expected to increase its total imports and exports by 177 percent over 1980, representing an average annual increase of 26.8 [as heard] percent for the past 5 years.

Meanwhile, our province's export items have increased to over 580 in 13 categories from 104 in 7 categories in 1980.

In accordance with the principle of equality and mutual benefit, our province's foreign trade departments have actively developed a flexible trade system and have also expanded their market channels. While consolidating old markets and customers, they have continuously opened new markets, developed new customers, and gradually formed an export network with Hong Kong, Macao, Japan, Southeast Asia, the Middle East, and the Gulf states as their major customers. Our province's export commodities are now being sold in 123 countries and areas on all 5 continents.

During the Sixth 5-Year Plan period, our province's exports have gradually shifted from mainly primary products and raw materials to finished products or finely processed products, thereby raising the proportion of industrial and mining items in total exports by exporting more manufactured commodities.

Our province has also opened trading offices in Hong Kong, Macao, and foreign countries which have played a vital role in expanding import and export trade, attracting foreign investments, introducing advanced technology, collecting international market and economic information as well as scientific and technological data.

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CSO: 4006/493

FOREIGN TRADE AND INVESTMENT

BRIEFS

FOREIGN CAPITAL, TECHNOLOGY USED--Shanghai, 21 Dec (XINHUA)--Reform and opening to the outside world have brought vitality and vigor to Shanghai, China's largest urban center. As a result of the use of foreign capital and advanced technology, Shanghai's traditional industry is undergoing a delightful change; new, technology-intensive industries are emerging; and the multiple functions of the urban center are being gradually restored and developed. So far Shanghai has obtained foreign investment exceeding \$1.2 billion and signed some 830 contracts to import advanced foreign technology and equipment worth \$860 million. More than 1,100 imported items have been delivered and 312 of them, or the key items, have been put into operation, increasing Shanghai's industrial output value by more than 600 million yuan annually. Scientific research personnel in Shanghai now cooperate with industrial enterprises in developing new technologies, such as microelectronics, optic fiber communications, laser, marine engineering and new materials, on the basis of imported new technologies, in order to accelerate the modernization of production process. [By reporters Shen Shiwei and Xia Ruge] [Excerpts] [Beijing XINHUA Domestic Service in Chinese 0007 GMT 21 Dec 85 OW] /8918

QINGHAI FOREIGN TRADE--By 10 December, the volume of Qinghai's exports this year amounted to \$18.26 million, a rise of 39.4 percent over the same period last year. The province has had economic dealings and exchanges with 43 countries and regions, and over 300 foreign businessmen have come to visit. This was the first year in which the province handled its exports on its own. The provincial department of external economic relations and trade has used foreign capital and technology imports to further open up outlets for exports. The province has set up organs overseas for the first time, assigning permanent representatives to Japan and Hong Kong. The province also exported labor for the first time this year. [Summary] [Xining Qinghai Provincial Service in Mandarin 2330 GMT 22 Dec 85 HK] /8918

1986 FOREIGN TRADE WORK--On 19 December, at the provincial work conference on external economic relations and trade, Vice Governor Zhang Bin urged all comrades of the province's external economic relations and trade department to make early and sound arrangements for next year's work. They should make remarkable achievements from top to bottom and create favorable conditions for achieving the Seventh 5-Year Plan. Comrade Zhang Bin stressed: In order to put an end to the passive situation in the province's work concerning external economic relations and trade, we must do well in building our reputation so

that our clients will have faith in the province. At the same time, we must understand the international market and enliven the flow of information. In China, all of our work concerning external economic relations and trade must be based on factories and production bases. Therefore, we must pay attention to both factories and the production bases. We must not act like a foreign businessman who puts on airs. Comrade Zhang Bin said: Starting from next year, the external economic relations and trade department must seriously grasp the production system of export commodities. They should consolidate the old bases, do well in all commodities, and develop new ones, they should strive for new breakthroughs in the work. [Text] [Xian Shaanxi Provincial Service in Mandarin 2300 GMT 21 Dec 85 HK] /8918

CSO: 4006/493

SPECIAL ECONOMIC ZONES

PRESS INTERVIEW ON WAGE REFORM IN SHENZHEN

Shenzhen TEQU DANG DE SHENGHUO [THE WORK OF THE PARTY IN THE SPECIAL ECONOMIC ZONE] in Chinese No 5, 15 May 85 pp 29-33

[Article: "Are Enterprises in Shenzhen Special Economic Zone Implementing Wage Reform?"]

[Text] Since the beginning of the wage reform among the enterprises in Shenzhen SEZ, some enterprises have on different occasions experimented with linking total wages to economic results and floating a portion of the wages. Those units that have not conducted these experiments are also using floating wages as a form of distribution. Practice has proved the effectiveness of these reform measures in arousing the enthusiasm of the broad masses of workers and staff members and improving the enterprises' economic results. On the whole, the orientation of the wage reform in the SEZ is correct and its effects are obvious. However, some problems have been encountered because some units are not quite clear about the guiding thought and the principle behind the wage reform. The wage reform is now in full swing in the SEZ. In order that it can proceed more smoothly, this journal has invited the department concerned in the SEZ to answer some questions on this subject. The questions and answers are summarized as follows:

[Question] What is the basic principle behind the wage reform in the enterprises in Shenzhen SEZ?

[Answer] The basic principle is that total wages should be linked to economic results so that the workers' wages may increase or decrease along with the improvement or deterioration of the enterprises' economic results. Wholly foreign-owned enterprises, joint ventures and cooperative enterprises are still paying wages according to their original wage scales and no deduction is allowed. With the consent of the board of directors, they can even pay bonuses for above-quota profits and let their employees share smaller bonuses, and so forth.

[Question]. In the course of wage reform among the enterprises, how will the city implement the principle "to each according to his work?"

[Answer] In the "Regulations Concerning Certain Questions in the Current Wage Reform among Enterprises," the city government specifically stipulated that regardless of the form of wages to be adopted during the reform, the enterprises must implement the principle "to each according to his work," meaning rewards for the hard-working and good and punishment for the lazy and bad, more pay for more work and less pay for less work. Distinctions must be made between mental and manual labor, complex and simple work, skilled labor and nonskilled labor, heavy work and light work. First, the defects of egalitarianism in distribution must be overcome, and the wages of each individual must be commensurate with his actual duty performance, and he can be promoted or demoted with the appropriate increase or decrease in wages. The wage gaps between different jobs and different posts should be appropriately widened to embody the differences in the quantity and quality of work. The gap between different wage brackets should also be widened according to the actual work performance of the cadres and workers. Even though they may have the same educational background, the same experience and the same ability, differences in their wages are still permitted on the basis of the difference in their responsibilities, the economic results of their units, and their contributions. After the wage reform, the enterprises can still pay subsidies or allowances in the nature of welfare and labor insurance according to state regulations, but no other so-called "subsidy" or "allowance" under various pretexts will be permitted.

At the same time, regardless of the form of wage payment, the enterprises must set up and consolidate contracted economic responsibility systems in various forms. The responsibility for each workers in each work post should be clearly specified and carefully examined and verified to ensure their fulfillment at various levels. It must be also clearly specified that after the floating of the total wages along with the enterprise's economic results, the wage reform among the enterprises will not be related to the wage reform and wage readjustment among the state organs and the public agencies. The wages for various jobs (and work posts) in the enterprises will not be based on the wage standards of the state organs and the public agencies. In future, the municipality will no longer plan for the wage reform or wage readjustment of the enterprise employes. As for the criteria for the technical grades of workers and the way of work assessment for promotion, the labor departments will work out other rules and regulations.

