125109

JPRS-CEA-86-021

4 March 1986

China Report

ECONOMIC AFFAIRS

19980921 156

DTIC QUALITY INSPECTED 8

FBIS FOREIGN BROADCAST INFORMATION SERVICE

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

2
72
A04

NOTE

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

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

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

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

PROCUREMENT OF PUBLICATIONS

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

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

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

JPRS-CEA-86-021

4 March 1986

CHINA REPORT
ECONOMIC AFFAIRS

CONTENTS

ECONOMIC DEVELOPMENT ZONES

Jiangsu Coastal City Boosts Foreign Trade
(XINHUA, 6 Feb 86) 1

AGGREGATE ECONOMIC DATA

Jiangsu's Rural Economy Continues To Grow
(XINHUA, 7 Feb 86) 2

Briefs
Private Economy 'Nearly' Doubles 3
1985 Capital Construction Statistics 3

ECONOMIC MANAGEMENT

PRC Journal on Strengthening Macroeconomic Management
(Wang Dacheng, Wu Hongguang; JINGJI GUANLI, No 12, 5 Dec 85) 4

Journal on Management of Capital Raised in Society
(Liu Delin; JINGJI GUANLI, No 12, 5 Dec 85) 11

MINERAL RESOURCES

Briefs
Qinghai Gold Production Conference 20

INDUSTRY

Beijing To Host International Ship Repair Exhibition
(XINHUA, 12 Feb 86) 21

Machine-Building Advances in Sixth 5-Year Plan Period
(CHINA DAILY, 7 Feb 86) 22

Briefs
Equipment for Shaving Board Production 24
Industrial Output Increases in Jan 24
Cement Output Forecast 24

CONSTRUCTION

Qinghai's Qaidam Basin Project Going Faster
(XINHUA, 11 Feb 86) 25

DOMESTIC TRADE

Anhui Boosts Economic Ties With Other Provinces
(XINHUA, 3 Feb 86) 26

Steps Taken To Boost Domestic Markets
(Liu Dizhong; CHINA DAILY, 8 Feb 86) 27

Briefs
Heilongjiang Economic Relations Promotion 29
Guangdong Establishes Cooperation Zone 29
Chongqing Trading Centers Established 29

FOREIGN TRADE AND INVESTMENT

Zheng Tuobin Addresses Chemical Import-Export Company Managers
(Shi Hua; Guoji Shangbao, 13 Jan 86) 30

TA KUNG PAO on Problems Facing PRC Foreign Trade
(Shih Chun-yu; TA KUNG PAO, 23 Jan 86) 32

Official Explains PRC Trade Arbitration Procedures
(Tang Houzhi; LIAOWANG OVERSEAS EDITION, No 4, 27 Jan 86) .. 34

Foreign Investors Encouraged by Opening
(XINHUA, 29 Jan 86) 39

Jiangsu City Expands Agricultural Exports
(XINHUA, 30 Jan 86) 41

Tianjin Reports Success in Sino-Foreign Joint Ventures
(CHINA DAILY, 1 Feb 86) 42

Fujian Governor Urges More Foreign Economic Ties
(XINHUA, 8 Feb 86) 44

Shanghai Officials, McDonnell Douglas To Discuss Trade
(Francine C. Brevetti; SOUTH CHINA MORNING POST, 28 Jan 86) 45

Shanghai Mayor Wants More Foreign Investment
(XINHUA, 10 Feb 86) 47

Yunnan Prefectures Promote Cross-Border Trade
(Yunnan Provincial Service, 29 Jan 86) 48

Benefits of Importing Technology Discussed
(Li Baoheng; ZHONGGUO KEJI LUNTAN, No 1, Sep 85) 49

Briefs
Fujian Export Figures 54
Fujian's Foreign Capital 54
Heilongjiang Commodity Exports 54
Nei Monggol Outside Funds 54
Guangdong Trade Fair 54
Sichuan Trade, Technological Cooperation 55
Technology Imports 55
Guangdong Textile Joint Venture 55
Zhejiang Export Plan 56
Zhejiang Foreign Trade 56
Xinjiang Textile, Cotton Export 56
Beijing Foreign Capital Utilization 56
Shanghai Exhibition Center 56

SPECIAL ECONOMIC ZONES

Shantou Official Outlines Special Zone's Development Plan
(ZHONGGUO XINWEN SHE, 9 Jan 86) 57

Shenzhen Official Outlines Planning Measures
(Guangdong Provincial Service, 26 Jan 86) 58

Shenzhen Special Zone Forms New Financial System
(Wu Yixun; ZHONGGUO XINWEN SHE, 1 Feb 86) 59

Xiamen Economic Zone Improves Tourist Services
(XINHUA, 3 Feb 86) 61

Briefs
Foreign Exchange Terms 63

TRANSPORTATION

Inland Waterway Freight Transport Revived
(XINHUA, 13 Feb 86) 64

Briefs
Additional Gateways Openings 65
Improved Transport Alleviates Coal Shortages 65
Increased Port Efficiency 65
Dalian Airport Opened 66

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

Recent Reforms in Soviet Economy Analyzed
(Tang Zhuchang; SHIJIE JINGJI WENHUI, No 5, 5 Oct 85) 67

ECONOMIC DEVELOPMENT ZONES

JIANGSU COASTAL CITY BOOSTS FOREIGN TRADE

OW061051 Beijing XINHUA in English 1036 GMT 6 Feb 86

[Text] Nanjing, February 6 (XINHUA)--Economic dealings with the outside world are expected to bring 730 million yuan extra output value a year to the coastal city of Nantong, an official here said.

In addition, they will boost its foreign exchange earnings by 30 million U.S. dollars a year.

Nantong, in Jiangsu Province, has over the past two years signed 130 contracts with the other countries and regions, including 40 involving foreign funds.

The city is situated on the lower reaches of the Yangtze River, and is one of 14 coastal cities which were opened to foreign trade and investment in 1984.

Foreign funds totalling 35 million U.S. dollars (112 million yuan) have already enabled work to start on 21 development schemes. The 130 foreign contracts involves the import of 100-million yuan worth of technology and equipment. Almost half of this equipment is now in operation.

The city's economic dealings have helped modernize existing enterprises, especially its textiles, which it is well-known throughout the country.

Equipment imported from the Federal Republic of Germany has enabled the city to turn out top-quality polyester fabrics, which have led to dozens of new textile products to be sold in China and abroad.

Advanced technology has helped Nantong raise the quality of its products, and make them more competitive on the world market. The city has started to export TV sets, radios and tape recorders.

City authorities have now decided to expand economic dealings with the rest of the world to cover new trades and industries. They have agreed to provide facilities and implement economic policies, which, they believe, will be beneficial to foreign investors.

/6662
CSO: 4020/218

AGGREGATE ECONOMIC DATA

JIANGSU'S RURAL ECONOMY CONTINUES TO GROW

OW070907 Beijing XINHUA in English 0833 GMT 7 Feb 86

[Text] Nanjing, February 7 (XINHUA)--The rural economy continued to grow rapidly last year in Jiangsu Province, east China, local authorities said today.

Expanded production was led by industries owned by townships and villages, which increased their output 60 percent over 1984, to 36.3 billion yuan.

Such industries paid their workers four billion yuan in wages, and this meant 80 yuan for each member of the province's rural population.

In addition to paying taxes amounting to two billion yuan, the industries paid about 700 million yuan of their profits to township governments and village committees, a large part of which was used to assist farm production.

Agricultural output reached 22.8 billion yuan, up 17 percent.

Rural income averaged 492 yuan per capita, 11 percent more than in 1984, compared to the national average of 400 yuan.

The growth was sustained despite such natural adversities as rainstorms, hail, typhoons and an unusually long wet spell.

Last year's output of oil-bearing seeds, silk cocoons, tea and aquatic products all registered good increases, the authorities aid.

Grain output was 31.15 million tons--230,000 tons less than in 1984. Still, the province was able to send a surplus of 1.5 million tons to other parts of China.

Last year, in line with national policies, the province expanded its responsibility system--linking income with output--from farming to forestry, animal husbandry, sideline occupations, fisheries, rural industry, commerce and service trades.

/6662
CSO: 4020/201

AGGREGATE ECONOMIC DATA

BRIEFS

PRIVATE ECONOMY 'NEARLY' DOUBLES--Beijing, February 14 (XINHUA)--China's private economy nearly doubled last year, its output value totaling 85.9 billion yuan, 88.4 percent more than 1984, ECONOMIC DAILY reported today. Private retail sales have reached 12.6 percent of China's total, increasing 87.6 percent to 54 billion yuan last year, the paper said. According to government figures quoted by the paper, more than 17 million Chinese work in the private economy, which includes all individually owned, nonagricultural enterprises ranging from individual fruit carts to laundries. New private businesses last year included technological and information services, tourism and food processing. Overall, 34.8 percent more people worked in the private economic last year than in 1984, the paper said. Leading the growth in participation were private transportation and construction, both up by more than two-thirds. [Text] [Beijing XINHUA in English 0707 GMT 14 Feb 86 OW] /6662

1985 CAPITAL CONSTRUCTION STATISTICS--Beijing, February 10 (XINHUA)--China completed and put into operation 97 large- and medium-sized capital construction projects, plus 134 single units, according to a State Statistical Bureau announcement here today. The bureau said 35 percent of the 97 projects and 72 percent of the 134 items were for energy, transport and communications. They included a 600,000 kw power plant in Inner Mongolia and a 430-kilometer double-track, electric railway from Beijing to the port city of Qinhuangdao. Other construction was in metallurgy, building materials, chemicals, machinery, textiles and light industry. Still greater priority must be given to energy, transport and communications in future capital construction and other projects should be strictly controlled, the bureau stated. [Text] [Beijing XINHUA in English 0909 GMT 10 Feb 86 OW] /6662

CSO: 4020/201

ECONOMIC MANAGEMENT

PRC JOURNAL ON STRENGTHENING MACROECONOMIC MANAGEMENT

HK141041 Beijing JINGJI GUANLI in Chinese No 12, 5 Dec 85 pp 3-6

[Article by Wang Dacheng [3769 1129 2052] and Wu Hongguang [2976 5725 0342]: "Several Questions Concerning the Strengthening of Macroeconomic Management"--edited by Pan Shucheng [3382 6615 3397]

[Text] At the end of last year, several major problems emerged in the economic life of our country. These were inflation in fixed asset investments, loss of control over consumption funds, over-issuance of banknotes, and a drastic decline in foreign exchange holdings. People began to pay close attention to strengthening macroeconomic control. Although the situation has currently turned for the better, we are still looking for a way to establish an effective macroeconomic management system.

At the moment, Western countries are maintaining a slow economic growth rate. In 1984, the economic growth rate of the United States was 6.9 percent, while that of Japan was 5.8 percent. In the Soveit Union and East European countries, economic conditions also improved to a certain extent. In the field of macroeconomic management, all these countries can provide certain worthwhile experiences for us to follow. This article will disucss several problems in regard to strengthening our country's macroeconomic management in light of the experiences of foreign countries.

Placing The Focal Point in Macroeconomic Management on Achieving A Balance Between Social Gross Supply and Social Gross Demand

For many years we have emphasized the correct handling of the proportionate relationship between agriculture, light industry, and heavy industry, and the proportionate relationship between accumulation and consumption, and have set the concrete demand of achieving balances in the four large sectors of finance, credits and loans, material resources, and foreign exchange. Western economists believe that their objective should be to strive for a full employment rate, as far as possible for only a slight degree of currency inflation, and for prolonged growth rate and a balance in international payments. We believe that although socialism and capitalism are radically different from each other in nature, they agree completely with each other in that in macroeconomic management they both seek the realization of a balance between social gross supply and social gross demand. Based on this, we should plan and set up a macroeconomic management system and should no longer

endeavor as in the past to suit everything to unrealistically high targets and high speed.

In our opinion, to do a good job in macroeconomic management in our country and to realize a balance between social gross supply and social gross demand, the key lies in controlling the scale of investment in fixed assets, particularly in capital construction. This is because capital construction investments have all along occupied a predominant position in the balancing of our country's finance, credits and loans, material resources, and foreign exchange. For example, in 1984, of our country's 146.5 billion yuan in financial expenditure, that devoted to capital construction amounted to up to 47.86 billion yuan, or 32.6 percent, occupying first place in financial expenditure. Of the gross amount of bank loans, capital construction loans likewise occupied a large proportion. As for materials and foreign exchange, a sizable portion of each was taken up by capital construction.

Western economic theory holds that investment occupies an exceedingly important position in economic activities. It is not only the starting point of production and reproduction, but is also expected to generate a series of direct and indirect effects. Hence, governments of various countries are exceptionally concerned with the effects and influence of investments.

Over the past 30 years and more in our country, due to the excessively large scale of capital construction for a prolonged period, economic development has failed to achieve the results it should have obtained. As for the economic causes, it may be said that the several major readjustments made were a result of the excessively large outlay in capital construction. In recent years, the "investment hunger disease" has become aggravated daily. The "Sixth 5-Year Plan" originally called for a gross volume of capital construction investments amounting to 230 billion yuan. This target had already been exceeded during the first four years, and it is anticipated that the results of the enforcement of the "Sixth 5-Year Plan" will show an eccess over the planned target of over 40 percent. During the 30 years prior to 1980, in only three years--1958, 1970, and 1978--were capital construction investments found to have exceeded the preceding year by 10 billion yuan or more. But in recent years, for many years in succession, capital construction investments have each year exceeded the preceding year by 10 billion yuan. The extent of the increase has greatly surpassed the country's tolerance level financially and economically.

Inflation in the scale of capital construction has brought with it many problems. First of all, it has inappropriately stimulated production's superspeed development, bringing about the evil consequences of high speed,high consumption, poor quality of products, and low economic benefits. Second, it has intensified the rise in commodity prices. Because roughly one-third of the capital construction funds are usually directly converted into consumption funds, inflation in the scale of capital construction not only brings about a state of stringency in the supply of the means of production such as energy and raw materials, but also causes the means of consumption to rise in price in a chain reaction. More importantly, in the initial period of the reform of the economic structure, if relatively plentiful financial power

and material resources are wanting, then no ground is left for maneuvers and readjustment.

It is true that keeping the growth of consumption funds within reason has an important significance in regard to the realization of the equilibrium between social gross supply and social gross demand, but in comparison with the control of capital construction investments, it takes second place. Control of the scale of capital construction will make it relatively easier to bring about a balance between social gross supply and social gross demand.

In controlling the scale of capital construction, it is important to have a unified understanding from top to bottom and overcome the ideas of being eager for quick success and instant benefits and seeking big and quick accomplishments. At the same time, it is necessary to take effective measures in administrative, economic, and legislative spheres. For example, letting the Planning Commission "take charge" of the examination and approval of capital construction projects, temporarily withdrawing power upward and allowing only the State Planning Commission and the planning committees at provincial levels to have the power of examining and approving capital construction projects; raising the interest rates on capital construction loans; investigating and affixing the responsibility of individuals for erroneous policy-making in capital construction; and so on.

