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PRC STATE COUNCIL BULLETIN

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16 May 1985

CHINA REPORT
POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN, No. 22, 30 SEP 1984

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese No. 22, 30 Sep 1984.

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[Implementing Rules on the Tobacco Monopoly Regulations Promulgated by the State Tobacco Monopoly Administration on 10 September 1984]

[Text] Chapter I. General Rules

Article 1. These implementing rules have been formulated in accordance with Regulation 24 of the "Tobacco Monopoly Regulations" (which were published in issue No 21 of 1983 of this BULLETIN, and which will be referred to below as the "Monopoly Regulations") promulgated by the State Council.

Article 2. The functions and powers of tobacco monopoly bureaus at various levels:

A. The functions and powers of the State Tobacco Monopoly Administration are as follows:

1. to exercise leadership over, and take charge of the management of, local tobacco monopoly bureaus at various levels, and to exercise overall administrative and management powers over the tobacco monopoly on a nationwide scale;

2. to formulate subsidiary rules and regulations governing the tobacco monopoly, and to organize the implementation of these subsidiary rules and regulations, in accordance with the relevant state policies and guiding principles, the "Monopoly Regulations," and the "Implementing Rules on the Tobacco Monopoly Regulations" (referred to below as the "Implementing Rules"); and

3. to undertake relevant tobacco monopoly tasks assigned by the State Council and various departments concerned under the State Council.

B. The following are the functions and powers of tobacco monopoly bureaus at the provincial level (that is, at the level of the provinces, autonomous regions, and municipalities directly under the central government) or at the county level (that is, at the level of municipalities directly under provincial authorities, counties, county towns, autonomous counties, and banners (the same definitions of these levels being applicable hereinafter):

1. to exercise, in the locality concerned, administrative and management powers over tobacco monopoly, under the leadership of the tobacco monopoly

bureau of the immediate higher level and the people's government of the locality concerned (with the tobacco monopoly bureau of the immediate higher level taking precedence over the people's government of the locality concerned); and

2. to implement the "Monopoly Regulations," the "Implementing Rules," and the policies and subsidiary rules and regulations governing the tobacco monopoly formulated by the State Tobacco Monopoly Administration; in the light of their own local conditions, tobacco monopoly bureaus at the provincial level may formulate necessary supplementary regulations and report them to higher levels for approval.

Article 3. The National Tobacco Corp of China (referred to below as the National Tobacco Corp) is a national enterprise under socialist public ownership and is an economic entity qualified to be a legal person. It is responsible for the central management and overall operation of the tobacco industry in matters of production, supply, marketing; human, financial, and material resources; and domestic and foreign trade.

Through its tobacco corporation branches in various provinces, autonomous regions, and municipalities directly under the central government, the National Tobacco Corp manages and exercises leadership over enterprises in the tobacco industry that undertake production or business operations.

The National Tobacco Corp manages and exercises direct leadership over national tobacco institutes undertaking scientific research or educational work.

Article 4. The scope of the tobacco monopoly covers two major categories of products: tobacco products subject to monopoly, and controlled products under the tobacco monopoly.

A. The following list of products are tobacco products subject to monopoly. Various kinds of operation in the handling of these products, such as production, supply, marketing, domestic and foreign trade, pricing, storage, and transportation, are subject to centralized management and operation by the National Tobacco Corp.

1. cigarettes;
2. cigars;
3. cut tobacco, which refers to shredded tobacco and tobacco flakes made from tobacco leaves, for supply, marketing, and sale;
4. flue-cured tobacco, which refers to tobacco leaves that have been toasted, and which includes tobacco processed by tobacco producers having undergone initial or repeated flue-curing;
5. Well-known categories of air-cured or sun-cured tobacco, which refers to well-known categories of superior-quality air-cured or sun-cured tobacco for producing cigarettes or cigars or for export (a list of these categories of tobacco is in the appendix).

B. The National Tobacco Corp, in conjunction with the relevant responsible departments, will appoint selected units to produce the controlled products under the tobacco monopoly listed below, and will be responsible for their distribution:

1. coiled cigarette paper, which refers to coiled paper used in the production of machinemade cigarettes or cigars;
2. filters, which refer to filtertips forming the tips of cigarettes;
3. special machinery used by the tobacco industry, which refers to various categories of machinery used in the following subprocesses of making cigarettes, cigars, or cut tobacco: shredding tobacco leaves, wrapping tobacco into cigarettes, attaching filtertips, packaging, vacuum moisturizing, beating tobacco leaves and toasting shredded tobacco.