[Question] During the wage reform among the enterprises, how will the total wages be linked with the economic results?

[Answer] To link the total wages with the economic results among state-owned and collective enterprises, we must first set rational economic targets. In doing so, we must proceed from realities and choose the targets that are capable of reflecting the economic results of the enterprises as well as the social benefits to be used as criteria in determining the wage level. Industrial enterprises generally may link their total wages with the taxes paid and profits

delivered. Those enterprises with a single line of products may use the sales volume of their final products as the criterion, and the communications and transportation enterprises may link their total wages with their traffic turnovers or the amount of load/distance (the wage factor in the transportation proceeds or the wage factor in the vehicle/kilometer income). The commercial and service trades can form the link with their sales volume, business, volume, and taxes and profits, and at the same time the scope of their business operations, the variety of products, the implementation of policy, the service quality, the expense ratio and other subsidiary indices have to be considered. On the basis of an improved system of contracting, the building industry may continue to include the wage factor in the output value per 100 yuan. Enterprises incurring losses in implementing policies will not carry out any wage reform for the time being. When their losses have been turned into profits, a portion of their total wages will float along with the economic results.

The economic targets and the proportion of floating wages will be determined at different levels. The general companies (company groups) will determine for the enterprises under them, and then report to the municipal government's department in charge for an overall balance. Later, the report will be forwarded to the relevant leadership in the municipal government for approval. The determination of economic targets and the proportion of floating wages must be realistic. We must guard against subjective one-sidedness and careless handling so that they may be accurate and rational. At the same time, regardless of the types of links used, our first concern is to be sure that the plans and tasks are fulfilled and that the economic policies set by the higher authorities are properly implemented. Only thus can wage reform in enterprises proceed along the correct path.

[Question] How will the wage level be determined in the wage reform in enterprises?

[Answer] During this wage reform, the determination of a wage level, rational or irrational, has a direct bearing on the SEZ's construction and its attraction to foreigners, the circulation of commodities on the market and security for the cadres and workers. Therefore, the rise in the wage level, or the increase in the consumption funds of individuals, must be kept within reasonable bounds. In other words, the increase in individual consumption must be slower than in production and labor productivity. A certain amount of accumulation must be guaranteed in the newly increased national income. The state must have the larger share in the enterprise's increased income so as to ensure a larger increase in state revenues. At the same time, the increase in the workers' monetary income cannot be faster than the increase in the production of social consumer goods. As the situation now stands in the SEZ, the wage level is generally a little on the high side, particularly because some state-owned enterprises have the mistaken idea that the wage reform only means letting the workers have more money. Therefore, before production could develop and

economic results could improve on a large scale, they used various pretexts to increase wages and to pay indiscriminate bonuses in each or in kind. If such a practice is not stopped in time, consumption funds will be out of control, and there will be an imbalance between accumulation and consumption. As a result, the dislocation between purchasing power and market supply and the imbalanced finance, credit and materials will lead to price inflation with adverse effects on peoples' livelihood and the SEZ's construction program. The SEZ may even lose its attraction to foreigners.

With this in mind, the municipal government stipulated in the "Decision Concerning Certain Problems in the Current Wage Reform Among Enterprises" that "the base figure of the total wages of enterprises, or the average monthly wage per person in each unit must be accurately determined." It added that "the determined average wage per person in a unit generally should not be more than 200 yuan. Even for some units carrying out regular production and making significant contributions with high output value and high profits, it still should not be higher than 250 yuan." To prevent severe fluctuations of the enterprise wage level and to properly control the margin of increase, we also plan to levy a wage-regulation tax in future. If the average wage per person in an enterprises is less than 250 yuan per month, there will be no tax; however, if it is more than 250 yuan, then the enterprise will have to pay tax for the excess portion according to the set rates.

[Question] Does restriction on the wage level mean imposing a "ceiling" on wages and bonuses which also means egalitarianism among enterprises?

[Answer] The wage level set by the municipal government means the level to be used by state-owned enterprises during the wage reform for determining the base figure of total wages. Therefore, its purpose is to control the irrational increase in consumption funds and to guard against the negative effects from the lack of control. It is never intended to serve as a "ceiling" on a unit's wage fund, and even less as a "ceiling" on the wages and bonuses of individuals. That is why after the linking of total wages with the economic results, the wage funds appropriated by the enterprises from the above-quota profits are at the disposal of the enterprises and no department whatsoever can divert these funds to other uses. The units with better economic results will pay higher wages. Besides being used for wages, these funds can also be appropriated by the enterprise to increase its welfare funds, to increase the workers' collective benefits, or to be kept as reserves against deficits. The wages of individuals are not subject to the "ceiling" of this average level. Furthermore, the wages in enterprises will be raised along with the economic development and the increased labor productivity in the SEZ at a certain ratio. Therefore, it would be incorrect to view the determination of wage level as imposing a "ceiling" or practicing egalitarianism.

[Question] Since the determination of this wage level will reduce the wage income of some enterprise workers, would this reduction affect the morale of everyone?

[Answer] It should be pointed out that the wages revised according to the wage level determined by the municipal government would mean increased income for the cadres and workers of most enterprises. If the income of workers in some units has been reduced, this reduction is not caused by the level set by the municipal government, but due to the fact that these units, failing to implement the principles of wage reform, have raised wages indiscriminately and spent too much for no good reason. Now should be the time for these wages to be lowered. As everyone knows, the present average social wage level in the SEZ is about 200 yuan, the average wage level after the reform in the government organs and public agencies will be only 187 yuan, and that of ordinary joint ventures (cooperative enterprises) and enterprises with exclusive foreign investment will be mostly below 200 yuan. Formerly, some state-owned enterprises willfully raised their wage level to such an extent that the average wages of workers doing simple manual work were higher than those of the mayor or senior engineers. This is obvious unreasonable. If everyone thinks carefully, he will understand the logic behind it. As to whether morale would be affected, it will mainly depend on how we do our work. We cannot underestimate the spirit of the cadres and workers working selflessly as masters of the country in building the SEZ. Nor can we form the idea that they are working purely for money and that their morale can be sustained only so long as they make more money than others. If the situation is clarified and the causes are clearly explained, everyone will view and handle this issue from the standpoint of the overall situation and with the correct attitude. We must firmly implement the municipal government's "Regulations Concerning Certain Questions in the Current Wage Reform among Enterprises," strive to do our ideological political work well, eliminate various negative factors, and steadfastly make the wage reform a success.

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SPECIAL ECONOMIC ZONES

SHENZHEN PARTY SECRETARY REPORTS ON DEVELOPMENT

HK191416 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 18 Dec 85

[Text] This morning, at a report meeting sponsored by the CPC committees of provincial organs, Shenzhen City CPC Committee Secretary Liang Xiang made a report to more than 1,000 participating cadres on the construction and development prospects in the Shenzhen Special Zone which the people throughout the province are very much concerned about. Liang Xiang said that the Provincial CPC Committee has fully affirmed the achievements made by the special zone in its construction over the past 5 years, and believed that the special economic zones concentratedly reflect China's open policy. Special zones belong to the whole province and the whole country, and it is necessary to make special zones a success.

Liang Xiang summarized the achievements made by the Shenzhen Special Zone and its role over the past 5 years as follows: It has built a relatively good investment environment, brought in some foreign funds and advanced technology, developed a special zone economy focusing on industry, and greatly upgraded people's livelihood. The establishment of the special zones promoted the opening of coastal areas, provided interior areas with some experiences in reform, tempored and trained some talented people, and exerted a positive influence on Hong Kong and Taiwan.