Strengthening the Scientific Nature of Planning Work

In our country, planning work is the nucleus of macroeconomic management. The many errors in past economic work may frequently be traced to the defects in planning work. Hence, in strengthening macroeconomic management we must improve planning work and heighten its scientific nature. Although capitalist countries do not follow a planned economy, their methods of doing governmental intervention work are well worth our reference. In 1955, the Japanese Government, following completion of economic recovery, formulated in succession nine medium-term and long-term socio-economic development plans, including a "5-year economic self-support plan," "Doubling the national income plan," "New 7-year Socio-economic Plan", and so on. These plans were mostly completed satisfactorily and have helped in effectively promoting Japan's social and economic development. These medium-term and long-term plans of Japan generally possessed the following special features: 1) Embodying concrete and clear-cut plan targets; 2) Taking international and domestic advantageous and disadvantageous conditions into consideration; 3) Mobilizing financial groups and enterprises to take part in compiling government plans; and 4) Making the guidance thought of the plans aim at seeking real interest benefits and not necessarily speed or a show of impetus.

Among the socialist countries, Hungary's planning work has some special characteristics. Hungary's planning commission is formed by the heads of the economic departments, more or less like the Standing Committee of ministers' meeting. The economic reform in Hungary has continuously reduced the scope of the central government's mandatory plans but fully respected the law of value and, on the basis of extensively using such economic levers as prices, wages, and taxation, widened the scope of guidance plans. More recently, the Soviet Union has also stressed improvement in its planning work. They believe that

Lenin's idea of converting the state planning commission into a scientific economic organization formed by congregating together noted scientists and principal specialists should be realized, and that the plans should give a prominent place to quality targets reflecting the growth of the labor productivity rate built on the foundation of the effective use of resources, a large-scale renovation of products, and scientific and technological progress.

We believe that based on our country's conditions, our planning work should be improved as follows: 1) Conversion from principally working on fixed targets, diversified investments, and grasping main projects to mainly stressing the study and formulation of strategies, targets, and major policies for socio-economic development; 2) Changing the practice of initially determining the growth speed and then turning back to work out the other targets to starting from society's actual needs and feasibility of the plan and then determining the ratio and speed of the development of the various departments; 3) Having planning work not only determine the targets, but also map out the measures to realize and control the targets, without leaving too large a gap or having the disparity between reality and the plan to be too large; 4) Based on the principle of controlling the big issues firmly and well and liberalizing and easing control on the minor issues, reducing the scope of mandatory plans while enlarging the scope of guidance plans and regulation by market mechanism; but, be it guidance planning or mandatory planning, respecting the role of the law of value and fully using economic levers; 5) Overcoming subjectivism and the tendency to do things at will, paying close attention to market and information feedback, and stepping up economic forecasting work; 6) Rectifying the practice of a small group of people "working behind closed doors" and broadly mobilizing the enterprise circles and theoretical circles to actively participate in the formulation of plans, and, if necessary in the formulation of important plans, inviting the whole people to take part in the discussions just like the former case of the people's participation in the discussions on the Constitution; 7) Having the formulation and adoption of important plans go through a legal procedure, and in the event of serious errors, investigating the legal responsibility of the relevant departments and their responsible personnel; and 8) Improving the planning methods and improving the quality and standard of the personnel engaged in planning work, subjecting the planning personnel to a rigid system of rewards and punishment, and highly rewarding those who have made outstanding contributions.

Putting the Economic Regulation Functions of Financial Receipts and Paymants Into Full Play

Appropriately readjusting the composition and direction of fiscal receipts and payments is an important measure for doing a good job in macroeconomic management.

Certain Western economists believe that tax collection is only a part of the whole taxation policy and that there is still another very important part which is the problem of building up a tax source. In 1984, the collection of individual income tax in the United States accounted for 44.44 percent of all tax collection, while in Japan it was 40.42 percent. Despite collection of the individual income tax occupying first place in tax collection as a whole,

in the final analysis, the source of individual income tax comes from the enterprise. Hence, in taxation, the American and Japanese Governments have given favorable consideration to the enterprises. According to statistics, the proportion occupied by corporate income tax in the aggregate tax collection is less than one-third in Japan and only 15 percent in the United States. When a government enforces a low tax policy for corporations, it seeks to enable the enterprises to speed up the renovation of their equipment and increase their investments of a productive nature, thereby stimulating economic development. Hence, in the final analysis, this reflects the demand for an increase in capital.

Recently, the United States Government has formulated a new tax revision program, according to which both individual income tax and corporate income tax will be greatly reduced. The highest rate for corporate income tax will be reduced from 46 percent to 33 percent. Thus, although the government's tax receipts will be temporarily reduced, because tax reduction will increase the individual's income and the corporation's income, this is tantamount to increasing savings and investment. Ultimately, the growth of the economy will compensate, and in fact surpass, the losses from tax reduction.

The important parts of the fiscal budgets of the American and Japanese Governments are devoted to social expenditure, which amounts to roughly 40 percent of the whole. They include expenses for public welfare work such as social welfare, social insurance, and public health and education. This is the government taking care of society and not the enterprises taking care of society. Thus, on the one hand, it enables the enterprises to concentrate on production and operations activities and, on the other hand, through cultivation of culture, technology, and the physique of the individual, it prepares the ground for development of the productive forces for the benefit of the enterprises. The American and Japanese Governments' financial expenditures for developing the economy have a major purpose in each and every period. For example, in the 1950's, Japan adopted the "slanting type" strategy, emphasizing the development of steel, coal, heavy, and petrochemical industries. Later it stressed the development of the machine-building industry and electronics industries, achieving notable results in all cases.

Based on foreign experiences, when using this economic regulation measure of fiscal receipts and expenditures, we believe that we should pay close attention to the following problems:

First, we must overcome the purely financial viewpoint. Finance and economics are closely related to each other. Economic development relies on financial regulation and support. In the final analysis, an increase in financial receipts depends on development of the economy. Hence, financial departments should not be interested only in taking in money, but should think of how to expand and build financial sources. Basically, the viewpoint of developing production must be cultivated. At present the profit retention level of our enterprises is low, their equipment is antiquated, their skills are backward, and they lack the necessary financial power to achieve self-transformation and to expand reproduction. The reasons for all this may be traced to the practices in the preceding years of our intake of money from the enterprises being too great and the support given to them being too low.

Second, the taxation system must be perfected. At present our country has enforced the system of collecting taxes in lieu of profits and construction of the tax system has made some progress. But viewed as a whole, the taxation system is still imperfect. Some taxes which should be collected are not being collected while certain taxes that should not be collected are being collected. An example is the collection of individual income tax. Although collection of the tax is stipulated in the regulations, the regulations are not being strictly enforced. Many of the individual merchants and the so-called "10,000 yuan income households" who should pay taxes are not being taxed. Another example is the regulation tax. In name it is meant to offset the enterprises' differential receipts due to irrational prices. In reality, it is like "whipping the fast ox." This kind of regulation tax should be speedily abolished.

We should rationally arrange for our financial payments. At present the financial receipts of our country are still not great. Between the demand for funds and the availability, a rather large problem still exists. Hence, special attention should be paid to handling well the relationship between production and construction and improving the people's standard of living. When we look at the past, we may find that certain of the so-called major construction projects did not seem to have been so utterly necessary and correct. Hence, from now on, large fiscal payments must be first subjected to cautious deliberations.

Putting the Key Role of Banks in Economic Activities Into Full Play

Lenin once said: "Large banks are state organs which are urgently needed in our realization of socialism" "devoid of large banks, socialism cannot be realized" ("Selected Works of Lenin," Vol 3, pp 307-308)

For a long time, we have not paid sufficient and important attention to the role of banks. The main existing problems are:

1. The banking business is not developed. This is principally manifested in the following: Banks do not have a high status in economic management, the banking network is not wide enough, the banks do only a unilateral type of business, emphasizing only cash control and not management of credits and loans or issuance of banknotes. They neglect the open up domestic money markets or develop business and dealings in negotiable securities.

2. There is lack of a scientific basis for the issuance of banknotes and the floating of loans. Both in 1983 and 1984, the issuance volume of banknotes greatly exceeded the extent of the growth of the social total output value and a great portion of it was irrational. The blind and unguided nature of loans was also extremely serious. In 1984, the total amount of the various kinds of bank loans granted increased by 28.9 percent over 1983. In December alone, the amount of increase in bank loans was 48.4 percent of the amount of increase for the whole year. Such an irrational phenomenon has greatly impeded the development of the national economy.

3. The banks have suffered overly great interference from all sides and generally lack an independent nature. At present, the banks in our country

have not yet played the role of financial center or accounting center or supervisory center, basically having the nature of being a "big cashier." Moreover, the banks are helpless before various improper practices such as recklessly overdrawing from the banks and so forth. Originally, the several tens of billion yuan of funds expended on the purchases of grain and cotton should have been paid by the finance department, but now they are first advanced by the banks, thus using up a large portion of the bank funds.

We believe that for the sake of accelerating the development of our country's planned commodity economy, it is necessary to elevate the status of the banks and put the role of banks in macroeconomic management into full play. Only through the banks grasping the aggregate volume and direction of the flow of social funds, only through the banks grasping the conditions in respect of the production, distribution, and circulation of whole society's commodities, and only through the banks exercizing control over the issuance of banknotes and regulation of the interest rates so as to guide the direction and speed of the economic development is it possible, from now on, for our national economy to develop in a sustained, stable, and coordinated manner and is it possible to raise our management and control of the macroeconomic to a new level.

/12913
CSO: 4006/734

ECONOMIC MANAGEMENT

JOURNAL ON MANAGEMENT OF CAPITAL RAISED IN SOCIETY

HK131155 Beijing JINGJI GUANLI in Chinese No 12, 5 Dec 85 pp 7-10

[Article by Liu Delin [0491 1795 2651]: "Step up the Management of Capital Raised in the Society"--edited by Pan Schucheng [3382 6615 3397].

[Text] I. Strengthening the Management of Capital Raised in Society Is Urgently Needed

Raising capital in society is an economic activity which, by means of the issuance of stocks and bonds, collects small sums of money in the hands of urban and rural residents and the scattered and idle funds of enterprise units and absorbs foreign funds, thus forming a large force of capital funds for use in production and construction. It is another channel for raising and distributing funds resorted to by financial departments and banks in addition to their customary channels. The practice has increased in recent years following the development of the commodity economy in our country and has indeed developed rapidly. In 1984 alone, capital funds raised in society in the whole country amounted to five billion yuan. It may be anticipated that following the deepening of the reform of the economic structure in our country, this type of activity of raising capital for construction will have a greater impetus for development and will continue to exist for a prolonged period. The raising of capital in society in our country is an economic activity carried out under socialist production relations. Under such conditions, it is all the more necessary to subject it to planning, organization, direction, regulation, and supervision so that is may develop in a direction beneficial to socialist production and construction.

Due to the very fragile state of our management of the raising of capital in society, at present this type of economic activity is basically in a state of free and self development. Manifestations of this are as follows:

1. There is an unhealthy state of the management structure, insufficient personnel, low standard of the workers, and their inability to meet the demands of the work. Due to the raising of capital in society being initiated only in recent years, we lack a structure to take charge of its management. In the past, our departments handling finance, industrial and commercial administration and control, commodity prices, and the judiciary did not do this kind of work. These departments are all ignorant of what functions to perform relative to the raising of funds in society. It is true that the

perform relative to the raising of funds in society. It is true that the People's Bank, as a state organ in charge of the management of financial enterprises, should take charge of the management of these credit activities of raising capital in society. However, due to the People's Bank having only recently been endowed with the special functions of the Central Bank, it is still engaged in mapping out the geographical distribution of its branches so as to suitably meet the demands of developing the economy. As a matter of fact, the great majority of counties and cities in the country still do not have a branch office of the People's Bank. Even in the existing organs at various levels of the People's Bank, the departments in charge of the functions of managing the raising of capital in society are rather weak and imperfect. Some lack people to take charge, while some have entrusted their work to other departments. Because we have long taken the system of shares and bonds as belonging to the realm of capitalism and have not resorted to the practice of raising capital in society for construction purposes, we have not undertaken much study in the economic and financial fields on the theoretical and management phases of the raising of capital funds in a society under socialism. The great majority of the existing management personnel have no basic knowledge of the raising of funds in society nor any experience in the management of this type of economic activity. The relevant departments have also paid no attention to how to train management personnel in this connection and how to improve their management level.

2. There is imperfect legislation work, resulting in no legal basis upon which to call. Although in recent years our country's economic legislation work has progressed rather rapidly and a definite foundation has thus been laid for us to employ legal measures in the management of raising capital in society, statutes directly related to this type of work such as the "law governing the raising of capital" and the "bankruptcy law" have not yet been enacted. At the same time, a set of unified management regulations and rules and a concrete system have not yet been formulated.

The People's Bank of China is a state organ to lead and control the financial and currency enterprises of the whole country, but so far the authority of the bank's branches to exercise management and control over the raising of capital in society has not yet been established. To do a good job in the management of raising capital in society depends on the forces and support of specialized banks which liaise closely with the enterprises, but at present the branch organs of the People's Bank have no power to arrange for this phase of work in the specialized banks, and in the whole country, a centralized and unified force for the managment of raising capital in society has not yet been formed. Enterprises raising capital generally start from their own ranks and in their own localities in handling the problem of raising funds for construction, and frequently conflict with the direction of the macroeconomy. In handling the contradictions in this connection, the branch organs of the People's Bank still do not have the administrative and economic power to deal with such problems as the random raising of funds, disorderly assessment of fund contributions, chaotic distribution of profits, and so forth.

Due to the management of the raising of capital in society currently still being in a loose and weak state, a number of problems urgently demanding

solution have arisen in the activities of raising funds in our country. The major ones are:

1. The porms of raising funds are incomplete and the convertibility of shares and bonds into cash is not strong enough. Those (individuals and units) who organize the raising of funds in society usuallly do not have clear-cut and concrete rules formulated beforehand. The powers and the economic responsibilities of the sharholders are not stipulated. In some cases, only verbal agreements prevail and the necessary formal procedure is lacking. The share certificates issued do not show whether they are stocks or bonds or the kind of securities purported. Attractive terms, such as keeping the share capital intact, regular payment of interest and dividends, permission to withdraw midway from participation, and so forth, are offered to absorb the capital funds. Regarding the issuance of share certificates, some of the companies do not actaully print and issue the share certificates; rather, they merely register the names of the shareholders, issue receipts to them, and on this basis pay them the share interest or dividends when due. Certain regions have gone so far as to resort to non-compensatory or irrecoverable capital-raising or compulsory levies and assessments, arbitrarily asking subordinate enterprises to subscribe to the shares, or ordering their staff members to buy the shares or bonds. In addition, our country has no stock market facilities and the banks do not discount shares or accept them as securities for loans. As a result, the convertibility of the securities into cash is extremely low or is non-existent. All this not only brings confusion to the raising of funds in society, but also restricts the scope of the issuance of share certificates and bonds and hinders the raising of capital funds. This is definitely harmful to those enterprises which have bright prospects and are under capable management and to the relevant departments in rapidly raising large amounts of capital funds.

2. There is a problem of blindly raising funds and poor results in the use of funds. Some units or people raising capital funds lack careful planning for the business operations beforehand, do not study the feasibility of the direction of investments to be made, or possess a low operations and management level, or are far behind in technological strength. As a result, the capital funds raised cannot be put into profitable operation at once. In some cases, interest payments have to be made even though the enterprise has not yet started business. In other cases, the capital raised is only sufficient to pay for part of the factory buildings or equipment, making the project "half-finished," or, even though the factory building and equipment have been completed, circulating funds are lacking. In yet other cases, the enterprise is forced to produce goods that are not readily saleable or are sub-standard in quality or are high-priced. All this not only prevents the capital funds from playing their role, but also prolongs the capital construction front and wastes money.