Chapter II. The Cultivation, Purchase, Distribution and Allocation of Tobacco

Article 5. The National Tobacco Corporation, in accordance with state planning, makes plans for the production of flue-cured tobacco and well-known categories of air-cured or sun-cured tobacco. Tobacco corporations at various levels, in conjunction with various departments concerned, should strengthen the provision of specific guidance over tobacco production.

A. Distribution of tobacco plantations: Various localities should, on the basis of doing a good job of regional agricultural development, select areas suitable for growing tobacco, and make plans for growing tobacco in the light of their own management and technological standards.

B. Tobacco seed: Tobacco corporations should strengthen the management of tobacco seed and establish a breeding system for good strains. Tobacco seed appraisal committees should be set up at the national and provincial levels to take charge of the appraisal of good strains. Good strains must first be appraised by an appraisal committee at the provincial level and submitted to the national appraisal committee for approval before they can be popularized in selected localities for the achievement of the regional development of good strains.

C. Tobacco production: Before raising tobacco seedlings, tobacco corporations must, through negotiation, conclude economic contracts with tobacco producers in accordance with state planning.

Tobacco producers should carry out production in accordance with contractual stipulations regarding variety, planting area, output, quality, and so on.

Article 6. Tobacco corporations will, in a centralized way, purchase and perform the repeated flue-curing of flue-cured tobacco and well-known categories of air-cured or sun-cured tobacco. No other department, unit, or individual is allowed to purchase them.

A. Tobacco corporations (or other units entrusted to purchase tobacco on their behalf) should purchase tobacco in accordance with economic contracts as well as grading criteria and prices stipulated by the state.

Samples of various grades of tobacco must be displayed at the spot of purchase. Any purchase made must conform with the grade indicated by the right sample and must not be made in accordance with a wrong grade or price.

B. Tobacco producers must grade their tobacco according to criteria set by the state and must hand over various batches of tobacco for sale at appointed times.

Article 7. Grassroots tobacco purchase centers must, under the leadership of their local people's governments and the local tobacco corporations, organize representatives from various departments concerned and representatives of tobacco producers to form democratic tobacco-grading committee (or groups) to take charge of the supervision of purchase work. If a seller of tobacco disagrees to the grading, the matter will be settled by a grading committee (or group).

Article 8. Tobacco inferior to any existing grades, rotten tobacco, tobacco which cannot burn continuously, and tobacco produced with the use of highly poisonous insecticides will, as a rule, not be purchased.

Article 9. In accordance with the planned targets assigned by the state concerning the production and export of cigarettes and cigars, the National Tobacco Corp will balance in a central way the national production of flue-cured tobacco and well-known categories of air-cured or sun-cured tobacco, and will assign planned allocation and export quotas to various provinces.

Within a province, the tobacco corporation at the provincial level will assign planned targets concerning the distribution, allocation, and supply of flue-cured tobacco and well-known categories of air-cured or sun-cured tobacco.

The fulfillment of the planned distribution and allocation targets mentioned above should be ensured by contracts.

Chapter III. Production, Allocation and Marketing of Cigarettes, Cigars and Cut Tobacco

Article 10. The National Tobacco Corp will, in accordance with state plans, plan and organize in a central way the production of cigarettes and cigars. No other department, enterprise, or individual is allowed to carry out any production not prescribed by state plans.

The output of cut tobacco is to be determined by sales. Tobacco corporations at the provincial level should strengthen their management of those enterprises producing cut tobacco. Enterprises must organize production in accordance with market sales and availability of raw materials and submit reports to tobacco corporations for the record.

A. In accordance with annual planned targets assigned by the state for the production of cigarettes and cigars, and in the light of market needs, raw material supply, and conditions of production, the National Tobacco Corp must do the job of comprehensive balancing and assign planned seasonal targets (including those governing output value, output quantity, varieties, and grades) through various levels to the enterprises undertaking production.

B. Tobacco corporations at the provincial level and enterprises undertaking production must seriously and conscientiously fulfill the planned targets assigned by higher levels and must not arbitrarily produce a different output.