Liang Xiang said that a special zone deals with capitalism frequently as it brings in foreign funds. Whether it can adhere to the socialist orientation under such special and complex circumstances is a problem which people are very much concerned about. We have realized deeply after practice that opening up to the outside world is not tantamount to corrosion by capitalist ideas. Provided that we do good work and strengthen the party's leadership and the building of socialist spiritual civilization, unfavorable factors can be turned into favorable ones.

In conclusion Liang said that the special zone has laid down a relatively good foundation in all fields, and is becoming more and more attractive to the outside world. The Provincial CPC Committee demanded that we adhere to opening up to the outside world, carry reform more deeply, sum up experience, and continue to march forward. This will certainly produce a great impact on the construction of the special zone.

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SPECIAL ECONOMIC ZONES

FACTORS IN SHENZHEN'S RAPID DEVELOPMENT DISCUSSED

Shenzhen TEQU DANG DE SHENGHUO [THE WORK OF THE PARTY IN THE SPECIAL ECONOMIC ZONE] in Chinese No 5, 18 May 85 pp 22-25

[Article by Liang Xiang [2733 3276]: "Shenzhen Speed Discussed"]

[Text] The rapid economic development of Shenzhen Special Economic Zone [SEZ] since its inception has attracted people's attention at home and abroad and has earned the fine reputation of "Shenzhen speed."

I will discuss Shenzhen speed in this article first by citing some figures: The gross industrial output value of this SEZ in 1983 increased 18.46-fold over 1979 at an average progressive rate of 110.02 percent each year. The gross industrial output value increased even faster in 1984 and surpassed that of 1983 1.5-fold. The amount of capital construction investment used in 1983 increased 20.5-fold over 1979 at an average progressive rate of 115.32 percent each year, and that of 1984 increased 78.8 percent over 1983. The national income in 1983 increased 10.7-fold over 1979 at an average progressive rate of 85.1 percent, and further increased in 1984 by 52.4 percent over 1983. The per capita national income in 1984 increased 29.8 percent over 1983. The per capita productivity (for financially independent state-owned industrial enterprises) in 1983 increased 2.3-fold over 1979 at a progressive rate of 34.08 percent each year, and that of 1984 increased 41.28 percent over 1983. These increase rates are above the national average as well as those of the large cities in the country.

What are the factors contributing to Shenzhen's rapid economic growth? This question deserves some careful research. These factors are many, but the most fundamental ones are the open door policy and the structural reform policy of the CPC Central Committee, the correct leadership of the central authorities and the provincial party committee, the strong support of the hinterland from the SEZ, and the enhanced understanding and enthusiasm of the broad masses of cadres and people in its operation. Money, material resources, labor, technology and management are also important factors. What we have learned from the practice of Shenzhen's economic construction is as follows:

## 1. Raise Funds Through Different Channels, Accelerate Turnover of Funds, Raise Fund-Utilization Rate

Huge amounts of funds is required for Shenzhen's economic construction. In addition to the imported funds which formed the main portion, the SEZ also raised some of its own mainly in the following ways: Bank loans were used in municipal capital construction and land development and "snowballing" measures were taken to accelerate the turnover of funds; the commercial offices and standard factory buildings to be built were sold or mortgaged in advance, and the funds thus obtained were quickly used for further construction; stocks and bonds were also issued to absorb the idle funds in the community for development. In other words, through the flexible use of money, 1 yuan can serve the purpose of several yuan, and as a result, the investment in Shenzhen's capital construction was also doubled every year. In 1984, the investment used was equivalent to the sum total of 2 years--1982 and 1983--and the completed areas also exceeded the sum total with even better engineering quality. Up to 1984, the grand total of capital construction investment amounted to 3.4 billion yuan with a completed area of 6 million square meters. The speed of construction and increase in investment has increased the value.

## 2. Use Large Labor Force, Improve Labor Skill, Arouse Laborers' Enthusiasm

One of the important factors in speeding up economic development is to enlarge the labor force and raise labor productivity. In the early stage of construction, the SEZ enlarges its labor force as an important means of expanded reproduction. Later, when technology-intensive and knowledge-intensive industries gradually replaced labor-intensive industries, the increase in labor productivity also gradually assumed the leading role in production development. In other words, extensive expanded reproduction gradually became intensive expanded reproduction. We attached great importance to the cultural quality of the cadres and workers and made great efforts to strengthen our technical forces. In recent years, the SEZ has recruited more than 12,000 specialists and technicians of various types through advertisement, transfers, borrowing from large and medium cities and so forth. In 1979, only 8.7 percent of the cadres had received university or specialized college education; now, their number has increased to 21 percent. The SEZ has imported talents in various fields through contracted projects, technical cooperation and participation in design-planning competitions. The traditional "iron rice bowl" was broken. Its workers were mostly recruited through advertisement and only the best ones in the competitive examinations were chosen with contracts signed to ensure the high quality of their work. At the same time, efforts were made to train workers to learn more about technology and further improve their educational background. The SEZ also attached great importance to the principle "from each according to his ability, and more pay for more work" regarding material benefits. In the enterprises, the system of floating wages was adopted in various forms to link the

worker's income with the enterprises' business results and individual contributions to the state. The systems of rewarding the good and hard-working and punishing the bad and lazy workers has greatly enhanced the morale and creative spirit of the workers.

### 3. Adopt Advanced Technologies to the Maximum Extent, Transform Them Into Productive Forces

Science and technology are productive forces, and advanced technology naturally accelerates development of productive forces. Shenzhen SEZ has utilized the domestic market to acquire advanced technologies having achieved outstanding success in importing them. In the past several years, it has imported more than 30,000 sets of equipment of which a fairly large portion was advanced in type. In the building industry, for example, the Third Construction Bureau of China, which undertook the construction of the Guomao [National Trade] Center, adopted the technique of sliding formwork and the use of advanced laser technology and advanced monitoring instruments for the perpendicular bias. Beginning from the 31st floor, it set a new record of adding one floor every 3 days. This speed not only broke the record of China in building highrises, but also surpassed that of Hong Kong and reached advanced world standards.

### 4. Practice Scientific Management, Improve Economic Results

Improved management is an important factor in raising labor productivity and increasing output. Therefore, we must bring into play the role of enterprises as independent commodity producers and business operators. For example, the enterprises in the SEZ commonly adopted economic methods in economic management, carried out independent operation including independent accounting, and were responsible for their own profits and losses. At the same time, they became truly economic entities with the combination of rights, responsibilities and interests, and increased vitality. Many of them used "behavioral science" for reference in their management in order to improve the quality of products and work efficiency. Two joint ventures of the Sanyo Co. for example, combined Japan's management experience with China's strong points on the basis of realities and created a form of management suitable for the SEZ. The rational organization of labor and effective use of time brought about a closer coordination of laborers and the means of production resulting in better quality and higher efficiency in production.

### 5. Apply Law of Value, Give Full Play to Market's Regulative Role, Clear Channels of Circulation To Accelerate Production

Guided by macroeconomic planning, Shenzhen SEZ has applied the law of value and used economic levers (such as prices, costs, profits, taxes and interest rates) to regulate production and circulation as a means of invigorating the economy. The SEZ's original commercial system

was that of a sealed-off type under which the state sector enjoyed virtual monopoly. In the past several years, we gradually eliminated the former steps of wholesaling, removed regional boundaries, and formed a circulation system characterized by multiple undertakings centering on one main trade, a combination of wholesaling and retailing, increased circulation channels with fewer intermediate links and more rapid turnovers. At the same time, the scope of planned prices was reduced and that of floating and free prices was enlarged. We also stepped up the work of market forecasts, kept abreast of market conditions, and used prices as a lever to regulate supply in order that production, supply and marketing could be well coordinated. We also used taxes, credit and interest rates as levers to encourage the enterprises to plan their production according to the needs of the international and domestic markets. The use of economic means in economic management and in enlivening the market by clearing the circulation channels have helped speed up production.