3. There is the problem of paying excessively high interest benefits and making irrational distributions of earnings. In some cases, the whole of interest payments on the capital funds raised is charged to the cost of production, while distribution of dividends is made prior to payment of the taxes; in other cases, the profits of other enterprises are arbitrarily taken over, thus enlarging the gap of irrational distribution among the enterprises.

In some extreme cases, no reserve is set aside for accumulation, dividing all the assets and ultimately closing shop, thus damaging the state's and the collectives' interests. There are also instances in which no limit is placed on the investors individually buying shares, bringing about a wide disparity in earnings between the shareholders and in some cases resulting in the shareholders encroaching upon the labor benefits of the staff members and workers.

II The Necessity of Management Over Raising Capital in Society

1. Raising capital in society possesses a dual character. If we can step up the management over it, removing the defects but retaining the good points, it can render good services to socialist production and construction. The system of shares and bonds is a product of the development of a commodity economy and has been developed in a capital society. On the other hand, it plays an active role in raising capital funds for production and construction and in facilitating the growth of the productive forces. On the other hand, it is imbued with a speculative character, has the nature of blindness in action, is more or less parasitic, and possesses a passive quality which contributes to economic instability.

Although the stock and share system owes its development to a capitalist society, it is not exclusively confined to capitalism. It is the product of a commodity economy. Under the condition of the economy of our country being a commodity economy, we can also make use of this economic activity of raising capital in society to facilitate the development of production and construction in our country. However, we must fully comprehend the dual aspects of this measure, and retain the advantages and discard the disadvantages. Only by so doing can we achieve our purposes. Management and control of the raising of capital funds in society constitute an important measure to eradicate the passive elements and stop law-breaking and undisciplinary acts.

2. Insistence on the principle of the socialist public ownership system of the means of production demands that there must be management and control of the raising of capital in society. Whether the means of production are under the public ownership system or under the private ownership system is the basic point marking the distinction between socialism and capitalism. Enterprises formed by the raising of capital funds through share contributions constitute a new form of economic combination between enterprises owned by the banks and the individual, between the collective and the individual, and between the three parties of the whole people, the collective, and the individual, as well as various other forms of combination. Although such enterprises are intrinsically different from the factory combinations under the capitalist system, in the enterprises formed from the raising of capital in society through share contributions there is the possibility of a portion of the shares falling into the hands of individuals or groups of private persons and hence the possibility of enteprises under the public ownership system coming under the control of individuals or groups of private persons. Therefore, when issuing share certificates in raising capital funds, measures must be taken to prevent this possibility becoming a reality and thus ensure and

protect the nature of the public ownership system of the means of production in enterprises formed from the raising of capital funds in society.

3. A planned commodity economy demands the management and control of the raising of capital funds in society. Be it under macroeconomy or micro-economy, it is necessary that a balanced relationship in quantity be maintained in the objects and items related to each other. At present, the raising of capital funds in society is a spontaneous economic activity. A sizable portion of the capital funds raised comes from consumption funds, that is, the process involves the conversion of consumption funds into production funds. By so doing, it is true that to some extent it plays an active role in promoting production and construction. Nevertheless, if the raising of capital funds in society is extended and if there is an excessive conversion of the consumption funds into production funds, so much so as to exceed quantitative elasticity, it naturally will disrupt the state's proportionate arrangements between accumulation and consumption and break the equilibrium between the supply and demand of the means of production, the supply and demand of the means of consumption, and their internal composition. It will aggravate the actue situation in transport and the shortage in the supply of energy and raw materials, enlarge the scale of capital construction, and send the already large scale of investments in fixed assets out of control. In addition, being relatively independent commodity producers, enterprises formed from the raising of capital funds will naturally and constantly readjust the direction of their production in accordance with the market conditions. In the current state of a still irrational price structure and the existence of a great disparity in the profit-making rates of the enterprises, the flow of the investment funds on the part of the enterprises may not be entirely rational and the evil consequences of redundant construction and blind construction may arise. Hence, taking steps to carry out planned management and guidance of the raising of capital in society is extremely necessary.

4. In order to concurrently watch the interests of the three parties concerned--the state, the collective, and the individual--in the distribution of the profits of enterprises formed from the raising of capital in society, it is also necessary to carry out management and control over the raising of capital in society. Under socialist conditions, the investors must be given a definite compensation in the form of interest and/or dividends so as to arouse their enthusiasm. But interest and dividends are special distribution forms of the earnings of individual workers obtained from borrowing and using the ownership rights of the capital funds. Distribution of these receipts among people is imbalanced, and if the disparity in distribution is too large, some people may have the opportunity of unlimited expansion of their ownership of banknotes and a special group of people who live on interest earnings may arise. Moreover, a portion of the profits of enterprises formed from the raising of capital funds frequently comes from an irrational distribtion of resources or an irrational price system. This is literally a transfer of the earnings of other enterprises. Hence, this portion of profits should not be wholly distributed to private persons. At the same time, the state and the enterprises must ensure and protect socialist expanded reproduction and ceaselessly strive to increase capital for production. Thus, in the distribution of profits, we must concurrently take care of the interests of all three parties concerned--the state, the collective and the individual.

This demands that we make suitable restrictions on the distribution of benefits to the investors.

III. Methods of Management over the Raising of Capital in Society

1. Formation of a healthy management structure. We must clearly specify the status and power of the People's Banks at various levels in the management of capital in society. On the part of the People's Bank, it must actively create the conditions for rapidly changing the existing passive state of their structure, which is not exactly suited to the demands of economic development. In accordance with the needs of work, in economically developed counties, branch offices of the People's Bank should be established. In the internal structure of the People's Bank at various levels, departments taking charge of the management and control of financial and currency matters should be speedily established. From the provincial branches to county sub-offices of the banks, separate departments, sections, and offices should be speedily set up to take charge of the management of financial and currency matters. It should be made definitely clear that one of the major functions of these new organs is the management of the raising of capital in society and that their tasks should be the following: 1) Formulating, organizing and carrying out the management methods of raising capital in society; 2) Screening and approving the issuance of share certificates and bonds; 3) Supervising the direction of the business operations of enterprises formed from the raising of capital in society and their distribution of interest and dividends; 4) Helping the enterprises formed from the raising of capital in society in improving their operations and management and strengthening their business accounting work; and 5) Entrusting specialized banks and other financial organs to handle matters relevant to the raising of capital in society. The various specialized banks and finance, taxation, auditing, commodity prices, judiciary, and industrial and commercial administrative and control departments should likewise augment their structure and their personnel composition. Under the leadership of the people's government at various levels, they should cooperate with each other and jointly do a good job in the management of the activities of raising capital in society. At the same time, training of the management personnel should be strengthened and their political and business level should be heightened.

2. Perfecting the management statues. The state should speedily enact relevant statues. For example, the "enterprise law" should give legal recognition to the status of the enterprises and protect the issuance and circulation of share certificates and bonds, and should legally sever the relationship between share-holding power and operations and management power, thus preventing private individuals and groups of private individuals from encroaching upon the operations and management power of socialist publicly-owned enterprises. Another example is the "Bankruptcy Law." It should stipulate that when an enterprise is declared bankrupt, it should follow legal procedures and carry out liquidation of its assets, thus protecting the legitimate interests of the investors. It should also legally provide that when an enterprise is declared bankrupt, its shareholders should be responsible for the enterprise's debts in a manner proportionate to their respective shareholdings. Prior to the enactment of these laws, we should earnestly implement the enforcement of the "provisional regulations governing

the management and control of share Certificates and Bonds of Enterprises" which will soon be promulgated. The relevant departments should also formulate certain supplementary measures and details to coordinate with the enforcement of the provisional regulations.

3. Handling the problem of issuance of certificates well in raising capital in society. In issuing share certificates and bonds in the raising of capital, enterprises should apply first to the People's Bank or its branches. On the part of the People's Bank and its branches, they should do a good job in examining applications for the raising of capital. The applications should comply with the following specifications: The applicant enterprise must possess the qualifications of a legal entity sanctioned by industrial and commercial administrative and management departments, and sponsers of a new enterprise should themselves subscribe a fixed amount of the capital; the application must clearly state the various particulars such as the investment project, amount of funds to be raised, the scope and subscription area of the certificates, estimated benefits, method of profit distribution, and so forth. In order to facilitate the control of the issuance and circulation of the share certificates and bonds, it is recommended that an investment bank be established by the state. After an enterprise has obtained the approval of the People's Bank to issue share certificates and bonds, it can entrust the investment bank to take charge. Prior to the establishment of the investment bank, specialized banks or other financial organs may act in its stead.

4. Stepping Up Planned Guidance. First of all, we should set up a scientific statistical system for raising capital in society. The enterprise raising funds should step up its basic statistical work and truthfully, accurately, and promptly report all statistical data. It should quarterly and yearly submit to the People's Bank (or through the specialized bank or other financial organs) its plan on raising capital funds. The contents of the plan should include the amount of capital to be raised and the direction of the investment to be made. Branch organs of the People's Bank, based on the fundraising plans of the enterprises and the demands for the development of the national economy, should annually compile the plans for raising capital in society in their respective administrative areas, incorporate them into their overall credit and loan plan, and submit them to the higher levels step by step for approval. Following on overall balance made by the head office of People's Bank and the approval of the State Council, the relevant plans will be forwarded to the various localities for enforcement. In arranging the proportionate relationships between the various material production departments, between accumulation and consumption, and between manpower, material power, financial power, and technological strength, the State should take into due consideration the new element of the possible changes in the operational compostion of funds and materials on account of the effects of the raising of funds in society such as converting consumption funds into production funds, and should do a good job in effecting an overall balance.

5. Stepping Up Control Of The Funds Raised In Society. First, in the management and control of the funds from raising capital, it is necessary to control the sources of funds of the investors. The following three points should be noted: 1) We should suitably control the subscription amount of private individuals and groups of private individuals. In Romania,

regulations provide that the gross amount subscribed by the workers to the economic development fund of an enterprise should not exceed 30 percent of the fixed assets of the unit concerned, that the amount of shares owned by an individual worker during the whole working period should not exceed a maximum amount of 50,000 leu (equivalent to 11,000 yuan) or a minimum of 10,000 leu. This is well worth our study. It is recommended that regarding these problems, the state should make a ruling in principle so that the branches of the People's Bank, based on the conditions of the varous localities, may follow. 2) The funds employed by enterprises in making the share subscriptions should be only the various kinds of special sinking funds and accumulation funds that have remained idle for a time and should not be the circulation funds or funds from bank loans, thus preventing the expansion of the scale of credits and loans. Investments made by enterprise units should comprise only extrabudgetary funds while intrabudgetary funds should not be used. State organs, public bodies, and the armed forces are not allowed to invest in shares and bonds. 3) Absorption of foreign capital investments should conform with the relevant regulations of foreign economic relations and the relevant regulations of foreign exchange control.

Second, it is necessary to control the flow and direction of the investment of capital funds. The following major points should be noted: Whether or not the investment project conforms with the principle of requiring little investment but producing quick results, whether or not there is a complete set of equipment availalbe, whether or not the raw materials required can be procured, whether or not the necessary technological strength is avialable, and whether or not the products are suited to market needs. The banks may also exercise control of the shares through the purchase of shares, thus taking part in the internal opertions and decisionmaking of the enterprises. Raising of funds related to the nature of investment in fixed assets should have a fixed asset investment plan, so as to prevent a random submission of projects and expansion of the scale of fixed asset investments.

6. Permitting the Circulation of Share Certificates and Bonds and Strengthening the Management Thereof. Holders of securities generally hope that their investment funds will not be frozen for long. They hope that, when necessary, their holdings can be converted into cash. Moreover, because receipts or earnings from securities are of an anticipated nature and also an uncertain nature, the investors naturally hope that their securities can be bought or sold. But the open buying and selling of securities may encourage speculation. For this reason, on the one hand it is necessary to maintain the convertibility of share certificates and bonds, and on the other hand, we must prevent them from being the objects of speculative activities. We must adopt a cautious attitude in regard to the buying and selling of securities. It is suggested that the state set up an investment bank as the "middleman" for the buying and selling of share certificates and bonds. Transactions should be made through the bank and direct buying and selling transactions between private individuals should be prohibited. The investment bank may also purchase the securities from the holders and permit share certificates and bonds to serve as securities for loans from specialized banks and other financial organs.

7. Suitable Restrictions Should be Placed on the Interest Earnings of the Investors. Economic measures such as pricing and taxation should be used to restrict the interest earnings of the investors. For example, the dividends of individual investors should be suitably taxed. But under the current conditions of our country's price and taxation structures still not being sufficiently perfect, making suitable restrictions on the interest earnings of investors must necessarily be an expedient measure. In restricting the interest earnings of the investors, we should take due consideration of the risks borne by the investors and the state's capacity to take up the burden. According to the Marx theory on interest, interest should be treated as an expenditure in the cost of production. Unfortunately, at present, the profit-retention level of enterprises in our country is very low. If we follow entirely the procedure of paying interest to the investors from the profit retained after tax payment, then it will be difficult to find a market for share certificates. It is recommended that distribution of the earnings of the investors be made in the two forms of interest and dividends. Share certificates and bonds may receive interest payment at an agreed interest rate out of the cost of production of the enterprises. The interest rate may be slightly higher than the interest rate payable by the banks on deposites of the same category and for the same length of time. Since investors in share certificates must bear certain and definite risks, after an enterprise has set fully aside, out of its net profits, amounts to be retained for the public accumulation funds and public welfare funds, retention may still be made for dividends at a fixed ration. But the maximum amount of earnings (interest and dividends) of investors in share certificates should not exceed 15 percent of the principal of the shares a year. Since the degree of the risks borne in shareholding differs with different categories of shares, the maximum amount of dividends should also vary with different categories of share certificates.

/12913
CSO: 4006/734

MINERAL RESOURCES

BRIEFS

QINGHAI GOLD PRODUCTION CONFERENCE--The provincial conference on gold production, which concluded on 30 January, pointed out that on developing gold production, we must continue to implement the principle of large mines mining the metal on large scale, taking a relaxed attitude toward small mines, and promptly letting the water in mines flow away. Also, we should ensure that the state, collectives and individuals develop the trade simultaneously. We should use economic means, administrative means, and legal means to stop up loopholes concerning the activities of smuggling gold. Over the past ? years, the province has developed gold production. The participating comrades held: The gold deposits are an advantage for Qinghai. To grasp gold production well is of great significance in terms of promptly exoricating poor villages from a poverty-stricken state. Therefore, we must not weaken gold production. When problems develop, we should investigate their causes and solve them by giving guidelines. At the same time, the departments concerned should constantly propagate relevant state policies and regulations at the mines, so as to heighten the masses' consciousness on banning gold smuggling activities. The conference formulated this year's gold production tasks. It also commended four units, including Dulan and Huangzhong County governments, as well as 12 advanced individuals, including (Zeng Fazhong) and (Mao Lingtao), who have made remarkable achievements in 1985 gold production and purchasing. [Text] [Xining Qinghai Provincial Service in Mandarin 2330 GMT 31 Jan 86 HK]

/12929
CSO: 4006/713

INDUSTRY

BEIJING TO HOST INTERNATIONAL SHIP REPAIR EXHIBITION

OW120815 Beijing XINHUA in English 0653 GMT 12 Feb 86

[Text] Beijing, February 12 (XINHUA)--China's first international ship repair, spare parts, maintenance and conversion exhibition is to be held in Beijing this October, the China State Shipbuilding Corporation announced today.