Article 11. In the production of cigarettes and cigars, the guiding principle of "quality first" must be adhered to, standards set by the state and technological norms set forth in a central way by the National Tobacco Corp must be rigorously complied with, and rigorous inspection must be carried out in all subprocesses ranging from the feeding in of inputs to the sending of finished products from the factory. If, within a certain time period after leaving the factory, a product is found not to be up to standard in quality because of the fault of the enterprise producing it, that enterprise must be held responsible.

Article 12. Tobacco corporations at all levels and enterprises undertaking production must pay great attention to scientific research, strive to upgrade the quality of tobacco leaves and tobacco products, and lower the content of tar and other harmful substances in tobacco smoke.

The National Tobacco Corp is responsible for organizing scientific and technological personnel to tackle key technological problems and appraising and popularizing major fruits of national scientific research.

Article 13. The National Tobacco Corp undertakes the central management, organization and operation of the allocation and wholesale of cigarettes and cigars. The marketing of cut tobacco is arranged by the enterprises producing it.

The allocation of cigarettes and cigars must be in accordance with the following rules:

A. Cigarettes are allocated according to state plans. Annual planned allocation targets are assigned by the State Planning Commission. In the case of specific seasonal (or half-yearly) allocation plans for various levels, the National Tobacco Corp will assign control targets and tobacco corporations at the provincial level will be responsible for making the plans dovetail and fulfilling the targets.

Under the precondition that planned allocation targets assigned by higher authorities are fulfilled, tobacco corporations at various levels can undertake redistribution if surpluses or deficits exist.

The National Tobacco Corp will assign special planned allocation targets for special cigarettes for earning foreign exchange.

B. In principle, cigars are to be produced and marketed locally within each province. Some products geared to the national market can be redistributed and exchanged in an organized way within the system of tobacco corporations.

Article 14. In the purchase, marketing, and allocation of cigarettes and cigars, the economic contract system will be practiced so that the fulfillment of planned targets can be concretely achieved and ensured. If for some reasons a party signing a contract cannot fulfill the contract, it must notify the other party 30 days before the deadline stipulated in the contract, obtain the consent of the other party through negotiation, and report the matter to the higher-level department in charge; only thus can the contract be revised.

Chapter IV. Prices, Trademarks and Transportation

Article 15. The purchase prices of flue-cured tobacco and well-known categories of air-cured or sun-cured tobacco (including floating prices for quantities in excess of planned targets, or unplanned quantities, of flue-cured tobacco or well-known categories of air-cured or sun-cured tobacco handed over for sale) will be determined by the State Commodity Price Bureau in conjunction with the National Tobacco Corp.

Article 16. The prices of flue-cured tobacco or well-known categories of air-cured or sun-cured tobacco allocated between provinces will be determined by the National Tobacco Corp. Within a province, allocation prices and supply prices will be determined by the tobacco corporation at the provincial level and must be reported to the National Tobacco Corp for the record.

Article 17. The factory prices, allocation prices, wholesale prices, and retail prices of cigarettes and cigars will be scrutinized by tobacco corporations at the provincial level and then reported to the National Tobacco Corp for scrutiny and approval.

The factory prices, allocation prices, wholesale prices, and retail prices of cut tobacco will be scrutinized and approved by tobacco corporations at the provincial level and then reported to the National Tobacco Corp for the record.

No department, unit, or individual may alter any of the prices mentioned above without the approval of those units authorized to scrutinize and approve those prices.

Article 18. The National Tobacco Corp will centralize the scrutiny and approval of the import prices and retail prices of all foreign cigarettes, cigars, and other tobacco products (including nondutiable items) that are imported or consigned for sale on commission.

Article 19. In order that losses may be reduced, those cigarettes and cigars which are defective or have been long overstocked owing to poor sales, and which are still consumable, can be sold at a price reduced on a once-for-all basis after reporting-for-approval formalities have been completed in accordance with the relevant rules.

The selling of cigarettes or cigars which have rotted and deteriorated in quality is, as a rule, prohibited.

Article 20. Cigarettes, cigars, and cut tobacco sold in packages must have registered trademarks. All kinds of trademarks (including trademarks commonly used by a number of enterprises in the same province or in different provinces, and the trademarks of enterprises jointly operated by Chinese and foreign capital) must be submitted by tobacco corporations at the provincial level to the National Tobacco Corp for scrutiny and consent before procedures can be taken to register the trademarks at industrial and commercial administrative departments.