#### 6. Continue To Raise Laborers' Consumption Level Vic Production Development, Stimulate Production Growth With Consumption

Marx said that without production, there would be no consumption and that without consumption, there would likewise be no production. Production determines consumption, while consumption stimulated production. Therefore, to further develop production, we must duly increase the laborers' income. We believe that as long as the laborers' income does not increase faster than labor productivity, the increase would help arouse the laborers' socialist enthusiasm and improve economic results instead of jeopardizing them. Last year, after due preparation, we carried out a preliminary wage reform among stage organs and public agencies, and practiced a system of floating wages among enterprises in order to increase the income of cadres and workers and to raise the laborers' consumption level.

In short, these are the major economic factors in Shenzhen's rapid economic growth. The decisive factor in the growth speed was the series of reforms in the SEZ's economic system. These reforms embodied a shift from inconsistency to consistency between the relations of production and the superstructure, on the one hand, and the productive forces, on the other, meaning the liberation of social productive forces in the SEZ. Politically, this growth speed is attributed to the correct and scientific policies of the CPC Central Committee in opening the country to the outside world and invigorating the economy at home and the series of important policies on the SEZ's structural reform, because these policies have become a tremendous material force for the rapid increase in production.

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SPECIAL ECONOMIC ZONES

PLANNING REFORM IN SPECIAL ECONOMIC ZONES ANALYZED

Kunming JINGJI WENTI TANSUO [INQUIRY INTO ECONOMIC PROBLEMS] in Chinese No 9,  
20 Sep 85 pp 7-10

[Article by Liu Zhigeng [0491 1807 1649]: "A Discussion on the Direction of the Reform of the Planning System for Special Economic Zones"]

[Text] The reform of the planning system is an important component part of the reform of the entire economic system, and the difficulties involved are great, as such reform touches on every aspect of the national economy. The construction and development of the Special Economic Zones [SEZ's], also has brought to light new areas of study, new problems and tasks for planning work, and has opened up new spheres of inquiry in planning theory.

What kind of model should be followed for the planned management systems of the SEZ's, then? We cannot follow the planned management system used in the interior of China. Of course, we cannot copy the completely free market economy models of foreign SEZ's either. We must rather seek truth from facts and make an effort to inquire into the characteristics of the relations of production in China's SEZ's, and from there create a system of planned management that suits China's particular conditions and characteristics.

The SEZ is a new phenomenon without precedent in China's history. It is not only different from the ordinary economic zones, but from the so-called "export-processing zone" and "free trade zone" in capitalist countries. Gaining a correct understanding of the nature of the SEZ is a prerequisite to the study and reform of the planning system of the SEZ. The SEZ is a synthesis of various types of economies under the leadership of the socialist state that takes state capitalism as its primary component part. The economic nature of the SEZ determines the four main characteristics of the relations of production in the SEZ that distinguish it from inland areas: capital for constructing the SEZ's comes mainly from foreign sources, from bringing in foreign capital; the SEZ is economically diversified, with joint capital ventures, individual capital investment and state capitalism as the main component parts; products produced by SEZ enterprises are primarily for export; production and circulation of SEZ-produced commodities are controlled by the law of value on the international market, while economic activities in the SEZ are primarily regulated by the market. The SEZ planned management system which is determined by the above four characteristics, is regulated primarily by the market under the direction of state planning. Anything in the

present planning system that does not suit this type of economic structure should be reformed.

Reform will truly place the economy of the SEZ under the macroscopic planned guidance of the state, and on to the track of using the market as the primary regulator. The law of value will be fully utilized, and economic measures will be taken to manage the economy. Reform will enable the planning system to adapt to the "outward-facing economic structure" of the SEZ. In short, through reform will be constructed a system that will be under the leadership of a socialist economy, will be relatively independent, that can adjust to changes in the SEZ's industrial structure and in the international market, and that will make full use of the role of the market as a regulator. The main reforms are as follows:

1. Reform Is the Focus of Planning Work. The focus should be adjusted and shifted from the old method which involved expending a lot of energy on drawing up yearly plans, to (after undergoing investigation), a study and devising of long-range programs to solve focal problems relating to the strategic objectives of the SEZ's social and economic development. The main thing is to determine the major objectives for social and economic development, including the scope of investment, production structure and arrangement, the population factor, and other related problems. Yearly plans should be used to make minor adjustments on the basis of a long-range program as guide and a middle-range plan as focus, to ensure an organic integration between continuity and development by stages in social production.

As the SEZ economy faces out onto Hong Kong and the international market, it is regulated mainly by the market, but this does not mean that the SEZ needs no plan, or that planning is useless or optional. To the contrary, we must value even more using planning to regulate the SEZ's to restrict the spontaneity and blindness of the market economy, and to prevent the occurrence of anarchy and economic crises caused by competition in capitalist countries. This is the basic difference between our SEZ's and the "free market zones," "free industrial zones," and "free tariff zones" and other special economic zones of capitalist nations. Our methods are guided effectively by macroscopic planning.

Middle- and long-range planning for socioeconomic development is prognostic in nature. Although it does not have the power to limit or control, it can guide economic activities in enterprises. On a basis of fully developing internal potential, each enterprise independently makes its own plans based on the needs of the [longer range] program, and on the market. The survival and development of the enterprise is intimately related to the direction and overall development of the entire society and the economy as a whole. Judging the correctness of appraisals of the market situation and whether or not plans are scientific or practical is inseparable from information provided by the larger program. Therefore, the more scientific and practical the middle- and long-range programs are, the better and more reliably can they guide economic policy decisions and actions of the enterprises, and the more enterprises will be willing to consider whether or not their policy decisions and actions correspond to the needs of the program. Therefore, in a certain

sense, the tasks and responsibilities of research in providing reliable guidance and information concerning enterprise economic activities is not reduced due to the constant expansion of the scope of market regulation, but rather is in fact increased.

Several years of experience in the Shenzhen SEZ have been sufficient to prove that doing a good job in designing middle- and long-range programs plays a great role in the construction and development of the SEZ. The "Planning Program for Social and Economic Development in the Shenzhen Special Economic Zone" for the period between 1982 and the year 2000 provides overall, systematic strategic guiding principles, guidelines for objectives, speeds, deployment, and so on for each stage of developing during the period. The Sixth and Seventh 5-Year Plans were drawn up in 1983 and 1984 on this basis. The development program not only provides a blueprint for the development of the SEZ, but also supplies visiting traders with a guide to investment, so that they can understand the basic tasks of the program and invest with increased confidence based on the needs of the SEZ. The program not only suggests a direction and provides guidance for production in and business operations of enterprises, but encourages cadres, staff, workers, and the vast masses to struggle hard for the implementation of magnificent objectives as well.