Organized by the corporation's comprehensive technology research institute, the Chinese Society of Naval Architecture and Marine Engineering and the Hong Kong Trade Show Consultant International Ltd., the exhibition is aimed at enabling China's marine industry to meet ship repair equipment and material suppliers worldwide.

Many foreign firms have been invited to attend the event in addition to some 3,000 engineers, technicians and managers from 500 Chinese ship repairing enterprises, CSSC said.

China's ship building industry has been doing ship repairs for nearly 150 years. At present, various repair stations have been set up along the Yangtze--China's longest river--and major coastal harbors. The corporation runs over 20 repair docks, the largest of which can hold a ship of 60,000 dwt.

The Chinese Navy has a fairly complete system of ship repair and it does a great portion of its own repairs and conversion.

High-pressure water cleaning, airless paint spraying for hull painting and electro-driven scaffolds are in wide use in China. Low-temperature iron plating, chemical cleaning and other new techniques are used at each shipyear.

CSSC has established business relations with more than 100 companies, manufacturers and government institutions of over 20 countries and regions. Efforts have been made to shorten the repair period for foreign vessels which averaged 10 days in 1984.

/6662
CSO: 4020/219

INDUSTRY

MACHINE-BUILDING ADVANCES IN SIXTH 5-YEAR PLAN PERIOD

HK070348 Beijing CHINA DAILY in English 7 Feb 86 p 2

[Text] During the Sixth Five-Year Plan (1981-1985), China's machine-building industry made great strides in developing new products, the newspaper ECONOMIC INFORMATION reports.

The industry produced 129 categories and more than 50,000 varieties of products over the past five years, the paper said. At least 26 per cent of them are considered up to international standards of the last 1970's and early 1980's.

In its effort to develop new products, the Ministry of Machine-building Industry offers incentives to its businesses.

The ministry stipulates that one per cent of total earnings from sales should be used for a fund to develop new products. Expenses for developing new products can be figured into the cost of production, and new products are tax-exempt.

The ministry placed special emphasis on the development of energy-conserving products, elementary components, basic equipment and important new products.

Over the past five years, the machine-building industry manufactured 920 varieties of energy-saving products, popularized another 303 varieties, and put 140 varieties of high-energy-consumption products out of service.

The industry also turned out over 1,000 varieties of elementary components involving hydraulic, sealing, low voltage and bearing products.

In another field, the industry produced on a trial basis 26 varieties of digital controlled machine tools, 28 varieties of high-precision machine tools and seven varieties of heavy-duty machine tools.

The industry brought more than a dozen types of heavy equipment up to advanced world level of the late '70's.

By the end of last year, the Dalian Heavy-duty Machinery Plant manufactured 10 sets of casting equipment with a capacity of 200,000 tons. The plant has also started to produce open pit mining equipment with a capacity of one million tons.

The generator units, with a capacity of 170,000 kilowatts, were developed and produced by the Guangdong Electrical Machinery Plant, the Harbin Electrical Machinery Plant and the Harbin Electrical Machinery Research Institute. They have gone into operation at the Gezhou Dam.

The Ministry of Machine-building Industry produces nine categories and 137 varieties of electric welding machines. Many of them are energy-saving products.

/6662
CSO: 4020/219

INDUSTRY

BRIEFS

EQUIPMENT FOR SHAVING BOARD PRODUCTION--Shenyang, February 9 (XINHUA)--China has succeeded in making a complete set of equipment for producing large wood shaving boards, according to experts here. The equipment, a major research subject in the Sixth Five-Year Period (1981-1985), was made by Shenyang heavy machinery plant. One cubic meter of shaving board can substitute for three cubic meters of good timber. The equipment was made with the help of advanced technology introduced from abroad, the experts added. [Text] [Beijing XINHUA in English 0738 GMT 9 Feb 86 OW] /6662

INDUSTRIAL OUTPUT INCREASES IN JAN--Beijing, February 9 (XINHUA)--China's industrial output last month was worth 68.19 billion yuan, an increase of 5.6 percent over the same month last year, the State Statistical Bureau reported today. Light industrial output value amounted to 35.27 billion yuan--5.2 percent more than in January, 1985. To meet market demand during the spring festival, the traditional Chinese New Year, the country produced more than 330,000 color TV sets last month (46.5 percent more than in the same month last year), 1.07 million [one million and seventy thousand] cassette recorders (up 33.7 percent), 136,000 refrigerators (up 120 percent), 760,000 washing machines (up 28 percent) and 150 million liters of beer (up 25 percent). [Text] [Beijing XINHUA in English 1035 GMT 9 Feb 86 OW] /6662

CEMENT OUTPUT FORECAST--Beijing, February 7 (XINHUA)--China plans to double cement output over the next five years, the ECONOMIC INFORMATION newspaper reported today. Production should reach between 180 million and 220 million tons by 1990, twice the 1980 figure, the paper forecast, and could reach 300 million tons by the end of the century. Production of plate glass, and non-metallic and other new types of building materials will also be stepped up, the paper said. Hygienic ceramic products will be standardized. Their variety will be increased and quality improved. In 1985, China produced eight million pieces of hygienic ceramic ware, including glazed ground and wall tiles. [Text] [Tokyo KYODO in English 1509 GMT 7 Feb 86 OW] /6662

CSO: 4020/219

CONSTRUCTION

QINGHAI'S QAIDAM BASIN PROJECT GOING FASTER

OW111016 Beijing XINHUA in English 0649 GMT 11 Feb 86

[Text] Xining, February 11 (XINHUA)--Development of Qinghai's Qaidam Basin as a salt, chemical, non-ferrous metal, petroleum and building materials industrial base is moving faster.

The basin, which covers an area of 250,000 square kilometers, has more than 40 kinds of minerals. Verified reserves of potassium salt, lake salt, magnesium salt, lithium, bromine and asbestors rank first in the country. Other minerals include petroleum, coal, lead, zinc, gold and silver.

Prospecting in the western part of the basin in the past four years has verified a big petroleum pool. Construction of an oilfield with an annual output of 10.5 million bbl of crude oil and a refinery handling one million tons of oil is underway.

At the Qinghai tin and iron mine on the northern fringe of the basin, the builders had almost finished the shafts, a power plant and an ore-dressing plant at the end of 1985. Work on the mine is expected to be completed half a year ahead of schedule.

As the production line with an annual output of 40,000 tons of potassium fertilizer just went into operation, the basin is now preparing to build China's largest potassium fertilizer plant, producing one million tons of potassium chloride annually.

The completion of a railway and the reconstruction of the Qinghai-Tibet highway, both of which pass through the basin, has contributed to the faster growth.

/6662
CSO: 4020/219

DOMESTIC TRADE

ANHUI BOOSTS ECONOMIC TIES WITH OTHER PROVINCES

OW030720 Beijing XINHUA in English 0635 GMT 3 Feb 86

[Text] Hefei, February 3 (XINHUA) -- Anhui Province is transferring advanced technology introduced from coastal areas to other interior provinces.

According to the provincial authorities, Anhui signed economic and technical contracts for 1,685 projects with other provinces last year, four times the 1984 figure. These cooperative items involved a record total of 680 million yuan.

Economists analyzed that economically less-developed medium-sized and small cities can digest the techniques from a neighboring province better than directly from coastal provinces and cities.

Linked with economically developed Jiangsu and Zhejiang Provinces, and China's major industrial city of Shanghai in the east, Anhui borders Henan, Shandong and Hubei provinces in the north and the west.

The province has improved the quality of its textiles, chemicals and light industrial products by absorbing advanced technology from Jiangsu and Zhejiang provinces and Shanghai over the past couple of years.

Anhui negotiated cooperation agreements with noted factories in Shanghai in 1984 when its wrist watches, sewing machines and bicycles were overstocked with charts, technology and standards provided by these factories and technicians, the province is able to turn out quality products which sell well.

Through cooperation with Shanghai's no five shirt factory, the Fuyang people's garment factory is able to export its products to European and Latin American countries and Hong Kong.

The factory set up cooperatives with county-run and rural businesses in East Henan and southwest Shandong province last year.

The Anqing general bakery and confectionery in Anhui province, known for high-quality cakes, has taught a number of factories and shops in Henan, Gansu and Shaanxi provinces how to make pastries.

/12929
CSO: 4020/217

DOMESTIC TRADE

STEPS TAKEN TO BOOST DOMESTIC MARKETS

HK081129 Beijing CHINA DAILY in English 8 Feb 86 p 1

[Article by Staff Reporter Liu Dizhong]

[Text] New and more flexible measures will be taken to invigorate China's domestic market, which is under great pressure due to the sharp growth in purchasing power.

New commercial enterprises and companies which will directly link buyers and sellers are to be set up this year on a trial basis.

For example, commercial departments in Beijing could set up firms with growers in Hebei Province to ensure fresh vegetables go directly to the capital's markets; or Guangdong Province could improve its pork supply by organizing companies with farmers in Sichuan and Hunan provinces, which have a surplus.

The move is part of the nation's efforts to cut out the "middle men" in commercial business, Jiang Xi, deputy minister of commerce, said yesterday in an interview with CHINA DAILY.

The measures will not only reduce the waste of manpower and materials but also greatly benefit farmers, Jiang said.

Other new measures include opening state-owned warehouses, cold stores, freight yards and motor pools to individuals and collectives to help develop their businesses.

Jiang said the nation's soaring buying power was putting great pressure on the home market and complaints were often heard about insufficient supplies of high-quality commercial goods.

The deputy minister estimated that total retail sales would grow to more than 470 billion yuan this year, an increase of 10 percent over 1985.

Jiang said there was no problem providing the daily necessities like grain, edible oil, pork, cotton and cloth, but supplies of wool and wool products, high quality colour TV sets, freezers, bikes and washing machines as well as milk products, mutton and sea food were still insufficient to meet the increasing demand.

In the countryside, the most urgently-needed goods were building materials like steel, cement and glass, Jiang said.

Economic prosperity has led to a substantial rise in house-building in rural areas.

Last year, total retail sales reached 430.5 billion yuan, an increase of 27.5 percent or 92.9 billion yuan more than the previous year. Jiang said nearly half of all retail sales were food products, 201 billion yuan worth, an increase of more than 30 percent over 198[illegible].

Sales of wool products increased 11.3 percent, silk by 8.8 percent, blankets 22.7 percent and ready-made clothes more than 28 percent.

Household electric appliances also sold more both in urban and rural areas. Last year saw a rise of 550 percent in the sale of freezers, while sales of colour TV sets went up by 220 percent and those of tape recorders and electric fans more than doubled.

Jiang said state-run shops had reduced their role in market-oriented business due to the prosperity of individual and collectively-owned enterprises scattered throughout the country. The proportion of pork sales by state-run shops dropped from 76.6 percent to 47 percent, eggs from 40 percent to 23 percent and vegetables from 51 percent to 26 percent.

Jiang said China's home markets would be even busier this year with the development of individual and collective enterprises, and the Ministry of Commerce would strive to ensure a better balance between supply and demand.

/6662
CSO: 4020/218

DOMESTIC TRADE

BRIEFS

HEILONGJIANG ECONOMIC RELATIONS PROMOTION--Harbin, 21 Jan (XINHUA)--Heilongjiang Province has signed 1,171 economic cooperation agreements with 28 other provinces, municipalities, and autonomous regions, and obtained investment amounting to some 720 million yuan from them. The province has established economic and trade relations with some 1,700 firms in 104 foreign countries and regions. In 1985, commodities worth some 3.8 billion yuan were purchased for export by the province's export trade department. [Summary] [Beijing XINHUA Domestic Service in Chinese 0127 GMT 21 Jan 86 OW] /12640

GUANGDONG ESTABLISHES COOPERATION ZONE--In order to speed up economic development in remote mountain areas, Guangdong's Meixian, Jiangxi's Ganzhou, and Fujian's Longyan Prefectures, which are situated at the juncture of Fujian, Guangdong, and Jiangxi Provinces have recently agreed to establish a Longyan-Ganzhou-Meixian Economic Cooperation Zone and lateral economic ties among themselves. Not long ago, Meixian Prefecture sent an economic and technological investigation group to Ganzhou and Longyan to probe opportunities for economic and technological cooperation. During the investigation, the group and Longyan Prefecture initialled contracts for supplying each other with rolled steel, plywood, artificial marble, medicines, computerized telephone sets, garments, and magnetic materials. They also initialled letters of intent on such economic and technological cooperation items as exchanging technology and developing rail, highway, and water transport. [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 30 Jan 86] /12640

CHONGQING TRADING CENTERS ESTABLISHED--Chongqing, February 4 (XINHUA)--Chongqing--The first city in China to experiment with economic reform--has established hundreds of trading centers since 1984 for science and technology, information, finance, capital and consumer goods, labor services, farm produce and building materials. A local official said here today that about 120 consumer goods trading centers have encouraged individual buyers and sellers, reversing previous practices that allowed goods to be distributed only according to work units and other government divisions. Chongqing, largest economic center in southwest China, has since 1984 opened 190 science, technology and information centers and 148 consulting services run by enterprises. Last year, the city in China's most populous provinces of Sichuan hosted 35 technical fairs, which led to production agreements involving 1,000 items. Six capital goods centers were established last year for trade in rolled steel, timber, coal and motor vehicles. Together, their transactions have totaled 360 million yuan (113 million U.S. dollars). [Text] [Beijing XINHUA in English 1315 GMT 4 Feb 86 OW] /6662

CSO: 4020/218

FOREIGN TRADE AND INVESTMENT

ZHENG TUOBIN ADDRESSES CHEMICAL IMPORT-EXPORT COMPANY MANAGERS

HK281100 Beijing Guoji Shangbao in Chinese 13 Jan 86 p 1

[Report by special reporter Shi Hua [4258 5478]: "Zheng Tuobin Emphasizes Arousing People's Initiative by Economic Means"]

[Text] In a speech to a meeting attended by branch managers of the China Chemical Import and Export Corporation on 11 January 1986, Zheng Tuobin, minister of foreign economic relations and trade, said that this year is the first year of the Seventh 5-Year Plan and is the key year for us to fulfill the planned targets for export.

He pointed out: At present, our country's economy has entered the most vigorous and dynamic period, and this has provided favorable conditions for the fulfillment of this year's export plans. Foreign trade departments should focus their work on raising their business results and increasing exports and foreign exchange earnings.

He said: We must try by every possible means to ensure the supply of goods for export so as to fulfill the export targets. Economic means should be adopted to support production and to arouse the production initiative of the enterprises and workers. Our experience in past years has shown that if we do not adopt economic means, we will not be able to ensure the steady supply of goods for export on a long-term basis. We should take measures to enable the enterprises producing export goods to gain more profits by exporting their products than by selling them on the domestic market. Under the premise that the state takes a bigger proportion of the earnings and that the export and foreign exchange earnings are increased steadily, measures should be taken to ensure that the enterprises and workers can enjoy economic benefits from the increase in the export of their products. Fixed business relations between the manufacturers and the foreign trade companies should be maintained by economic means. Foreign trade companies can continue their experiments in running their own plants to produce the goods they need. Special funds for developing export-oriented production and for awarding contributions to the export business should be established. This will promote the development of new products and will ensure the supply of export goods. It is necessary to form closer ties between industrial enterprises and

foreign trade enterprises, and the latter should provide good services for the former. In the reform of the foreign trade structure, efforts should be made to consolidate and improve the new establishments. Measures should be taken to ensure better coordination and to strengthen management. The principle of adopting a unified approach in external dealings must be maintained so as to ensure the steady advance of the reform of the foreign trade system. At the same time, positive measures should be taken to raise the economic efficiency of our foreign trade business. We should not merely rely on some passive means of lowering operating costs, but should also adopt positive measures to improve management and raise work efficiency.