Article 21. For cigarettes, cigars, flue-cured tobacco, and well-known categories of air-cured or sun-cured tobacco to be sent out of a province (by methods including transportation by using entire trains, by containers, by express, or in small batches), consignment-for-shipment formalities must as a rule be completed under authorization by transportation permits signed and issued by the tobacco corporation at the provincial level in accordance with allocation plans, documents, or contracts issued by the National Tobacco Corp.

Maximum quantities that can be delivered by mail are 10 cartons in the case of cigarettes and cigars and 10 jin in the case of cut tobacco, flue-cured tobacco, and well-known categories of air-cured or sun-cured tobacco. The Post Office has the power to refuse postal delivery if these limits are exceeded.

Article 22. For transportation within a province, consignment-for-shipment formalities must, as a rule, be completed under the condition that there is certification from a tobacco corporation at the provincial or county level.

Chapter V. The Production and Distribution of Coiled Cigarette Paper, Filters and Special Machinery Used by the Tobacco Industry

Article 23. Enterprises appointed to produce coiled cigarette paper, filters or special machinery used by the tobacco industry must obtain tobacco monopoly production permits. Enterprises which are not appointed and which do not have tobacco monopoly production permits must not produce these products.

Article 24. In the light of the need for production and construction, enterprises of the tobacco industry must at the right times submit annual plans for application for coiled cigarette paper, filters, and special machinery used by the tobacco industry. After examination and pooling of data, tobacco corporations at the provincial level will hand over these applications to the National Tobacco Corp for scrutiny and approval. The National Tobacco Corp will then present plans concerning what is required to the relevant departments in charge of the enterprises appointed to produce those products, and will organize the enterprises that need those products to conclude contracts for orders with those departments and to purchase those products according to these contracts.

Enterprises appointed to produce coiled cigarette paper, filters or special machinery used by the tobacco industry must produce and supply these products in accordance with the contracts for orders they have signed, and must not market these products on their own.

Article 25. Any unit intending to manufacture on a trial basis (or copy the manufacture of) any new variety of special machinery for use in the tobacco industry should, through the department in charge of it, submit its plan for trial manufacture to the National Tobacco Corp. It can undertake trial manufacture after consent has been given subsequent to examination of the plan. If a nonappointed enterprise manufactures a new product on a trial basis, the product must be proved through appraisal to be up to standard before the enterprise can go through formalities for becoming an appointed enterprise.

Chapter VI. Import and Export Trade and Economical and Technological Cooperation With Other Countries

Article 26. In accordance with the relevant guiding principles, policies, and regulations of the state, the National Tobacco Corp operates and manages the relevant import and export trade in a centralized way and on behalf of the entire national tobacco industry. In accordance with state-approved plans and on behalf of the whole country, it takes charge of import and export trade operations involving tobacco leaves, cigarettes, cigars, coiled cigarette paper, filters (including fibers for manufacturing filtertips), aluminium foil, special instruments and machinery used by the tobacco industry (including components and spare parts), production technology for the tobacco industry, and so on. In dealing with the outside world, it makes contacts, holds talks, concludes contracts or agreements, and organizes the fulfillment of those contracts and agreements.

Article 27. The National Tobacco Corp operates in a centralized way the consignment of cigarettes and cigars for shipping from other countries, the Hong Kong area, or the Macao area.

Article 28. Aside from what must be exported by foreign firms according to agreements, cigarettes and cigars produced through various forms of cooperation with foreign capital must be handled according to Article 26.

Article 29. In the production of products for export, planned targets assigned by the National Tobacco Corp in accordance with contracts signed by it with foreign firms must be fulfilled with regard to time, quality, and quantity by the relevant tobacco corporations and enterprises undertaking production. If for some special reasons a target cannot be fulfilled, the unit concerned should report the matter 60 days in advance to the National Tobacco Corp for a revision of the plan. No unauthorized changes can be made.

The National Tobacco Corp, in consultation with the departments concerned, will formulate rules governing the retention and distribution of foreign exchange earnings from exported products.

Article 30. If, in our national tobacco industry, any enterprises undertaking production need imported goods or materials (including those goods and materials which are to be imported by using foreign exchange held by various localities),

they must submit their applications in the form of plans, which will be examined by the tobacco corporations at the provincial level, pooled by them, and submitted by them at regular intervals to the National Tobacco Corp. The latter will complete in a centralized way reporting-for-approval and importing formalities, and will be responsible for distribution and allocation.