2. Reforming Types of Planned Management. We must gradually shift from the present vertical and horizontal management system based upon directive planning, guidance planning, and economic forecasting to one which emphasizes vertical management, guidance planning, and forecasting. The planned management system consists of systems and methods for implementing social and economic development plans. It must correspond to the level of the socialization of production and the ownership system of the means of production. At present Shenzhen, like the interior, has adopted the three forms of economic regulation, but relies less on command management. In 1984 we reduced directive planning to the smallest scope possible. With the exceptions of financial revenue and expenditure, the use of foreign currency in comprehensive urban planning, the arrangement of financial investment in capital construction undertaken by the state and city, and population development, all planning is guidance planning and forecasting. Although this type of planning lists objectives, suggests directions, and raises demands, its main role is to provide struggle objectives for the entire city and a foundation for enterprise production planning. Directive planning for agricultural production was eliminated as early as 1982. There are over 60 different kinds of industrial production across the country. In the province, 38 products had been designated as requiring directive planning. But after we ended directive planning, not even plans for the volume of production for industrial products will be issued beginning in 1985. Enterprises will rely completely on information on supply and demand in the market and the law of value to organize economic activity, arrange production, and carry on business. From 1981 to 1984, 3.5 billion yuan was invested in capital construction, of which only 580 million, or 16.8 percent, was included under the directive plan. It was necessary to retain temporarily a small amount of directive planning during the distribution of territory in the early stages of construction in the SEZ in order to create a good environment for investment, support key sectors, speed up the pace of construction of basic facilities, bring in advanced technology and scientific

management methods, and get the productive forces operating as soon as possible. However, the three management forms have not been permanently fixed, and ought to keep pace with changes in objective economic conditions. After several years of hard work, the amount of foreign capital brought in by the Shenzhen SEZ has continued to increase. The number of agreements signed with foreign traders grew 4.7-fold from 1979 to 1984, the resulting amount of capital invested increased 20.9 percent, and the real amount of investment increased 12.6 percent. Since the establishment of the SEZ's outward-facing industrial structure, 60 percent of the 1984 gross output value was taken up by foreign-oriented industrial output value. All the component parts of the SEZ economy have gradually changed. The state capitalist component, involving industrial, agricultural, tourist, transportation, commercial building construction, financial and other foreign-owned or Chinese-foreign joint (or cooperative) venture enterprises, gradually increased in 1984, as an example, by 40.8 percent over 1983. The SEZ's 85-km administrative boundary has already been constructed. Special SEZ currency will soon be issued.

All this has created conditions needed in the adjustment of the forms of planned management. Directive planning forms ought to be eliminated one by one, completing the transition from the three-method system to the two. Enterprises should have complete autonomy regarding production planning, product sales and prices, purchase of materials, utilization of capital, use of property, personnel and labor management, wages and bonuses, joint operations, and other factors, to become genuinely independent commodity producers. Therefore, the administrative end of the planning system should be reduced to two tiers--the city and the enterprise levels. The city will be in charge of the direction and strategic objectives of the plan, while the enterprises will make policy decisions regarding their own direction based on that. This will not only help the city provide direct leadership over the enterprises, but will aid the enterprises get a thorough understanding of social and economic developments and in arranging production and business operations. For example, the city social economic development committee would provide prognostic plans concerning the amount of major materials needed by the entire city based on the needs of the scope of capital investment for the city and technological reform, and the enterprises would organize production and do business on the basis of the forecast and calculations provided by the plan. We should implement "multienterprise operations, find diverse sources of materials, support key links, and open the door wide for distribution" and make conscious use of the law of value and the regulatory role of the market. As long as conditions permit, any department or enterprise, including even districts, street organizations, and production brigades and teams, could all organize its own sources of goods and materials. At present there are over 30 enterprises in the SEZ that deal in iron and steel, over 100 in concrete and more than 20 in lumber. This will mobilize the enthusiasm of all parties, enliven the circulation of materials, satisfy the needs of production in the SEZ, improve service attitudes, depress sales prices, as well as relieve planning departments from much daily paperwork, raise work efficiency, improve investigation and research, ease contradictions between supply and demand, and improve macroscopic economic management. Production of steel products in 1984 was 38-fold higher than in 1979; concrete was 25-fold higher and lumber was 3-fold higher. From 1980 to 1984 the Shenzhen SEZ used a

total of 571,000 tons of steel in capital construction, 2,690,800 tons of concrete and 165,400 m<sup>3</sup> of lumber. Of these amounts, the state or province provided only 4.9 percent of the steel, 7.1 percent of the concrete, and 13.9 percent of the lumber.

Further, barriers between different levels and departments must be broken down. The number of joint enterprises has continued to increase in the last few years. By the end of 1984, 20 central government departments and commissions, 24 provinces, cities, and autonomous regions, and over 100 counties, towns, and communes have formed joint factories and engaged in commerce in Shenzhen. The facts have shown that domestic joint ventures not only aid the SEZ in its construction, but also promote the economic development of the interior by absorbing through the window provided by the SEZ, advanced technology, scientific management methods, and economic information, as well as provide opportunities to export and to cultivate personnel, etc. At the same time, domestic investors can make real profits. However, these enterprises are mainly run bureaucratically. The departments involved are isolated from each other, which makes coordination difficult. They have top-to-bottom leadership hierarchies with too many chiefs giving orders, which has a negative effect on motivation, full use of the zone's potential, and the overall development of the SEZ in general. This situation must be reversed if we are to construct an outward-oriented management system and coordinate the SEZ's economic development.

3. Reform Planned Management Methods. Since we shall gradually reduce the command component in planning to its smallest possible dimension to allow the enterprises to become independent commodity producers and dealers, the government's methods in managing planning must be based mainly on commodity value, the relationship between supply and demand, and the full use of the law of value. Value categories such as prices, taxes, profit, wages, costs, interest rates and other economic levers must be utilized to adjust production, exchange, distribution, and consumption.

Experience has told us that this work is vital. For example, what role do credit funds and financial credit play in the economic construction of the SEZ? There has been a great need for banks to raise capital to aid in the exploitation of the land and the development of production and construction since the establishment of the SEZ. Different types of enterprises demand different types of services from the banks; therefore a series of reforms must be made in order to meet the needs of the SEZ in economic development. As far as credit goes, the restrictions on middle- and long-range loans that exist in the interior have been lifted, and stress is being laid on effectiveness, quick returns, and guaranteed repayment. Based on these premises, loans can be issued in fields such as basic facilities, development investment, importing advanced technology and equipment, transportation, energy, real estate, etc. We must expand the scope of credit, increase the types of loans, experiment with mortgage loans, organize banking groups to issue loans, open trust companies and improve the management of funds at the same time. Bank interest rates for savings as well as for loans should be more flexible, and generally be higher than the interior and lower than Hong Kong. Rates for state-run

enterprises should be somewhat lower, while those for foreign capital investments and joint ventures involving foreign capital should be somewhat higher. Interest rates could vary within a range of approximately 30 percent. From 1980 to 1984, 1.22 billion yuan in credit was extended to finance capital construction, which was 34.9 percent of the total sum for investment in capital construction. From its establishment 2 years ago in September 1982 to the end of 1984, the SEZ Industrial Development Service Co. used 30 million yuan in credit for capital construction, in the construction of standard factory buildings for the industrial district and related projects, producing an output value of 250 million yuan. The original loan investment brought back returns much larger than itself. This sort of huge leap in value encourages foreign traders to invest and set up factories, and can lead to greater business for the enterprises and an increase in revenue. The full utilization of credit capital will have a great effect on the economic construction of the SEZ.