Finally, Minister Zheng Tuobin pointed out that in order to ensure the fulfillment of this year's targets, we must also make great efforts to set aright our party style and to promote the development of spiritual civilization. Leading cadres in all units and at all levels should set a good example in rectifying party style. Organs of the ministry and all general corporations should particularly make major contributions to this so as to bring along their subordinate units and to strive for a fundamental turn for the better in party style in the foreign trade system.

/12640
CSO: 4006/706

FOREIGN TRADE AND INVESTMENT

TA KUNG PAO ON PROBLEMS FACING PRC FOREIGN TRADE

HK240646 Hong Kong TA KUNG PAO in Chinese 23 Jan 86 p 2

["Political Talk" by Shih Chun-yu: "Two Thorny Problems Facing China's Foreign Trade"]

[Text] Deficit Amounts to U.S. $7.6 Billion

China's Ministry of Foreign Economic Relations and Trade has disclosed that last year, China's total import and export volume was more than U.S. $59.2 billion, a 19-percent increase over that in 1984, but the trade deficit also increased tremendously amounting to U.S. $7.6 billion.

Such a big increase in the trade deficit had been expected because of the "overheated" economic development in 1984 and early 1985, and because some areas and units had vied with one another in blindly and repeatedly importing a large quantity of consumer goods from foreign countries by making use of the powers delegated to them, thus spending a great deal of foreign exchange. When Beijing discovered this problem, it immediately adopted strict austerity measures to slow down the overheated industrial development, reduce unnecessary imports, and strengthen control on foreign exchange. As a result, until the end of the 3d quarter of last year, China's foreign exchange reserves totaled more than US. $12.59 billion, an increase of U.S. $1.7 billion over that at the end of June. So, the declining was stopped and the rise began.

Protectionism Destroys World Trade

That China today faces such a huge trade deficit of U.S. $7.6 billion is really a serious problem. China needs to take effective measures to tackle this problem, otherwise there will be another drain on her limited foreign exchange reserves.

Last year a worldwide economic depression was experienced. It was mainly because the Reagan administration stayed with its policy of high interest rates and high exchange rates for the dollar. The U.S. economy also suffered from this policy. The U.S. trade deficit was very big. Protectionism gained momentum in the United States and U.S. imports of

foreign products were restricted. Although in recent years, China's export trade has developed very fast, it has also been increasingly harmed by international protectionism. This is the problem faced by China and many Third World countries. It can only be solved through international negotiations and coordination.

Oil Exports Should Be Limited

On the international oil market, supply has exceeded demand, so the oil price is dropping drastically. The price of Britain's North Sea crude oil has dropped to below U.S. $20 per barrel. It is predicted that the world oil price will drop to U.S. $18 to U.S. $15 per barrel in the future. This is a heavy blow to China's oil exports. In the future, China should not completely rely on its oil exports because, on the one hand, China lacks energy at home, and on the other hand, the world oil price will continue to drop. This is a new problem. However, the drop in oil prices will certainly stop in the future, the relations between supply and demand will also change, and petroleum will still remain as the main world energy source. China should vigorously develop its off-shore and on-shore fields and aim at both the short-term needs and long-term export.

The Long-Term Future of China's Foreign Trade Is Bright

The situation urgently demands that China improve the quality of her exported goods so as to enable her products to enter foreign markets amid the keen international trade competition. On the other hand, in the future, China should negotiate with those countries which have huge unfavourable trade balances with China on ways to balance bilateral trade.

Since the implementation of the policy of opening up, China's foreign trade and foreign economic relations have greatly devloped. The future of China's foreign trade is bright. In the more than 20 years between the Seventh 5-Year Plan and the end of this century, China will import a large number of advanced foreign technologies and a large amount of foreign funds, and increase the number of joint-venture enterprises. All this will enable China to continuously improve its commodity quality and strengthen China to continuously improve its commodity quality and strengthen its capability of earning foreign exchange. The development of "South-South Cooperation" will provide an enormous market for China's products, and will enable China to do more business with foreign countries.

/12640
CSO: 4006/706

FOREIGN TRADE AND INVESTMENT

OFFICIAL EXPLAINS PRC TRADE ARBITRATION PROCEDURES

HK041217 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 4, 27 Jan 86 pp 12, 13

[Article by Tang Houzhi [0728 0624 1807], deputy secretary-general of the Chinese Council for Promotion of International Trade and Foreign Economic and Trade Arbitration Commission: "China's Foreign Economic and Trade Arbitration is Being Gradually Perfected"]

[Text] Arbitration is one of the chief measures by which China can solve disputes arising in its foreign economic relations and trade. According to the stipulations in China's Law of Foreign Economic and Trade Arbitration (for trial implementation) the rules concerning external economic contracts, and regulations on the exploitation of offshore petroleum resources in cooperation with foreign enterprises, all disputes arising from: The operation of foreign economic relations and trade; the operation of joint-ventures using Chinese and foreign investment; the operation of enterprises in cooperation with foreign businessmen; technical transfers, and the exploitation of offshore petroleum resources in cooperation with foreign enterprises may be solved by means of arbitration.

Clauses on arbitration are usually included in bilateral accords on economic relations and trade between the Chinese and foreign governments. For example, the Sino-Philippines accord on trade, the Sino-Japanese accord on trade, the Sino-FRG accord on economic cooperation, the Sino-U.S. accord on trade relations, as well as the reciprocal conditions for goods delivery initialled between China and the Soviet Union and all East European countries have all stipulated that disputes which fail to be solved through negotiation between the parties concerned should resort to arbitration.

The Establishment and Function of the "Arbitration Commission"

Back in 1954, the Government Administration Council of the Central People's Government issued the "Decision on Establishing A Foreign Trade Arbitration Commission in the Chinese Council for Promotion of International Trade." Based on this decision, the Chinese Council for Promotion of International Trade formally founded its "Foreign Trade Arbitration Commission" in 1956, and drew up regulations for arbitration procedure for trial implementation. After China implemented the policy of opening up to the outside world in

1979, the State Council decided to change the "Foreign Trade Arbitration Commission" into the "Foreign Economic and Trade Arbitration Commission" in February 1980, which expanded the scope of cases in its charge, and increased the number of members (arbitrators). At present, the "Arbitration commission" deals with the following disputes: Those arising from all joint-ventures using Chinese and foreign investments; enterprises of management in cooperation; exploitation of natural resources in co-operation; technical transfers; monetary loans; investments in China; and the leasing trade; those arising from foreign trade (including processing imported materials, assembling imported materials, and compensation trade) as well as buying and selling in trust; those arising from the shipment; insurance and storing of commodities; and those arising from other professions of foreign economic relations and trade. The number of members of the "Arbitration Commission" has been increased to 65 from the original 21. With the approval of the State Council, an "Arbitration Commission" office is set up in the Shenzhen SEZ [Special Economic Zones], Guangdong, to deal with the cases in the SEZ. The office comprises 15 arbitrators, of which eight are well known in Hong Kong's legal, industrial, and commercial circles.

When dealing with cases, the "Arbitration Commission" persists in basing on facts with the laws as the criteria, while observing three principles, namely: Independence and taking the initiative into one's own hands; equality and mutual benefits; and reference to international practice. It also means observing Chinese law as well as attaching attention to the clauses in the contract signed between the two parties concerned and rational international practice. Over the years, the "Arbitration Commission" has heard and solved many cases based on these principles, to the satisfaction of both the Chinese and foreign parties concerned. Therefore, more and more contracts have been stipulated to be under the arbitration of the "Arbitration Commission," while the number of cases applying for arbitration continues to rise. In 1985, the "Arbitration Commission" handled 50 cases, of which 19 were dealt with by its Shenzhen office, mediated in more than 80 cases, and rendered consultation services in more than 100 cases.

The Combination of Arbitration and Mediation

One of the characteristics of China's arbitration is the combination of arbitration and mediation. The method of using mediation in solving disputes in civil affairs has a long history in China. The "Arbitration Commission" has brought forward this tradition in dealing with disputes arising from foreign economic relations and trade. Whenever cases can be solved through mediation, the "Arbitration Commission" has done its best to solve disputes in this way.

Such mediation is carried out on a voluntary basis by the parties concerned, and is not compulsory. Mediation is not a necessary prodedure prior to arbitration, neither is it carried out in all cases undergoing arbitration. It is not carried out without principle, but under the prerequisites of

drawing a demarcation line between right and wrong and distinguishing which side is to take responsibility. So long as the two parties concerned agree to it, before or after the arbitration procedure begins, mediation may be conducted anytime before an arbitration decision is made. In the course of mediation, if the two parties fail to reach a negotiation or reconciliation after a certain rational period of time, or if one of the parties concerned is unwilling to continue the mediation, the mediation should be stopped, the case rapidly dealt with according to the arbitration procedure, and a ruling made. Before the arbitration court is formed, mediation is conducted in the "Arbitration Commission," but after the arbitration court is formed, mediation is to be carried out in the arbitration court. Cases of dispute without previous negotiation on arbitration may also be accepted by the "Arbitration Commission" for mediation when the parties concerned apply for it. The mediation may be conducted face to face or through letters and telegrams. Those cases reaching reconcillation through mediation will be closed with a "mediation paper" written based on the negotiations of the two reconciliated parties. Thus the parties concerned are satisfied, and they usually implement the "mediation paper" on their own. Over the past two decades and more neither going back on one's word or refusing to implement the "mediation paper" has occurred. The "mediation paper" plays the legal role of a contract, and has some restriction on the parties concerned.

In recent years, China's arbitration organ and its foreign counterparts have created a new way of mediation in joint efforts, namely, "united mediation." The practice is as follows: In the event of dispute, the Chinese party concerned may request the Chinese Arbitration Commission for help, and the foreign party concerned may request its own country's arbitration commission for help. The arbitration organ of each country will send an equal number of personnel as mediators to conduct the mediation together. If the mediation is successful, the dispute concludes. If it should fail, arbitration will be conducted based on the stipulated clauses on arbitration in the contract. Through "united arbitration," we have successfully solved two cases involving comparatively large sums occuring in Sino-U.S. trade, to the satisfaction of both parties concerned. The stipulation concerning "united arbitration" are written down in both the "Protocol on the Solution to Disputes Over Sino-French Property Ownership of Industrial Enterprises" signed by China and the French National Bureau for Property Ownership of Industrial Enterprises and the "Accord on Cooperation in Arbitration" between China and the Italian Arbitration Association."

Mediation has increasingly caught the world's attention. When drawing up regulations on mediation to be recommended to the whole world, the United Nations Committee for International Trade Law attached considerable importance to China's practice and experience in mediation. The International Commercial Arbitration Committee especially invited the presence of China's arbitration organ at the "Seventh International Conference on Arbitration" held in Hamburg in 1982, and a special report

was made on China's experiences in mediation. The main differences between China's practice of mediation and the Western countries methods are: The Western countries have mechanically split the procedures of arbitration and mediation, while China has combined them organically. The West strictly forbids mediators to act as arbitrators, and vice versa, while China allows mediators to act as arbitrators, and vice versa.

China's arbitration organ has established friendly contacts and ties with the major arbitration organs of all countries in the world. It has drawn up separate argeements on cooperation in arbitration and mediation, either in written form or orally, with Japan's International Commercial Arbitration Association, Japan's Ocean Shipping Club Maritime Arbitration Committee, and French National Bureau for Property Ownerhsip of Industrial Enterprises, the Italian Arbitration Association, Ghana's Arbitration Council, the Swedish Stockholm Commercial House Arbitration Council, and the U.S. Arbitration Association. At present it is carrying on talks with the arbitration organs of Australia, Austria, India, Belgium, Spain, and Hong Kong on agreements regarding cooperation in this respect. At the same time, talks have been carried out with Japan on signing agreements on cooperation in arbitration of disputes in shipbuilding and ship-repairing.

Answers to Questions by Foreign Businessmen and Investors

1. Must all cases of arbitration be conducted in China?

Chinese law explicitly stipulates that the place of arbitration may be decided by the two parties signing the contract, whether it be carried out in China or in other countries.

2. What juridical entity will be used in arbitration?

Chinese law permits the parties concerned to stipulate the juridical entity to be adopted in the contract. If it is not stipulated in the contract, the arbitration court will determine an appropriate juridical entity. However, regarding disputes arising in contracts on joint-ventures using Chinese and foreign investments, the exploitation of offshore petroleum and other natural resources in cooperation with foreign enterprises, only the Chinese juridical is adopted in arbitration.

3. Is it possible to designate foreigners as arbitrators when arbitration is conducted in China?

According to China's existing regulations for arbitration procedures, the current Chinese arbitration organs cannot designate foreigners to be arbitrators. However, China will soon revise the regulations for arbitration procedures, and will seriously and prudently study this issue when the time comes.

And 4. Is China considering taking part in the 1985 New York Pact?

It is only a matter of time before China does so.

Three Cases of Arbitration and Mediation

How does China's arbitration organs deal with cases? Three cases of arbitration and mediation dealt with in recent years follow:

-- A European buyer purchased from a Chinese seller a certain amount of commodities. The seller failed to ship it within the time stipulated in the contract, and a telegram was sent to the buyer 5 days after the stipulated date expired. The buyer disagreed, and negotiation proved to be fruitless. The buyer applied for arbitration to China's "Arbitration Committee." The arbitration court ruled that the Chinese seller should lose the lawsuit, and the Chinese seller paid an indemnity to the buyer based on the difference in the international market price on the shiping date stipulated in the contract and the price listed in the contract.

-- A foreign buyer bought a certain amount of Chinese goods from a Chinese seller at FOB value. It was stipulated in the contract that the goods in question be shipped to a certain port only and not be resold. After the contract was signed, the seller found that the buyer had resold the goods in question in Hong Kong. Negotiations between the two parties proved to be fruitless. The seller party then applied to China's "Arbitration Committee" for arbitration. The arbitration court clarified the fact that the buyer had violated the stipulations of the contract and had resold the goods in question to another region, and the court ruled: "If the buyer can accept the condition of delivery by changing the price to C.I.F., the selling party should agree to delivery. However, if the buyer should fail to exercise the above mentioned condition within a month of the arbitration award being issued, the contract will become void."

-- One of two executives of a Hong Kong company, initialled an accord with a corporation in Guangdong to carry out cooperation in production in the province. The cooperation between the two parties went smoothly. Then suddenly, there was a split within the Hong Kong company. The other Hong Kong company executive, who had not signed the accord, told the Guangdong company that the executive who had signed the accord with Guangdong had left the company. There had been a split within the company, and he would sign another accord with the Guangdong corporation to continue the original contract. The Guangdong corporation erroneously signed a new accord with him. Then, the executive who had signed the first accord came to Guangdong, requiring to continue to exercise the first accord. All talks between them proved to be fruitless. The first executive came to Beijing, asking the "Arbitration Committee" to conduct mediation. Through mediation, the head office of the Guangdong corporation in Beijing, succeeded in finding another site in Beijing and building another factory. The supply of raw materials and other production conditions were much better than the site in Guangdong, and it had brighter prospects for development. This solution was satisfactory for all parties concerned and the dispute was successfully solved.