Article 31. Any units intending to undertake operations in consigning foreign cigarettes and cigars for shipment must submit their plans to the National Tobacco Corp, which will examine these plans and organize in a centralized way talks with foreigners. Regarding the dutiable part of the cigarettes and cigars in question, the National Tobacco Corp will sign contracts with foreign firms, organize the import of the cigarettes and cigars and assume responsibility for supplying the imported goods. Operational units exempted from paying duties can, in accordance with agreements signed between the National Tobacco Corp and foreign firms, conclude specific contracts with foreign firms for direct import of goods.

Article 32. As a rule, foreign exchange is collected from those units which consign foreign cigarettes or cigars for shipment or sell foreign cigarettes or cigars as an agent; moreover, the foreign exchange control regulations of the state will be enforced.

Article 33. The National Tobacco Corp is responsible for the administration of economic and technological cooperation between our national tobacco industry and foreign countries. In accordance with procedures stipulated by the state, it administers in a centralized way the import of technology (including the import of complete sets of equipment) and reporting-for-approval formalities in connection with economic or technological cooperation projects, and it assumes responsibility for holding talks and concluding contracts with foreigners.

Article 34. Aside from the relevant tobacco corporations at the provincial level which have been authorized by the National Tobacco Corp and other companies which have been appointed by the National Tobacco Corp to act as its agents, no other unit or department may undertake the various categories of operation specified in Article 26.

Chapter VII. The Formulation, Application for and Issuing of Tobacco Monopoly Permits

Article 35. All enterprises, units, and individual operational households that produce or market tobacco products subject to monopoly or controlled products under the tobacco monopoly must, in accordance with rules, fill in application forms in order to obtain tobacco monopoly permits and must pay administrative fees according to the relevant rules.

Regarding various kinds of tobacco monopoly permits, application forms, and other related forms and certificates, formulation will be undertaken in a centralized way by the State Tobacco Monopoly Administration, and scrutiny and issuing will be enforced by various levels.

Article 36. The State Tobacco Monopoly Administration will issue tobacco monopoly production permits to the following categories of enterprises:

A. cigarette or cigar factories approved by the state (including enterprises where production is under cooperation between China and foreign firms or enterprises jointly operated by Chinese and foreign capital) and factories which perform the repeated flue-curing of tobacco and which are acknowledged as qualified by tobacco corporations at the provincial level;

B. appointed enterprises which produce coiled cigarette paper, filters, or special machinery used by the tobacco industry and which have been deemed to be qualified by the National Tobacco Corp in conjunction with the relevant responsible departments.

Applications by the above-mentioned categories of enterprises for obtaining tobacco monopoly production permits need to be scrutinized by tobacco monopoly bureaus at the provincial level.

Article 37. Tobacco monopoly bureaus at the provincial level will issue tobacco monopoly permits to the following categories of enterprises:

A. wholesale enterprises in the system of tobacco corporations;

B. state-run commercial enterprises and supply-marketing cooperatives entrusted by tobacco corporations with the wholesale of cigarettes, cigars, or cut tobacco;

C. state-run or jointly operated enterprises for which the retail of imported cigarettes or cigars is the whole or only part of their business;

D. cut tobacco factories acknowledged as qualified by tobacco corporations at the provincial level.

Article 38. Tobacco monopoly bureaus at the county level will issue tobacco monopoly permits to the following categories of enterprises and individuals:

A. enterprises and individual operational households having obtained licenses for the retail of cigarettes, cigars, or cut tobacco;

B. enterprises or individual operational households which newly join the business of retailing cigarettes, cigars, or cut tobacco, or which hold licenses for trading in other commodities and want to retail cigarettes, cigars, or cut tobacco in addition.

Enterprises or individual operational households mentioned in Category B above must first apply for tobacco monopoly retail permits and then apply to industrial and commercial administrative departments for ratified business licenses or for alterations in registration.

Enterprises and individual operational households holding tobacco monopoly retail licenses should also obtain permits for purchasing tobacco products subject to monopoly, which will authorize them to purchase tobacco products subject to monopoly at certain wholesaling units in specialized localities.

If a purchaser in one locality makes purchases in another locality (the localities involved may be two different provinces or two neighboring areas in the same province), the permit in question can be issued either by the tobacco monopoly bureau of one locality or by the tobacco monopoly bureaus of both localities, after consultation between the two parties.