The capacity for a plan's objectives to adapt to reality and successfully guide the enterprise in a diversified economic structure consisting largely of Chinese-foreign joint ventures or cooperative ventures, or wholly foreign-owned enterprises, is determined by how well the plan defines its categories and how well it responds to adjustments by economic levers. Only by using the economic lever of the law of value can the fruits of an enterprise's operations be integrated with the collective and individual material interests of the enterprise's staff and workers. Only in this way can we correctly handle contradictions among the material interests of all parties, and encourage the enterprise to think in terms of its own economic interests. The government's plans and regulations must be followed in arranging all the enterprise's economic activities. This is precisely the essence of using economic methods to run the economy. If we do not utilize these economic levers, and ignore the collective and individual material interests of the enterprise's staff and workers and simply use administrative measures to manage the economy, there can be no talk of commodity value or using the market; nor will it be helpful in achieving planning objectives.

An important question closely related to that of economic levers that can guarantee the coordinated development of socialized production and the implementation of desired goals for the SEZ is related to the guiding role played by economic policies in economic activities. These policies and measures are primarily: tax policies, policies on favorable treatment toward investors, customs policies, credit policies, product sales policies, income-distribution policies, foreign currency policies, etc. Through such policies the government can encourage socially needed production and construction projects, limit the development of socially unnecessary industries and encourage enterprises to proceed from their own interests and follow the direction set down in the government's plans to arrange their own economic activities.

We must not only master the use of economic levers and establish corresponding policies, but must also make these levers an important component part of the planning. Planning tasks, and economic policies and levers must be integrated into a single entity.

Using economic levers is an important and complex job. To do it well, we must set up specialized agencies. Therefore, we suggest that the SEZ planning departments establish as soon as possible an agency that will use economic levers to be responsible for specialized research, and to determine plans for using economic levers, in order to adjust planning and guide the economy.

In order to adjust to the needs of SEZ planned management forms and methods, we must greatly improve information work. We suggest that enterprises and departments related to planning, statistics, commodity prices, banking, finance, commerce, foreign trade, and science create an agency in charge of gathering, analyzing, and reporting information concerning economics, science, technology, the market, etc. A comprehensive information management center should be established for the entire city to form a developed information network and act as a vital supplement for management planning.

4. Reform Techniques of Management Planning. Along with the constant expansion of the scope of SEZ socialized production, the increase of technology and knowledge-intensive projects, the use of advanced technology and scientific management techniques, the appearance of new economic departments, the daily refinement and spread of the division of labor in the national economy and the exchange and competition between industries, these quantitative and qualitative relationships will become even more complex. All of these rely solely on a few balance sheets or charts and simple computing tools to do calculations, which can never reach a precise level or achieve desired goals. This objectively calls for a reform of traditional planning techniques. We must energetically adapt modern methods of quantitative economic analysis, such as linear algebra, mathematical statistics, input production and mathematical planning, expand the use of computer technology, and increase the pace of scientific modernization in planning techniques.

In addition, the management of social and economic planning is achieved through definite organizational structures. The establishment of rational planning management agencies is the organizational guarantee for the implementation of a planned economy and market regulation. Therefore, the establishment of planning departments and internal organizational organs must suit the needs of management planning forms, methods, and techniques. We must avoid setting up huge, totally self-sufficient units, and rather must truly create a rational, streamlined, effective, multipurpose, and complete planned management organization. More important, we must escape the shackles of old ideologies, methods, and styles of work in order to meet the needs of economic development in the SEZ and the reform of the planning system.

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CSO: 4006/162

SPECIAL ECONOMIC ZONES

HONG KONG CHIEF INVESTOR IN XIAMEN SPECIAL ECONOMIC ZONE

HK190637 Beijing ZHONGGUO XINWEN SHE in Chinese 0240 GMT 17 Dec 85

[Report by Shi Zhengyiao [2457 1513 1031]]

[Text] Xiamen, 17 Dec [ZHONGGUO XINWEN SHE]--Of the foreign capital imported by Xiamen special economic zone [SEZ], the investment of Hong Kong businessmen accounts for approximately 65 percent, ranking first.

Since the founding of the Xiamen SEZ in 1980, it has signed 280 contracts with foreign and Hong Kong businessmen on joint ventures, cooperation projects, and monopoly investment and management, with a total investment of \$614 million; of which projects using Hong Kong capital number 117, with a total investment of \$399 million.

According to an analysis by Zhuang Weiming, assistant general manager of the Economic Research Institute under the Xiamen SEZ International Information Development Co Ltd, even if Europe and the United States increase their investment in Xiamen, Hong Kong and Macao capital will continue to occupy an important place for a considerably long period of time.

From departments concerned of the Xiamen SEZ, this reporter has learned that the projects in which Hong Kong businessmen have invested are widely distributed, involving investment in, import, and development of industrial technologies, real estate, communications and transportation, the tourist industry, and commerce. The development, imports of, and investment in the whole of Huli [3275 6849] industrial district, covering an area of 2.5 square km, are chiefly under the control of the Xiamen SEZ United Development Corporation, jointly organized by Xiamen and 13 Chinese-funded Hong Kong bank. This corporation plans to invest 300 million yuan in Huli, with 20 projects to be initiated.

Many of the projects in the Xiamen SEZ in which Hong Kong businessmen have invested have already brought in comparatively good economic results. From its opening in January to the end of October, the Lujiang Hotel, a joint venture with Hong Kong businessmen, had fulfilled the annual plan for turnover. The Yongtai Electronics Co Ltd, a monopoly investment enterprise managed by Hong Kong businessman, is producing multifunction computerized telephones, with all its products being marketed abroad.

The first and second stages of residential property of the lakeside Overseas Chinese estate, built by Xiamen and the Hong Kong Baodun Investment Corporation, Ltd in cooperation, have been marketed well; now the contract for the third stage of the project has been signed. Since 1985, the number of real estate companies run by Hong Kong businessmen in Xiamen has markedly increased. Now another four companies, namely Meihui, Baiyin, Jianyuan and Longquan, have already signed contracts with Xiamen. And it has been decided to build a number of apartment houses, new housing developments, and villas, with a total floorspace of about 150,000 square meters.

Hong Kong businessmen have also taken the lead in the import of capital into the Xiamen SEZ. The Xiamen International Bank, the first joint venture bank in China, which opened in late November 1985, is jointly run by Fujian and the Hong Kong Panin group.

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## SPECIAL ECONOMIC ZONES

### BRIEFS

SHENZHEN DEVELOPS ECONOMIC TIES--While introducing foreign capital, the Shenzhen Special Zone has vigorously developed economic ties with the interior to promote the development of its economic construction. From 1980 to October this year, Shenzhen City concluded some 1,900 agreements on cooperation with 27 departments and bureaus of the central authorities and with 27 provinces and cities, the amount of investment in these agreements was some 6,724 million yuan, the actual amount of investment was some 2,226 million yuan, and 1,149 enterprises were put into operation. Of these enterprises, 113 have produced some 100 kinds of products for the purpose of export. The output value of those enterprises over the past 5 years has reached some 200 million. Due to the development of the enterprises, not only capital in the sum of hundreds of million of yuan has been introduced from the interior to build the special zone but also nearly 20,000 personnel talented in various specific fields have been introduced from the interior. This has played a part in promoting economic construction in the special zone. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 16 Dec 85 HK] /8918