/12640
CSO: 4006/705

FOREIGN TRADE AND INVESTMENT

FOREIGN INVESTORS ENCOURAGED BY OPENING

OW292110 Beijing XINHUA in English 1622 GMT 29 Jan 86

[Text] Beijing, 29 January (XINHUA) -- China signed agreements last year that may eventually bring in foreign capital worth more than 9.74 billion U.S. dollars, a leading economic official said here today.

Huang Wenjun of the Ministry of Foreign Economic Relations and Trade said at a news briefing the record agreements were due to the success of the open economic policies China began in 1979.

According to Huang, the 9.74 billion dollars in agreements came in three forms: 5.85 billion dollars in direct foreign investment (up 121 percent over 1984), 3.53 billion dollars in foreign loans (up 84 percent), and 360 million dollars in commodity credits (up 63 percent).

The agreements specify intended loans and investments. Ultimate capital imports may be less. According to preliminary statistics, for example, China actually received 1.57 billion dollars in direct investment from foreigners last year, 2.43 billion in loans and 300 million in commodity credits.

To encourage capital inflow, China since 1979 has established special economic zones with incentives for foreign investment, opened more of its coastal cities to foreign investment, made its policies more flexible, and generally improved the investment climate.

Since then, Huang said, overall foreign investment agreements have totalled more than 16.2 billion dollars (4.6 billion dollars of which were actually implemented), foreign loan agreements have totalled 20.3 billion dollars (15.6 billion dollars implemented) and commodity credit agreements have totalled 1.7 billion dollars (1.3 billion dollars implemented).

The foreign loans were used mainly for the weak sectors of the national economy, especially for the construction of key projects involving energy, railways, harbors and raw materials, he said.

Plans for more than 1,300 sino-foreign equity joint ventures, over 1,500 contractual joint ventures and 46 sole foreign ownership ventures were

approved last year alone, Huang said, along with four contracts for cooperative exploration of offshore oil.

Through the end of 1985, sino-foreign equity joint ventures totalled more than 2,300, while contractual joint ventures reached 3,700. Entirely foreign enterprises totalled 120, and 38 projects for offshore oil exploitation and exploration were approved.

Huang said over 90 percent of these enterprises have produced good economic returns, with some of them earning benefits in their first year of operation.

/12929
CSO: 4020/217

FOREIGN TRADE AND INVESTMENT

JIANGSU CITY EXPANDS AGRICULTURAL EXPORTS

OW301055 Beijing XINHUA in English 0702 GMT 30 Jan 86

[Text] Beijing, 30 January (XINHUA) -- The policy of encouraging export-oriented agriculture enabled Suzhou, Jiangsu Province, to achieve a 30 percent increase in exports last year, compared to 1984, the PEOPLE'S DAILY reported today.

The city's suburbs earned 150 million U.S. dollars from exports of farm products and processed products in 1985, the newspaper said.

Suzhou is located in the Yangtze River delta, now opened to foreign investment and trade.

Local peasants are being aided by the government with material supplies and services to turn out products for export.

More than 2,000 shops set up by rural marketing and supply cooperatives purchase products from the peasants. Export-related warehouses and processing facilities are also being built.

Major export goods include rabbit hair, silkworm cocoons, pearls, straw mats, lamb hides, honey, dehydrated vegetables, cotton and lean-meat pigs.

The city now has 80 factories processing farm products for export, half of them run by townships.

Export-oriented farming will spur agricultural growth in economically developed coastal areas, said the PEOPLE'S DAILY in an accompanying commentary.

The expansion of export-oriented agriculture requires the concerted efforts of agricultural, foreign trade, commercial and industrial sectors, the commentary said.

/12929
CSO: 4020/217

FOREIGN TRADE AND INVESTMENT

TIANJIN REPORTS SUCCESS IN SINO-FOREIGN JOINT VENTURES

HK010536 Beijing CHINA DAILY in English 1 Feb 86 p 2

[Text] Most Sino-foreign joint ventures established in the city of Tianjin have reported good initial results, according to the journal INTERNATIONAL BUSINESS.

In the past five years, the city set up 144 joint ventures with overseas businesses that attracted more than $225 million in foreign investment.

Major investors came from Hong Kong, the United States, and Japan; others are from Singapore, Canada, Britain, France, Denmark, Thailand, Australia, Malaysia and the Philippines.

Some 55 businesses that were established by the end of 1984 earned $13 million in foreign exchange last year.

Thirty businesses that started up during 1985 saw profit margins of 25 percent on average.

Six businesses recouped their investments. They include the Tianjin Otis Elevator Company, Ltd, the Liming Cosmetics Company, the Tianjin Chemical Fibre and Cotton Mill, the Sea of Kobe Bar, the Jiangcai Film Developing and Printing Company and the Tianjin Imported Automobile Parts Service Company.

The Tianjin Otis Elevator Company, Ltd, a Sino-U.S. joint venture, earned 55 percent of the total profits realized by the 30 businesses.

Last year, the total turnover of all these joint ventures reached 165 million yuan with profits of 37 million yuan.

The Otsuka Pharmaceutical Company, Ltd, a joint venture between Tianjin and the Otsuka Pharmaceutical Company of Japan, imported an automated system to produce polypropylene bottles of saline solution, glucose and other products for intravenous transfusion in hospitals.

The Otsuka factory is the first in China that has reached international health standards in terms of management and production conditions.

The Sino-French Winery, a joint venture between Tianjin and Remy Martin of France, produces Dynasty dry white wine, which has won three gold medals in international contests.

In addition to joint ventures, the city has also imported [word indistinct] million of new equipment for modernizing its industries since 1983 when the State Council granted Tianjin and 13 other coastal cities the freedom to engage in industrial redevelopment.

Tianjin's exports reached nearly $1.156 billion last year, and labour service teams working abroad earned the city $10 million.

The overseas edition of PEOPLE'S DAILY also reported that Fujian Province signed 74 contracts with overseas companies in 1985 worth $42 million.

The province sent 2,400 labourers to work abroad. Fujian has contracted with businesses in Hong Kong and 13 countries in Asia, Africa and Latin America to provide labour services in the field of navigation, construction, textiles, electronic assembly and food processing.

/12929
CSO: 4020/217

FOREIGN TRADE AND INVESTMENT

FUJIAN GOVERNOR URGES MORE FOREIGN ECONOMIC TIES

OW080808 Beijing XINHUA in English 0709 GMT 8 Feb 86

[Text] Fuzhou, February 8 (XINHUA)--Governor Hu Ping of coastal Fujian Province has called for "courageous but steady" development of his province's foreign economic relations.

At the annual board meeting of the Fujian investment enterprise company, he said that 229 schemes involving imported technology had gone into operation in Fujian in the past two years. And 130 were scheduled to go into operation this year.

Hu said that foreign capital and technology should be used to update existing enterprises and develop economic bases in the home towns of overseas Chinese.

Economic results must be considered when using foreign capital and technology. Foriegn capital should be concentrated into small- and medium-sized projects offering quick returns.

Construction of communications and other infrastructure should continue to provide a better investment environment. Top priority should be given to the construction of energy and transport schemes, including the opening of sea and river shipping routes.

Hu called on the whole province to step up its scale and variety of exports. Besides tea, mushrooms and other traditional exports, the province should increase exports of aquatic products and try to sell more machine products on the international market.

He called for better ways of distributing foreign currency earned through exports to encourage enterprises to produce more for overseas.

He suggested that new technology should be imported to process farm product for export. The development of rural enterprises should also be encouraged.

/6662
CSO: 4020/218

FOREIGN TRADE AND INVESTMENT

SHANGHAI OFFICIALS, MCDONNELL DOUGLAS TO DISCUSS TRADE

HK280409 Hong Kong SOUTH CHINA MORNING POST (Business News Supplement) in English 28 Jan 86 p 3

[By Francine C. Brevetti, recently in Shanghai]

[Text] A team of McDonnell Douglas executives from the United States will arrive in Shanghai this week to design a countertrade programme, a complement to its recent aircraft co-production scheme in the Chinese city.

James Brady, McDonnell Douglas's corporate director, international business offsets (St Louis), told BUSINESS NEWS recently the aircraft manufacturer is discussing a trade development programme with China and specifically with the Shanghai Aviation Industrial Corp [SAIC].

For the past six years, the U.S. aircraft manufacturer and SAIC have been designing a co-production agreement involving the sale of 26 Md82s to Shanghai, pilot training in Long Beach and technology transfer.

Twenty-five of the Md82s will arrive in China in kits which the SAIC will assemble. To this purpose, the U.S. company has trained Shanghai pilots and a production team at its Long Beach, California base.

The co-production agreement is one unit of a larger two-pronged offset programme, the other being the countertrade development programme.

The latter aims to give China a way to recoup some of the foreign exchange it spent on the co-production venture, Mr Brady said.

It should generate 30 percent of China's payments for the co-production agreement, Mr Brady added.

Although McDonnell Douglas officials have declined to value the co-operation agreement alone, Gareth C.C. Chang, president of McDonnell Douglas China Inc, said sales to China to date and an option to sell SAIC 15 more aircraft amounted to about U.S. $1 billion.

Meanwhile, McDonnell Douglas and Chinese officials will study the potential of exporting Shanghai-made aviation products and other Chinese goods, Mr Brady said.

And SAIC will form an agency, the Shanghai Farcast Aero Technology Import and Export Corp (SFAIC), to carry out the city's role under the countertrade agreement.

McDonnell Douglas will set up a countertrade office in Hong Kong in the middle of the year to co-ordinate agreements made with SFAIC.

Asked if the company will make money out of the countertrade agreement, Mr Brady replied: "We hope to develop a program to cover our costs with trade development." But, the company will also investigate avenues for profit, he added.

This might eventuate by developing a free service business involving third parties, trading houses or other arrangements, all of which will take time to conceive and develop, he said.

/12929
CSO: 4020/217

FOREIGN TRADE AND INVESTMENT

SHANGHAI MAYOR WANTS MORE FOREIGN INVESTMENT

OW101102 Beijing XINHUA in English 1038 GMT 10 Feb 86

[Text] Shanghai, February 10 (XINHUA)--Shanghai is planning to attract more foreign investment over the next five years, according to Mayor Jiang Zemin.

Priority in using the new investment from abroad will go to infrastructure, tourism, and upgrading factories, the mayor said.

The municipality plans to enlarge its airport and seaport, already one of the 10 largest in the world. Other infrastructure improvements planned for the five year period are a subway, super highways and a new bridge. Telecommunications and the city's sewage system are also in for modernization.

The mayor said Shanghai will add 20,000 to its present 15,000 hotels beds. The city received 2.32 million tourists from abroad over the past five years, the annual average increasing 14 percent.

Mayor Jiang said factories to be modernized include those manufacturing buses, automobiles, aeroplanes, chemicals, televisions, optical communications fiber, tyres, textiles, paper, food, ready-to-wear, as well as agricultural and sideline processing plants.

Shanghai's industrial output value accounts for one ninth of the country's total. The city has 17,000 industrial enterprises, most with out-of-date equipment.

From 1979 to 1985, more than 1.2 billion U.S. dollars in investment came into Shanghai. The city has opened 73 Sino-foreign joint ventures, cooperative enterprises or foreign-owned enterprises. Another 87 are in the planning stage, the mayor said. He noted that Shanghai offers preferential terms to foreign investors.

/6662
CSO: 4020/218

FOREIGN TRADE AND INVESTMENT

YUNNAN PREFECTURES PROMOTE CROSS-BORDER TRADE

HK040826 Kunming Yunnan Provincial Service in Mandarin 2300 GMT 29 Jan 86

[Text] The province's Dehong, Lincang and Simao prefectures and autonomous prefecture have seriously implemented the policy of opening up, so that the province's foreign trade can develop vigorously.

At this time, there are over a dozen small trade ports which are opening up. In addition, there are more than 50 cross-border trade markets. The province has gradually established an extensive and varied system for trade.

In 1985, the gross grading value of the province's border areas totaled 260 million yuan, a 2.1 increase compared to the previous year. In the wake of the province's economic development, particularly the development of light industry and the production of consumer goods for daily use, the province has changed its form of cross-border trade from one of mainly imported industrial goods while exporting agricultural and sideline products to one that imports agricultural, sideline, and native products while exporting industrial products. This has made the structure of import and export commodities more rational.

The development of cross-border trade has promoted a readjustment of industrial structure in the border areas. Commerce and the catering industry, service industry, tourism, construction industry, and transport industry are more prosperous than before. In 1985 there were over 30,000 people engaged in local industries in the border areas. The output value of local industries totaled over 100 million yuan. Also, in Wanding, Ruili, Longchuan, and other major ports, trade revenue accounts for some 75 percent of the financial revenue of these cities and counties.

/12640
CSO: 4006/705

FOREIGN TRADE AND INVESTMENT

BENEFITS OF IMPORTING TECHNOLOGY DISCUSSED

Beijing ZHONGGUO KEJI LUNTAN [FORUM OF SCIENCE AND TECHNOLOGY IN CHINA] No 1, Sep 85 pp 42-44

[Article by Li Baoheng [2621 1405 1854]: "A Shortcut to Accelerating Our Technical Progress"]

[Text] To realize the strategic goals of our socialist modernization, we must rely upon advances in technology. If we do not base ourselves upon advances in technology, we cannot develop our production forces and become modernized.

So how can we accelerate our technical progress?

Importing technology is the road all developing countries must follow to accelerate technical progress. China, too, must self-consciously take this shortcut.

To import technology we must have an open-door policy, and must open up both internally and to the outside. Since our coastal cities have been opened, there have been remarkable advances in the importation of technology, especially over the last 2 years. Importation projects have grown abruptly, which has quickened the pace of the technical transformation of enterprises, has improved product quality, has increased the kinds of products, has raised the level of labor productivity and operational management, and economic results have been striking.

Actual experience in the coastal cities that have been opened has already shown that opening to the outside and importing technology is a shortcut to the acceleration of our technical progress, and that this national policy must be maintained over time, and certainly that we must not stop summing up our experiences nor stop improving.

At present, and regarding the importation of technology, there are some problems that we must look into, as well as earnestly resolve.

The first problem that warrants our attention is when we pay close attention only to the importation of equipment, not respecting the absorption of the technology.

The primary mode through which all areas in China are currently importing technology is the importation of equipment. Naturally, it is absolutely necessary to import certain key equipment or sets of equipment. However, the importation of technology is definitely not the same as just buying equipment. Right now, in the technology transformation projects of some provinces and cities, importing equipment (buying hardware) constitutes 99 percent of the activity, while importing technology (buying software) is only 1 percent, which has become a problem. This sort of problem occurs in the early period of importation, when it is perhaps unavoidable, but it requires prompt attention and conscientious resolution.

Japan after the war also depended upon the importation of technology to build itself back up. According to Japanese government statistics, in the 1950's Japan averaged an annual importation of 230 technical projects; in the 1960's it averaged 1,000 a year; and in the 1970's it averaged more than 2,000. By March of 1978, the Japanese government had imported 29,599 technical projects, coming from 40 countries and regions, but primarily from the United States and developed nations in Western Europe.