Article 39. The renewal of tobacco monopoly permits and permits for purchasing tobacco products subject to monopoly, and the handling of reported losses of these permits:

- A. Various categories of tobacco monopoly permits are valid for 5 years.
- B. Permits for purchasing tobacco products subject to monopoly must be renewed annually. Tobacco monopoly bureaus at the county level will recall old permits for checking and issue new permits. A handling fee will be charged.
- C. Tobacco monopoly permits and permits for purchasing tobacco products subject to monopoly should be kept in safe custody. Any loss should be immediately reported to the local tobacco monopoly bureau for the record; a new permit must be reapplied for and an administrative fee must be paid in accordance with relevant rules.

Chapter VIII. Awards and Penalties

Article 40. Tobacco monopoly bureaus at various levels should strengthen ties with various related departments, such as those in charge of industrial and commercial administration, commodity prices, taxation, banking, transportation and communications, postal and telecommunications services, public security, customs work, and so on; mutual coordination must be achieved so that through joint efforts the management, inspection and supervision of the tobacco monopoly can be satisfactorily performed.

Article 41. Personnel responsible for the inspection of the tobacco monopoly must hold tobacco monopoly "inspection permits" issued by tobacco monopoly authorities at or above the provincial level.

The main duties of tobacco monopoly inspection personnel are:

- A. to conscientiously publicize various policies and regulations concerning tobacco monopoly;
- B. to supervise and inspect, within specified localities, relevant units and individuals with regard to tobacco monopoly (this work includes inquiring into details of cases, examining things that arouse suspicion or payment and

receipt vouchers, and so on); to promptly make a thorough investigation of cases of violation of regulations, to conscientiously handle such cases, and to report the information to higher authorities and various department concerned.

Article 42. If one violates Regulations 6 or 7 of the "Monopoly Regulations," and if one purchases or sells on one's own, in an urban or rural market or in other places, flue-cured tobacco or well-known categories of air-cured or sun-cured tobacco, one will be criticized and taught what is right or wrong, one will be fined a sum not exceeding 10 percent of the total value of tobacco involved, and all of the tobacco involved will be confiscated.

Article 43. If a tobacco factory working not according to state plans illegally produces or markets cigarettes or cigars, violating Regulation 9 in the "Monopoly Regulations," its tobacco production equipment, products and illegal earnings will be confiscated; it will be fined a sum not exceeding 10,000 yuan, and moreover, its business license will be revoked, and its bank account canceled, by the departments concerned.

Article 44. The following rules concern punishments for violating Regulation 10 of the "Monopoly Regulations":

A. If tobacco leaves or powdered tobacco is used as a raw material to produce manually made cigarettes, cigars or other tobacco products, with the aim of making profits, then the production tools, raw materials, products and the entire amount of illegal income will be confiscated, and moreover, a fine not exceeding 3,000 yuan will be imposed.

B. In the case of the selling of manually made cigarettes or cigars (including cigarettes or cigars bearing no trademarks) or cigarettes or cigars produced by tobacco manufacturers not authorized by the state, all products and illegal earnings will be confiscated, and moreover, a fine not exceeding 1,000 yuan will be imposed.

Article 45. In the case of selling cigarettes or cigars at wholesale without permission (including the marketing of products on its own by a cigarette factory), in contravention of Regulation 13 of the "Monopoly Regulations," the offender will be ordered to stop the wholesale operation, all illegal earnings will be seized, and a fine not exceeding 10 percent of the wholesale value will be imposed.

If any enterprise belonging to the system of tobacco corporations furnishes supplies of cigarettes or cigars to any unit without a tobacco monopoly wholesale permit, the entire sum of illegal earnings will be seized, and a fine not exceeding 20 percent of the wholesale value will be imposed.

Article 46. In the case of retailing cigarettes or cigars or producing or marketing cut tobacco without a permit, in contravention of Regulation 14 of the "Monopoly Regulations," the entire amount of illegal earnings will be seized, and a fine not exceeding 5 percent of the entire value of sales will be imposed.

Article 47. If any unit or individual, in contravention of Regulation 15 of the "Monopoly Regulations," arbitrarily raises prices, cuts prices to promote sales, or uses any of various forms of subsidies, discounts and so on, to achieve a

disguised price cut, the entire sum of illegal earnings will be seized, and a fine not exceeding 20 percent of the total value of the goods will be imposed.