ECONOMIC ZONE RESEARCH SOCIETY--The second Guangdong provincial academic discussion meeting on the special economic zones opened in Zhuhai the day before yesterday. The Guangdong Provincial Special Economic Zone Research Society was set up at the same time. Ding Lisong, secretary general of the provincial government and concurrently director of the Special Economic Zone Office, was appointed the president of the society. Twelve persons, including famous economists Xu Dixin, Qian Jiaju, Liu Guoguang, and (Zhuo Xiong), were engaged as honorary presidents or [Word Indistinct] (Sun Ru), president of the Provincial Economic Society, was appointed an honorary president. Attending this academic discussion meeting were experts and professors from the Shenzhen, Zhuhai, and Shantou Special Economic Zones, the Guangdong Provincial Social Sciences Research Department, and all universities and colleges in the province and specially invited representatives of the Secretariat of the CPC Central Committee, the Central Propaganda Department, Tianjin and Shanghai municipalities, and Fujian Province, totaling some 100 people. The main subject under discussion was "how to further run the special economic zones well." [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 18 Dec 85 HK] /8918

CSO: 4006/493

LABOR AND WAGES

WORKERS SCARCE IN GUANGZHOU

Hong Kong TA KUNG PAO in Chinese 12 Sep 85 p 3

[Article: "Workers 'Scarce' in Guangzhou; Job Seekers Now Have More Choice; Certain Textile Mill Only Received One Response After Advertising Job Several Months"]

[Text] This year a rather famous textile mill in Guangzhou wanted to recruit 60 contract workers but only one person applied to a recruitment notice after several months. It is now becoming increasingly hard to recruit workers for Guangzhou's textile, transport, metallurgical and chemical industries.

Only 2 years ago in Guangzhou there still were a large number of "youths awaiting employment." In order to find work many people took the "back door." But since the second half of last year, many state-run enterprises began finding it "hard to recruit workers." No wonder Guangzhou's acting mayor, Zhu Senlin [2612 2773 2651], proudly announced that Guangzhou has basically eradicated "unemployment."

According to an employee of the Guangzhou Labor Service Co, the main reason "workers are scarce" is that on the one hand Guangzhou has implemented the open door policy in recent years and various joint and cooperative enterprises have increased day by day. On the other hand the government has allowed individual private enterprise. Stores, enterprises and small factories are increasing, opening wide the door to employment and greatly reducing the number of youths awaiting employment. Young job seekers now set their sights on commercial and service jobs that offer high incomes and good conditions as well as on Chinese-foreign joint and cooperative ventures. Some flexibly-run small collective firms are also quite attractive. There is greater job choice. As for positions in state-run factories and mines, it is even more apparent that "supply exceeds demand."

According to incomplete statistics, in the past 6 years Guangzhou has placed a more than 600,000 people. All school graduates who were sent to the countryside during the "Cultural Revolution" and have returned to the cities have been placed. All graduates from higher middle school who are unable to continue their studies can basically find jobs. Although more than several hundred thousand have registered as "awaiting employment," the majority are doing temporary work or are employed by some individual private enterprises.

A typical example is the more than 1,300 people on Chaoyang North Road in the Yuexiu District who have registered as "awaiting employment." More than 300 of them are individual entrepreneurs and more than 800 have temporary jobs. Except for those preparing to continue their education, go abroad, and the injured and mentally deficient, only 2 have to be placed.

According to forecasts, Guangzhou's labor force will continue to grow due to laborers entering the city because of changes in the rural economic structure. In the past year more than 100,000 laborers have moved from the countryside into Guangzhou. Many of them engage in construction or transportation or are helpers or female assistants.

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CSO: 4006/24

TRANSPORTATION

HONG KONG PLANS DIRECT TRAIN SERVICE TO BEIJING, SHANGHAI

HK180642 Hong Kong HONG KONG STANDARD in English 18 Dec 85 p 1

[Text] Through-train services from Hong Kong to Beijing and Shanghai will be available to China-bound travellers in 1987.

This was disclosed by the managing director of the Kowloon-Canton Railway Corporation [KCRC], Mr Peter Quick, at a luncheon meeting yesterday.

He told the Kowloon Club that the corporation was now working with the Guangzhou Railway Administration on the plan, the objective of which would be to promote international travel. He said the service was expected to be in operation in 12 to 18 months' time.

A KCRC spokesman said the matter of providing international through-train service to local and foreign travellers was raised last year when the corporation was discussing the arrangements for the third Hong Kong-Guangzhou through-train service. Both sides had to iron out problems like the training of crew, rolling stock, custom and immigration facilities before the plan could be realized, said the spokesman.

On the corporation's performance this year, Mr Quick said it would have a modest profit because of increased revenue and lower interest rates. He said KCRC's revenue this year should be close to \$500 million, and the prevailing low interest rates have significantly helped in nudging it into the black, for the first time since it turned into a public corporation a few years ago.

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CSO: 4020/160

TRANSPORTATION

GUANGDONG PLANS 15 NEW HIGHWAYS IN NEXT 5 YEARS

Hong Kong WEN WEI PO in Chinese 9 Sep 85 p 2

[Article: "Guangdong Will Invest 2 Billion Yuan to Build 15 Highways Between 1986 and 1990; Guangzhou City Loop and Guangzhou-Shenzhen-Zhuhai and Guangzhou-Foshan Highways To Be Built; Second-Grade Roads for Shenzhen-Shantou, Haikou-Xulin, Guangzhou-Shaoguan, Guangzhou-Meixian, Guangzhou-Shantou, Guangzhou-Zhaodu and Guangzhou-Zhanjiang; Transport Greatly Expanded Since Open Policy Implemented; 200,000 Vehicles Throughout the Province; Existing Roads Cannot Take Loads"]

[Text] This reporter has learned from departments concerned that Guangdong Province will construct a group of high-standard roads in a planned way. Between 1986 and 1990 the total mileage of first and second-grade roads and highways that the province plans to construct is almost 2,000 km. The investment will be 2 billion yuan.

Construction now underway on three roads from Guangzhou to Zhuhai, Hunan and Jiangxi is the prelude to Guangdong's large-scale and planned construction of high-standard roads.

Fifteen high-standard roads have been approved for construction within the near future. They are the Guangzhou loop, highways between Guangzhou-Shenzhen-Zhuhai and Guangzhou-Foshan, roads for cars only between Shenzhen and Shantou, and first and second-grade roads on the eastern artery of the Haikou-Xulin road as well as 10 second-grade main arterial roads radiating from Guangzhou to some middle-size cities and prefectures, to Shaoguan, Meixian, Shantou, Zhaodu and Zhanjiang.

According to reports the funds needed to construct the aforementioned roads will be gathered by the following methods: extra vehicle purchase taxes approved by the State Council, foreign investment, bank loans and funds pooled by various levels of government.

Vehicle transport business has grown greatly since implementing the open door policy in Guangdong. The province's 100,000 civilian vehicles in 1980 have now increased to 210,000. The existing low-grade roads are hard put to bear the sharp increase in vehicular traffic. Traffic jams on many roads cause blockages, road damage and major traffic slow-downs. A pressing matter for the highway and transportation departments is how to quickly change the existing situation.