However, in the first half of the 1950's Japan imported just some key equipment and a few entire equipment systems, afterwards concentrating on the purchase of technical patents and design blueprints. In the early 1960's, the proportion of software that Japan imported had already reached more than 80 percent, and in the 1970's Japan further restricted the proportion of equipment imported (only a few percent). Why did Japan act this way? It is well worth our consideration.

The goals for Japan's importation of technology lay in promoting its technical progress. In the period from 1950-1975 Japan imported a total of 25,777 technical projects, and the cost of technical patent fees and fees for technical guidance totaled 5.73 billion US dollars. By the estimate of the Japanese government, had these projects been developed completely by the Japanese themselves, the necessary development expenses would have been $180-200 billion. This is to say that by importing technology the Japanese saved more than 95 percent of development expenses. The American Dupont Corporation spent $25 million to develop the nylon synthesis technology, with a development time of 11 years. Later, the Japanese Toyo Jinzoito Kokusai (artificial silk company) imported the technical patent for that technology for only $7 million, which was successful after 2 years of development and went smoothly into production.

We can see from this that when it came to importation, what Japan paid most attention to was not buying equipment but was the absorption and assimilation of advanced technology. The expenses used by Japan for absorbing and assimilating advanced technology was generally 2 to 3 times that of importing technology. During the period from 1955-1975, Japanese expenses for importing technology were 15 times higher, while expenses for research and development increased 74 times.

This goes to show that in importing advanced technology from abroad we must integrate with our own research and development, and with our own research and development as a base, closely integrate what is imported with absorption,

assimilation, and innovation. At the same time that we import technology, we want to innovate on the basis of absorption and assimilation from the points of thinking and organization down to the action level of absorption and assimilation.

The post-war historical experiences of the Japanese steel industry are well worth our study. During the 1950's and 60's, the Japanese steel industry imported more than 300 technical projects from abroad, and of the six great technologies among them, those of materials pre-processing, high-temperature high-pressure blast furnace, ejection of heavy oil, the oxygen top-blown converter, continuous casting, and continuous rolling, all were imported from either Austria, the United States, France, or West Germany. On the basis of its absorption and assimilation, Japan transformed and synthesized these technologies, creating the Japanese convertor steel making technology and the continuous annealing technology, the rights to which were then sold abroad.

At present, China's situation of low level repeated importation of equipment is a common occurrence. For example, many provinces and cities have imported clothing production lines, which must also use foreign currency to import materials. Because clothing designs (software) cannot keep up, some clothing production lines have either often stopped or slowed down. The technology for this kind of production line is certainly not advanced, and it is difficult to export the products to earn currency. Or take for example household appliances like color television sets or refrigerators, for which many production lines have already been imported. Each year great quantities of components and spare parts must be imported, the necessary foreign currency for which is many times that of the imported production line. Since the products are chiefly for domestic sale, they are lacking in competitive capacity on the international market, earn little currency, and if this goes on, deficiencies in foreign currency will continue to increase.

Imported technology must certainly work toward the acceleration of China's technical advancement, industriously improving the quality of China's products, improving the labor production efficiency for enterprises, and enhancing the competitive capacity of Chinese products in international markets.

Of course, importing a few clothing production lines, color television production lines, and refrigerator production lines to satisfy the ever increasing material and cultural needs of the public at large, even to the extent of importing some clothing and household appliances, is also necessary. However, we ought not to unlimitedly and repeatedly import this kind of equipment and commodities. We must take control macroscopically, and that equipment that can only earn money domestically and that has no capacity to earn foreign currency on the international market, does not generally merit large volume repeated importation. Through market forecasts and resource surveys, some cities in Guangdong decided to not import refrigerator production lines, but to import the technology, to bring in foreign funding, and to run marble factories, granite factories, and concrete factories to develop the local resource advantages, using commodities to exchange for foreign currency and pay back foreign investment. This kind of technology importation is worth mentioning.

Overall, what should we import? What should we not import? We need accurate strategic thinking as a guide, definitely cannot afford to not be choosy about what we do and import blindly, importing whatever foreign countries have to offer. Each city that has been opened and each economic zone must carefully and painstakingly study its own developmental strategies, determine their own development directions and focus, proceed from their own development requirements, begin deep investigation and research into foreign advanced technology, and then import that technology with a well thought out plan. Then, energetically take up the work of absorption and assimilation. All of this before foreign things can be made to serve China and accelerate the progress of our technology.

In this new situation of abrupt development of revolutionary technologies, there is the possibility that the economic and technical gaps between China and developed nations will continue to expand. We should have a sense of urgency regarding the importing of advanced technology to hasten China's technical advance and toward strengthening the competitive capacity of Chinese products in international markets.

Moreover, we should be fully aware that truly advanced technology, especially the newest achievements to improve the technical fields, will not be able to be imported. In the view of developed countries, providing advanced technology to foreign countries is equivalent to digging one's own grave, and they will strive to stay 10 years ahead of us technologically. Therefore, the entire country, each city, and even each enterprise, must energetically enhance their own research and development, beefing up the research and development contingents.

Because of the limitations of our national strength, we cannot technically "completely catch up and surpass," but there are things we can do and things we cannot. The sophisticated technologies of fusion energy and space exploration are very important, of course, but their funding and manpower require a very strong real capacity, for which within this century China cannot gather its energies to tackle. It is not that we do not do it, it is that we cannot. Therefore, in these fields it would be hard to avoid an increasing technical gap with developed countries in the future.

To allow 1 billion people to live comparatively well-off lives, we must manufacture large quantities of good quality, low priced new products to satisfy the increasing needs of both urban and rural people in the areas of clothing, foodstuff, housing, and transportation. Presently, many material products needed by the public at large on a daily basis are far from being satisfactorily supplied, and the only way out is to depend upon technical advances, to take the shortcut of importing foreign advanced technology. Moreover, this technology is completely importable and our scientific and technical contingent is completely capable of absorbing and assimilating it.

Let's look at foodstuffs. Recently, Comrade Chen Yun pointed out that: "The people live day by day because of food, and if we provide nourishing, sanitary, convenient, and substantial foods for our people, this will be beneficial to our modernization." For these reasons, we must strive to import

modern food production technologies and greatly develop a modern foodstuff industry. However, our existing foodstuff plants can be largely said to be mainly manual operations. They cannot provide nourishing, hygienic, convenient, and substantial foodstuffs for the public at large. Therefore, each operation and household must expend a great deal of time in providing three meals a day. The key to our developing a foodstuff industry having abundant resources and expanded markets lies in importing modern foodstuff production technology. There are still in China a large number of uncultivated resources that could be used, as for example pollen, (CI LI), (SHA JI), (YUE JU), etc., which are materials that can be used for various highly nutritious food products, and as long as we are good at importing advanced technology for their processing, those products are entirely capable of entering the international marketplace.

This shows that if when importing foreign advanced technology we can combine that with the resource advantages of our own country, then the products can possibly enter the international marketplace and have a competitive capability. For example, China is richly endowed with rare earth resources, and if we can import without delay new technologies that use rare earth elements to make new types of magnetic materials, as well as to use these magnetic materials to make small package, highly magnetic electrical machinery, then it would be possible to enter the international marketplace.

The world new technology revolution presses us to hasten our steps toward technical advancement, requires that we undertake a full scale restructuring of our economic system, and makes the Chinese economic system have an even stronger capacity to assimilate the newest, current scientific and technical accomplishments, to motivate scientific and technical advances, and to gradually create new production forces. The reform has already broadened the road for an open-door policy and for the importation of technology, which has proven that importing technology is beneficial to accelerating advances in China's technology, and that it is beneficial to developing socialist production forces. We should boldly and firmly move forward on this shortcut to accelerating technical advancement!

12586
CSO: 4008/2023

FOREIGN TRADE AND INVESTMENT

BRIEFS

FUJIAN EXPORT FIGURES--Export trade developed rapidly during the Sixth 5-Year Plan in Fujian. The total of goods exported reached 2.02 billion dollars. During the Sixth 5-Year Plan the province promoted the export of new products and constantly explored new markets. There were 75 export products with the value of each over a million dollars. [Summary] [Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 17 Jan 86 OW] /12640

FUJIAN'S FOREIGN CAPITAL--The total amount of foreign and overseas Chinese investment in Fujian Province reached more than U.S. $430 million in 1985. In addition to businessmen from Hong Kong and Macao, investors were also from the United States, Britain, Italy, Australia, Kuwait, Norway, Sweden, and Spain. The total exports from this province reached U.S. $465 million in 1985, an increase of nearly 10 percent compared with 1984. [Summary] [Fuzhou FUJIAN RIBAO in Chinese 16 Jan 86 p 1 OW] /12640

HEILONGJIANG COMMODITY EXPORTS--In 1985, Heilongjiang Province set a record for thp volume of the import and export trade. Last year the province procured 3,889.92 million yuan of commodities for export, an increase of 44.3 percent over that of 1984; and exported $411.49 million worth of commodities, an increase of 21.9 percent over that of 1984. [Excerpt] [Harbin HEILONGJIANG RIBAO in Chinese 21 Jan 86 p 1 SK] /12640

NEI MONGGOL OUTSIDE FUNDS--Over the past few years, Nei Monggol Autonomous Region has achieved great development in utilizing outside funds. According to statistics, during the 1979-1985 period, the region introduced $47.38 million, of which funds in 1985 were introduced by signing 21 joint-venture contracts and totaled $19.74 million. [Summary] [Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 6 Feb 85 SK] /12640

GUANGDONG TRADE FAIR--The first economic and trade exhibition held by our province in Hong Kong in January of this year attained satisfactory results. Nearly 30 items of new scientific achievements or products, including instruments, equipment, chemicals, foods, and Chinese-character computers that can be used in both Chinese and English languages, were displayed at the exhibition. The total volume of transactions amounted to more than U.S. $1.1 billion. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 10 Feb 86] /12640

SICHUAN TRADE, TECHNOLOGICAL COOPERATION--Sichuan Province made marked progress in foreign trade and technological cooperation druing the Sixth 5-Year Plan period. The province earned $835 million of foreign exchange from exports. Imports amounted to some $350 million. The province used nearly $60 million of foreign capital. At the same time, the province imported a large amount of advanced technology, some of which has been put into operation. This has played an active part in invigorating Sichuan's economy. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 29 Jan 86 HK] /12640

TECHNOLOGY IMPORTS--Shenyang, 25 January (XINHUA)--The province of Liaoning, center of China's heavy industry, signed 1,190 contracts for imports of foreign technology worth 860 million U.S. dollars last year, a local official said today. Zheng Silin, who is in charge of this province's foreign economic relations and trade, said last year's imports brought the total number of contracts since 1978 to 2,689 at a total cost of 1.59 billion dollars. Most of the imported technology has been used to renovate more than 1,000 of the province's 16,000 industrial enterprises involving energy, transportation, metallurgy, machinery, electronics, postal and telecommunications, chemicals, building materials, textiles and light industry. In addition, Zheng said, the province's power transmission industry has been modernized to the point where it can export complete equipment systems and undertake construction projects abroad. Imports have also played an important part over the past seven years in developing Liaoning's 12,700 new products, nearly 9,000 of them already in production. The import trade--requiring use of foreign investment--was with more than 20 countries and regions, including Hong Kong, Britain, the Federal Republic of Germany, Italy, Japan, Sweden, and the United States. [Text] [Beijing XINHUA in English 0835 GMT 35 Jan 86 OW] /12913

GUANGDONG TEXTILE JOINT VENTURE--Guangzhou--The Guangliantai Textile Enterprises Cotton Mill, a joint venture with a Hong Kong firm in Enping County, Guangdong Province, earned $10.5 million in foreign exchange for the state from July to December last year. Liu Guizhen, the mill's director and chief engineer, said the firm planned to introduce its yarns to new export markets, in addition to current sales in Hong Kong and Japan. The mill's 20,000 spindle production line first went into operation in mid-July last year. By the end of the year, it had produced 600 tons of cotton and blending yarns, all sold to Hong Kong and Japan. The mill represents an investment of more than $12 million, 60 percent from Guangdong and the remainder from Hong Kong. Guangdong will take 60 percent of the profits. The mill has imported advanced equipment from the United States, West Germany and Switzerland. It is one of the largest, most advanced textile mills in the province, said Liu. Product quality in the mill is excellent. According to the state's inspection standards for textiles, 95.6 percent of its products are top-quality, and the rest up to the first-rate level. The mill is designed with an annual production capacity of 33,200 spindles. Equipment for 10,000 spindles is currently being installed. [Article by staff reporter Chen Zhisong] [Text] [Beijing CHINA DAILY in English 4 Feb 86 p 2 HK] /6662

ZHEJIANG EXPORT PLAN--Hangzhou, 25 Dec (XINHUA)--Zhejiang Province has overfulfilled this year's export plan 20 days ahead of schedule. Export volume totaled 810 million yuan, an increase of 17.9 percent as compared with the same period last year. [Summary] [Beijing XINHUA Domestic Service in Chinese 0125 GMT 25 Dec 85 OW] /12640

ZHEJIANG FOREIGN TRADE--Zhejiang exported $920 million worth of commodities in 1985, overfulfilling the annual plan by 18.5 percent. Procurement of export commodities was expected to reach more than 2.4 billion yuan, exceeding the annual plan by 12 percent. The province's imports amounted to $250 million last year, resulting in an annual average increase of 69 percent during the Sixth 5-Year Plan period. The province ranked 13th in export trade in the country in 1980. It ranked 8th in 1985. [Summary] [Hangzhou ZHEJIANG RIBAO in Chinese 1 Jan 86 OW] /12640

XINJIANG TEXTILE, COTTON EXPORT--Urumqi, 18 Jan (XINHUA)--Foreign exchange earned by Xinjiang by exporting textile products and cotton increased by more than 45 times during the Sixth 5-Year Plan period, accounting for 47 percent of the total foreign exchange earned by the autonomous region during this period. The products were exported to Europe, the United States, Japan, Hong Kong, and other countries and regions. The Xinjiang Textile Products Import and Export Company has made efforts to ensure cotton supply, and, as a result, the export of cotton rose from 5,000 metric tons in 1981 to 50,000 metric tons last year. [Summary] [Beijing XINHUA Domestic Service in Chinese 0220 GMT 18 Jan 86 OW] /12640

BEIJING FOREIGN CAPITAL UTILIZATION--Last year Beijing Municipality signed contracts with foreign countries for more than 400 projects of foreign capital utilization and technology imports, involving $1.2 billion, a more than 100 percent increase over 1984. [Excerpt] [Beijing BEIJING RIBAO in Chinese 22 Jan 86 p 1 SK] /12640

SHANGHAI EXHIBITION CENTER--Shanghai, 5 Feb (XINHUA)--An international banking syndicate signed an agreement here today to provide a 175 million U.S. dollar loan for the construction of part of the massive Shanghai exhibition center. It will be the city's biggest foreign investment project, said an official of the bank of China's Shanghai branch, which signed the agreement with the syndicate. The loan includes 30 million dollars provided by the U.S. architects, portman and associates. Sponsored by the Bank of China branch, the syndicate consists of 19 banks from Australia, Canada, China, France, Federal Germany, Japan, Netherland, the United States and Hong Kong. Located on the busy Nanjing Road, this section of the center has a floor space of 180,000 square meters, and is expected to be completed in 1989. It includes a luxury hotel with 700 rooms, two apartment housing towers, a commercial building, a theater and an exhibition building. [Text] [Beijing XINHUA in English 1517 GMT 5 Feb 86 OW]

/12929
CSO: 4020/217

SPECIAL ECONOMIC ZONES

SHANTOU OFFICIAL OUTLINES SPECIAL ZONE'S DEVELOPMENT PLAN

HK130703 Beijing ZHONGGUO XINWEN SHE in Chinese 1438 GMT 9 Jan 86

[Text] Guangzhou, 9 Jan (ZHONGGUO XINWEN SHE)--Liu Feng, chairman of the Shantou Special Economic Zone Administration, has said: The zone has laid an initial foundation in industry with a certain degree of adaptability. In the new year, we must give full play to its role as an Overseas Chinese native place and work hard to develop the export-oriented economy.

Liu Feng continued: Since its establishment at the end of 1981, the Shantou Special Economic Zone has strengthened its ties with natives of Shantou residing abroad, and compatriots in Hong Kong and Macao, to seek their contributions to the construction of the zone through its advisers group and investment and consultancy company in Hong Kong. In addition, the zone also adopted some preferential policies for their investment. By the end of 1984, 42 foreign and Hong Kong companies had invested in the zone. In 1985, foreign investors who came to the zone increased by a big margin. From January to November 1985, contracts for 25 investment projects were signed, with a total investment of HK $180 million. A number of investment projects are still under discussion.

Liu Feng also said: From the very beginning of its founding, the zone has developed industry and tourism in adherence to the principle of relying mainly on foreign funds in capital resources and giving first place to the development of industrial production and export business. Meanwhile, it also built a certain number of horticultural gardens, orange orchards, fishing grounds and wild animal breeding farms by making full use of the advantages of Shantou such as intensive and meticulous farming, its long coast line, and abundant aquatic resources. Moreover, over 80 percent of manufactured goods of the zone such as plastics, clothes, electronic toys, carpet, porcelain, and artificial ornaments are sold in world markets, and products for export also include some farm and aquatic products.

Liu Feng concluded: From now on, the Shantou Special Economic Zone Administration will adopt the principle of using advanced foreign technology to exploit local natural resources, develop local major industries, and promote local scientific research. Priority will be given to importing technology for the development of the electronics, plastics, petrochemical, food-processing, up-to-date packing, textile and other light industries. This will help build the zone into a base for the processing industry which is mainly aimed at export of local products.

/12640
CSO: 4006/706

SPECIAL ECONOMIC ZONES

SHENZHEN OFFICIAL OUTLINES PLANNING MEASURES

HK260521 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 26 Jan 86

[Text] Shenzhen special zone's economy will develop in a sustained, steady, and coordinated way this year. Zhou Ding, deputy secretary of the city CPC Committee and vice mayor, pointed out at the city planning work conference which concluded yesterday: To ensure sustained, steady, and coordinated development of the city's economy this year, we must get a thoroughly good grasp of the following tasks:

1. Control general social demand. In particular, we must strictly control investment in fixed assets. This year and next, we will in principle not open up any new areas. We will concentrate forces to fill out, perfect, and improve standards in the areas already opened up.

2. Strengthen planning guidance and economic legislation and supervision work, and improve macroeconomic control.

3. Readjust the structure of the enterprises, and harmonize relations between trades in accordance with the guideline of light, small, precision, and new, and with the principle of cooperation between specialized departments.

4. Continue to readjust and perfect the financial and foreign exchange control systems, and strive to open up channels for making foreign exchange through exports. We must ensure steady growth in financial revenue and achieve balance in foreign exchange income and expenditure, with a slight surplus.

/12640
CSO: 4006/706

SPECIAL ECONOMIC ZONES

SHENZHEN SPECIAL ZONE FORMS NEW FINANCIAL SYSTEM

HK030944 Beijing ZHONGGUO XINWEN SHE in Chinese 0648 GMT 1 Feb 86

[Report by Wu Yixun [0124 0001 3169]: "Shenzhen Special Zone Forms New Financial System"]

[Text] Shenzhen, 1 Feb (ZHONGGUO XINWEN SHE)--The Shenzhen Special Economic Zone has formed an interrelated, multilayered, and export-oriented financial system with the central bank (the People's Bank of China) as its nucleus, which is mainly composed of the specialized state banks, and includes banks run by foreign capital, trust and investment companies, financial companies, credit leasing companies, and other financial enterprises.

Since the promulgation of the "PRC's regulations on the administration of foreign-capital banks and banks of Sino-foreign joint ventures in the special economic zones" by the State Council in April last year, four banks including the British-owned Hong Kong and Shanghai Banking Corporation and the Chartered Bank, French-owned Indosuez Bank, and the International Commerce and Credit Bank of the Middle East have successively set up their business branches in Shenzhen. At the end of last year, the French bank, Societe General, also upgraded its representative office in Shenzhen to be a branch. There are also three PRC-Capital banks in Hong Kong which have opened branches in Shenzhen in addition to 13 representative offices opened by other foreign-capital banks and banks owned by Hong Kong Chinese. Hong Kong's Ming An Insurance Company set up its branch here a long time ago to promote business.

The entry of foreign capital into Shenzhen has served as a link and paved the way for Shenzen to import foreign capital, attract big international consortiums' investments, and promote international economic exchanges. At the end of October last year, after its establishment in the Shenzhen special zone for only 2 months, a stock company cooperated with Shenzhen's agricultural bank to jointly issue financial bonds valued at more than 29.1 million yuan.

At present, there are 13 financial institutions in Shenzhen, which are not banks by nature, including financial companies, trust and investment

companies, credit leasing companies, and others. They may provide credits directly, and are more flexible than banks.

In Shenzhen, various specialized banks operated by the state may exchange their business items with no restrictions on fields or types of business. Beside the Bank of China, other banks may also do business connected with foreign exchange. These banks make use of various ways and means to expand their business overseas, and have effected some breakthroughs. Last year, the Industrial and Commercial Bank established relations with Hong Kong's Po Sang Bank and Kincheng Bank, and has become their agent. In October last year, Shenzhen's Bank of China cooperated with Japan's Hokkaido Takushoku Bank to jointly run "Shenzhen Industrial Development Credit Fund." The first installment of capital was 100 million, which is used to support Shenzhen's development of its export-oriented economy.

Other financial institutions in Shenzhen have opened up new fields of business, which overstep traditional business items. These include international settling of accounts, capital and credit investigation, market consultation services, issuing bonds, credit leasing business, and so forth. Shenzhen's People's Insurance Company has developed more rapidly. It covers 36 kinds of business, which fall into four main categories, including insurance against political risk, and so on.

/12640
CSO: 4006/706

SPECIAL ECONOMIC ZONES

XIAMEN ECONOMIC ZONE IMPROVES TOURIST SERVICES

OW031117 Beijing XINHUA in English 1043 GMT 3 Feb 86

[Text] Fuzhou, February 3 (XINHUA)--Better trained hotel staff in Xiamen Special Economic Zone have won a good name for the zone as one of the most attractive tourist centers.

In the Mandarin Hotel, registration and other procedures for tourists can be completed within 10 minutes; room attendants are required to deliver hot water to guests within three minutes after they enter their rooms; waitresses take menus to the guests within one minute after they enter the restaurant; and the switchboard is required to put through telephone calls within three seconds.

The excellent service even moved Richard Nixon, former president of the United States, when he visited the zone last September. He wrote: "For those who come to Xiamen either for business or tourism, I enthusiastically recommend the Xiamen Mandarin Hotel.

The service, the cuisine and the warm hospitality of the staff could not have been better, he said.

The Xianmen Jinbao Hotel, another major one in the SEZ, conducted a survey among 54 overseas tourists in order to find out where [as received] still needs improvement.

General manager Cai Huilong said that the hotel plans to increase dish varieties and improve cuisine according to the survey result.

The city, with a population of 330,000, built and renovated eight luxury hotels with 1,493 rooms and 3,465 beds last year, nearly 40 percent more than in 1984.

Because of improved services, it attracted 80,000 overseas tourists, 21,000 more than in 1984.

The improvement in services is mainly due to better training of hotel staffs, said Peng Yiwan, deputy director of the municipal tourism bureau.

Xiamen set up a tourism school in 1982 and entrusted colleges to hold training courses. Hotels have also organized spare-time training classes.

Managers, interpreters, guides and other personnel have received training in Guangzhou, Shanghai, Beijing, Hong Kong and Thailand.

More than 200 graduates from the tourism school are now working in the major hotels in Xiamen.

Xiamen now has the capacity to accommodate 100,000 foreign guests a year, the tourism bureau deputy directors said.

In addition, it can accommodate more than one million domestic tourists each year.

/6662
CSO: 4020/218

SPECIAL ECONOMIC ZONES

BRIEFS

FOREIGN EXCHANGE TERMS--In order to lure more foreign capital, Xiamen has worked out preferential terms for branch offices of foreign and joint venture banks, according to a spokesman for the Xiamen Government. Speaking from Xiamen, he said after their establishment, the bank branches will be exempted from the consolidated industrial and commercial tax for five years. In addition, foreign loans made to these branches will initially be exempted from interest withholding tax. The consolidated industrial and commercial tax is 5.5 percent and the interest withholding tax 10 /034:3,5. The spokesman said in view of Xiamen's need for rapid industrial development, the two measures were deemed necessary to boost incoming funds. "Industrial activity is closely related to the availability of capital," he said. Recently, Xiamen allowed banks with foreign interests to fix their own interest rates on foreign currency deposits. [Text] [Hong Kong SOUTH CHINA MORNING POST (Business News Supplement) in English 4 Feb 86 p 5 HK]

/12929
CSO: 4020/217

TRANSPORTATION

INLAND WATERWAY FREIGHT TRANSPORT REVIVED

OW130941 Beijing XINHUA in English 0857 GMT 13 Feb 86

[Text] Beijing, February 13 (XINHUA)--China's inland waterways are being dredged and repaired after years of neglect, today's ECONOMIC DAILY reports.

Highways and railways built since the late 1950s have replaced water routes as the main means of freight transport over the last 30 years. Previously much domestic cargo was moved via river and lake navigation.

The rural economic boom over the past few years has made for brisker commodity circulation and land transport can no longer keep up with the growing demand for movement of cargo.

To ease the transport crunch, a number of local governments have tackled the problem of improving the inland waterways.

Zhejiang Province invested 70 million yuan in construction of communication systems this year and over half of this sum went to upgrading navigation facilities.

Shaanxi Province will spend 20 million yuan this year to improve navigation on the Yellow and Hanshui rivers.

Over the next five years, Hubei Province will reopen 13 locks on the Yangtze River which are now impeding navigation.

According to ECONOMIC DAILY, China had 19,000 kilometers of inland waterways in use at the end of 1985, up a thousand kilometers from the year before.

Goods transported via water last year amounted to 85.5 billion tons per kilometer, up 12 percent over 1984. The growth rate for freight on the waterways surpassed that for highways and railways.

/6662
CSO: 4020/201

TRANSPORTATION

BRIEFS

ADDITIONAL GATEWAYS OPENINGS--Dalian, February 17 (XINHUA)--China will open a number of gateways, including Nanjing, to the outside world this year, according to a national meeting which opened here today. To meet the needs of the open policy for overseas investment, China opened eight gateways to the outside world last year, including Aotou, Lianhuashan, Foshan, Guanghaigang and Dayawan nuclear power station wharf in Guangdong Province, Dandong and Dalian airport in Liaoning Province and Shijiu in Shandong Province. China has so far opened 105 outlets via sea, land and air, of which 56 have been opened in the past six year. [Text] [Beijing XINHUA in English 1112 GMT 17 Feb 86 OW] /6662

IMPROVED TRANSPORT ALLEVIATES COAL SHORTAGES--Beijing, February 15 (XINHUA)--A nationwide shortage of coal has been alleviated thanks to growing rail transport capacity, today's ECONOMIC DAILY reported. "The increased availability of coal supplies has been important in the steady growth of the national economy," the paper said. The paper said that railways transported 127 million tons of coal from north central China's Shanxi Province, the country's biggest coal producer, to 25 other parts of China last year--75 percent more than in 1980. Much of the increase was due to increased electrification and renovation of major rail lines for shipping coal from Shanxi. Complementing the rail expansion, coal wharves have been built in Qinhuangdao and Shijiu ports on China's east coast. The ports have been used to ship coal elsewhere in east China as well as abroad. Improved supply has cut the price of coal from its 1984 price of 200 yuan a ton to its current price of 90 yuan in Jiangsu Province, a central location in eastern China for developing rural industry. [Text] [Beijing XINHUA in English 1039 GMT 15 Feb 86 OW] /6662

INCREASED PORT EFFICIENCY--Dalian, February 17 (XINHUA)--China is to transfer this year the managing power of Shanghai and Dalian ports to the local authorities to achieve better efficiency. This was announced by Zhao Weichen, vice minister of the State Economic Commission, at the national meeting on port work which opened here today. In China, all the ports are managed by the Ministry of Communications. The power transfer is considered as an important measure in restructuring China communications system, and trials at north China's Tianjin port proved a success. After getting the managing power early last year, Tianjin port office greatly improved the efficiency by

carrying out technical transformation and introducing a contract system to its subordinate enterprises. According to the statistics, the freight volume at the port last year registered a 15 percent increase over 1984. Profits rose by 41.2 percent and one-third of the port equipment was replaced by new ones. [Text] [Beijing XINHUA in English 1326 GMT 17 Feb 86 OW] /6662

DALIAN AIRPORT OPENED--Beijing, February 8 (XINHUA)--An airport in Dalian, northeast China, will soon be open to foreign aircraft, according to a decision of the State Council and the Central Military Commission. Opening of the Zhoushuizi airport is expected to boost northeast China's international exchanges and tourism. The airport can accommodate large- and medium-capacity planes. [Text] [Beijing XINHUA in English 0856 GMT 8 Feb 86 OW] /6662

CSO: 4020/201

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

RECENT REFORMS IN SOVIET ECONOMY ANALYZED

Shanghai SHIJIE JINGJI WENHUI /WORLD ECONOMY FORUM/ in Chinese No 5, 5 Oct 85 pp 40-45

/Article by Tang Zhuchang /0781 2612 2490/ /

/Abstract/ Generally speaking, the Soviet economic reform includes macroeconomic control and economic flexibility. Separate, exclusive management systems have to be coordinated while long-term project development should aim at the overall equilibrium of the national economy. Plan flexibility can further harmonize growth. Enterprise autonomy is encouraged, especially in the use of funds for wages, output growth and fringe benefits. Contracting programs are being expanded in agriculture, industry, construction and transportation with the setting up of work teams. Individual, private economy is supported in supplementing the public ownership economy in order to exploit economic potential of various kinds. Foreign capital is welcomed in trade by setting up joint corporations with the West. Market forces have to be allowed for. Pay incentives and democratic management are carried out as worker opinion is being respected. In the past 2 years, enterprises taking part in the pilot program have achieved results in faster output gains, better fulfillment of supply contracts, higher productivity, and more emphasis on technical innovation using their own resources. In 1983 (1984), increases of national income, gross industrial output and gross agricultural output are, respectively, 3.1 percent (2.6 percent), 4 percent (4 percent), and 5 percent (0.4 percent) over the previous year. The gain in labor productivity is 3 percent, since 93 percent of industrial growth is achieved by higher productivity. Economic reform will be stimulated by Gorbachev's pragmatism in contrast to the Khrushchev dream of the forthcoming communist "paradise." Better late than never.

10424/12228
CSO: 4011/10

END