TRANSPORTATION

BRIEFS

QINGDAO PORT CARGO BOOST--Qingdao, 1 Jan (XINHUA)--Qingdao, one of China's major foreign trade ports, handled more cargo in 1985 than in any previous year. The port handled 26,200,000 tons of cargo, up 8.2 percent over 1984. Its annual profit, 96 million yuan, was also record high, according to Bai Wenxuan, deputy director of the port administration. An annual average of 3,000 ships call at the Qingdao Port, China's third largest foreign trade port. [Text] [Beijing XINHUA in English 1202 GMT 1 Jan 86 OW] /9738

GUIZHOU BRIDGE DESIGN PRIZE--Guiyang, 27 Dec (XINHUA)--The Jianhe Bridge in southwest China's Guizhou Province, the first super-span trussed bridge in Asia, recently received a provincial award. The bridge has the third-longest span for its type in the world, according to experts here today. They noted that the prestressed-concrete bridge, with a major arch span of 150 meters, was awarded the provincial prize for scientific and technological achievements for its design and construction technology. The technique used in building the 241.1 meter-long bridge is known as the "changeable gradient integral movement," they said. They also praised the bridge for its simple structure, economical use of materials, and low construction cost. Work on the bridge began in 1983 and was completed in June this year. [Text] [Beijing XINHUA in English 0856 GMT 27 Dec 85 OW] /9738

FEES FINANCE HARBOR CONSTRUCTION--Beijing, 27 Dec (XINHUA)--China will impose new port fees beginning 1 January on all cargo passing through its 26 major ports, Huang Zhendong, vice minister of communications, announced today. The fees will finance port construction and will average two yuan per ton, he said. The ports include Dalian, Tianjin, Shanghai, Xiamen and Guangzhou. According to Huang, the fees will help national port capacity grow from 300 million to 500 million tons per year by 1990. Present port capacity has not kept pace with the rapid growth of China's domestic and international trade, he said. [Text] [Beijing XINHUA in English 1032 GMT 27 Dec 85 OW] /9738

PLANE PASSES TECHNICAL TESTS--Chengdu, 28 Dec (XINHUA)--The Chinese-built Yun-8 transport plane passed technical tests Friday in this capital of Sichuan Province. It can carry cargo up to 21.35 tons. The flight range is about 4,000 kilometers when carrying a helicopter. Recently, it

successfully transported a helicopter to Ihasa, capital of Tibet Autonomous Region, to help herders stranded by snow. [Text] [Beijing XINHUA in English 2036 GMT 28 Dec 85 OW] /9738

RAIL LINE READY--Jinan, 27 Dec (XINHUA)--A new railway linking Yanzhou coalfield and Shijiusuo harbor in southern Shandong Province passed state checks today. The 308-kilometer line will be used to carry 18 million tons of coal a year from Yanzhou and nearby Shanxi Province to Shijiusuo for distribution by sea. Construction started in 1982 along with expansion of mining facilities at Yanzhou and a deepwater harbor at Shijiusuo. It links up in the west with the main Tianjin-Pukou line and other railways leading to Shanxi coalfields. [Text] [Beijing XINHUA in English 1639 GMT 27 Dec 85 OW] /9738

RAILWAY SECTION BEGINS OPERATION--Tiayuan, 28 Dec (XINHUA)--The newly-electrified Changzhi-Yueshan section of the Taiyuan-Jiaozuo railway line in northern China was put into operation today. The 154-kilometer-long electrification scheme will enable trains to increase the amount of coal carried from southern Shanxi Province pits from 24 million to 57 million tons a year. It is China's 13th railway line to be electrified, and was a key project in the country's Sixth Five-Year Plan, which ends this year. [Text] [Beijing XINHUA in English 1936 GMT 28 Dec 85 OW] /9738

RAIL LINE ELECTRIFIED--Chengdu, 30 Dec (XINHUA)--A major southwest China railway became fully electrified today. The electrification project, which began in 1980, doubles the freight capacity of the 492.9 kilometer line from Chengdu to Chongqing in Sichuan Province to 13 million tons per year. The Chengdu Railway Administration plans to electrify two more railways, between Chengdu and Guizhou and from Guiyang to Dalong, by 1990. [Text] [Beijing XINHUA in English 1451 GMT 30 Dec 85 OW] /9738

SHANDONG DEEPWATER COAL WHARF--Jinan, 31 Dec (XINHUA)--A new deepwater coal wharf, the biggest of its kind in China, went into operation today in east China's Shandong Province. Shijiu Coal Wharf has the most advanced coal-handling equipment in China and two deepwater docks for ships of 100,000 dwt, which can handle 15 million tons of coal a year. The project, a national key construction program which began in 1982, will help the shipment of coal from Shanxi and Henan provinces as well as Shandong. A new 308-km railway linking the wharf with the Yanzhou Coalfield has passed state checks and also went into operation today. [Text] [Beijing XINUUA in English 0643 GMT 31 Dec 85 OW] /9738

NEW XIAN RAILWAY STATION--Xian, 31 Dec (XINHUA)--The biggest railway station in west China went into operation here this evening in Xian, the capital of 11 feudal dynasties of China. The station, built in traditional architectural style, consists of a main terminal, auxiliary buildings, corridors, overpasses and other facilities. The waiting room is decorated with murals illustrating the Chinese civilization. Decorations also include paintings, glazed porcelain, lacquerware, woolen embroidery and

marble sculptures. Construction of the new station started in June 1984. Xian now attracts eight million visitors each year, including over 200,000 foreign tourists, city officials told XINHUA. The new station can accommodate 100,000 passengers daily. [Text] [Beijing XINHUA in English 1643 GMT 31 Dec 85 OW] /9738

GUANGDONG DEVELOPS HIGHWAY TRANSPORT--In 1985, Guangdong scored new successes in developing highway transport. By the end of November, the province had built 102 highway bridges, over 230 kilometers of roads and paved 309 kilometers of asphalt road. At present, the province has more than 700,000 motor vehicles, an increase of over 150,000 compared to last year. The province's transport enterprises accomplished a total transport volume of 20.72 million tons, overfulfilling the annual target by 2.8 percent. The turnover rate of cargo was 60,377 tons per kilometer, overfulfilling the annual target by 27.8 percent. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 30 Dec 85 HK] /8918

GUIZHOU RAIL ELECTRIFICATION--Guiyang, 17 Dec (XINHUA)--The Guiyang-Shuichengxi Electric Railway, a 247-kilometer section of the Guiyang-Kunming Railway, opened to traffic today. With the operation of this new section, the annual freight capacity of the Guiyang-Kunming Railway will increase from 8 million to 17.5 million metric tons. [Summary] [Beijing XINHUA Domestic Service in Chinese 0920 GMT 17 Dec 85 OW] /8918

CHENGDU-CHONGQING RAILROAD ELECTRIFIED--After more than 5 years of construction, yesterday the province completed and put into operation the railroad electrification project between Chengdu and the west station of Chongqing. On this 485 kilometer section of railroad, 43 tunnels had their clearance raised, 63 stations had their platforms extended, and 18 bridges had their supports strengthened. Furthermore, there was a signal communications project, a project to establish wire poles, and project to build and install transformer stations. Therefore, the work was very arduous and was listed among the Sixth 5-Year Plan projects. In connection with this, the Sichuan Government, together with government of prefectures, cities, and counties along the railroad, formed a leading group for the electrification project. The construction departments managed to carry out ideological and political work on the spot, to give commands on the spot, and to deliver raw materials to sites. They overfulfilled the task each month, every season. All their work passed the quality examinations and more than 80 percent of their work reached the outstanding level. [Text] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 29 Dec 85 HK] /8918

GANSU DEVELOPS HIGHWAY CONSTRUCTION--During the Sixth 5-Year Plan period, Gansu steadily developed highway construction. At present, 99.2 percent of counties in the province are open to traffic. By newly building and rebuilding main highways and township roads, the province increased the mileage to 33,000 kilometers. The mileage of first-class cobbled road surface totalled more than 9,000 kilometers and was above the national average standard. Also, the province built and rebuilt 458 bridges, and tarred 1,070 kilometers of roads. Therefore, the province's converted rate of highway transport was over 5,460 million tons per kilometer. On average, the annual growth rate was 5.94 percent. [Summary] [Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 26 Dec 85 HK] /8918