Article 48. If Regulation 16 of the "Monopoly Regulations" is violated, the case will be handled according to relevant regulations in the "Trademark Law."

Article 49. In the case of the consignment for shipping, without a transportation permit, of flue-cured tobacco, well-known categories of air-cured or sun-cured tobacco, cigarettes, cigars, or cut tobacco, in contravention of Regulation 17 of the "Monopoly Regulations," a fine not exceeding 10 percent of the allocation price will be imposed.

Article 50. In the case of the production or marketing of coiled cigarette paper, filters or special machinery used by the tobacco industry, conducted without permission and in contravention of Regulations 18 or 19 of the "Monopoly Regulations," the State Tobacco Monopoly Administration is empowered to confiscate the entire quantity of products involved.

Article 51. Forging of tobacco monopoly permits or permits for purchasing tobacco products subject to monopoly will be punished according to Regulation 6 of the "PRC Regulations on Punishments in Connection With Public Security Management."

Article 52. Punishments given by tobacco monopoly bureaus at various levels in accordance with any regulations in this chapter should be made known in writing to the units or individuals punished. Any punished unit or individual refusing to accept the punishment may, within 15 days of receipt of the notification, request reconsideration by a tobacco monopoly bureau at a higher level, whose decision after reconsideration will be final.

Article 53. Fines received and sums of money representing the value of confiscated articles must be handed over to the treasury of the state in accordance with relevant regulations.

Article 54. In accordance with Regulation 23 of the "Monopoly Regulations," commendations or awards will be given to units or individuals having performed meritorious service in reporting or exposing offenses against the regulations. Personnel having performed meritorious service in reporting offenses or assisting in the handling of the relevant cases will be given spiritual encouragement, and may, in addition, be given a certain sum of money award in accordance with the magnitude of contributions and in accordance with relevant regulations.

Article 55. If any enterprise or individual holding a tobacco monopoly permit does any one of the following list of things and refuses to correct mistakes though having been taught what is right or wrong, the tobacco monopoly bureau that issued the permit can at any time revoke the permit:

A. for enterprises producing tobacco products subject to monopoly or controlled products under tobacco monopoly:

1. manufacturing products in a rough and slipshod way and not attaining the standards set by the state;

2. making alterations without permission on drawings of product design or on technological documents, and lowering product quality;

3. selling products on one's own in contravention of rules or regulations in the "Monopoly Regulations" or "Implementing Rules";

B. for enterprises or individual operational households in the wholesale or retail trade:

1. wholesaling tobacco products subject to monopoly to speculators, in contravention of monopoly policies;

2. transferring without permission tobacco monopoly permits or permits for purchasing tobacco products subject to monopoly.

Article 56. For serious breaches of the "Monopoly Regulations" or "Implementing Rules" which constitute criminal offenses, the cases will be transferred to the judicial departments to be handled according to law.

Chapter IX. Subsidiary Rules

Article 57. These "Implementing Rules" are applicable to the entire national tobacco industry (localities where they are applicable include special economic zones, coastal ports, and national autonomy regions).

Article 58. These "Implementing Rules" will be effective from the date of promulgation. The powers for interpreting or revising them rest with the State Tobacco Monopoly Administration.

Appendix: List of well-known categories of air-cured or sun-cured tobacco

Well-known categories of air-cured or sun-cured tobacco include the following:

The Maoliu Tobacco produced by certain counties in Sichuan such as Shifang, Mianzhu, Pengxian, Xindu, Guanghan, Meishan, Qianwei, Dianjiang, Fengdu, Shizhu, Zhongxian, Xuanhan, Wanyuan, Bazhong, Jiange, Peng'an, and so on, as well as the Bailei Tobacco produced by Wanxian and Daxian in Sichuan;

The Yellow Sun-cured Tobacco produced by Huanggang and Junxian in Hubei, as well as the Bailei Tobacco produced by Jianshi, Enshi, Laifeng, Hefeng, Xuan'en, Xianfeng, Badong, Wufeng, and Changyang in Hubei;

The Yellow Sun-cured Tobacco of Shixing and Nanxiong of Guangdong, and the Red Sun-cured Tobacco of Qingyuan, Xinhui, Gaohe, Jianjiang, Xinxing, Huidong, and Gaozhou of Guangdong;

The sun-cured tobacco of Wuming of the Guangxi Zhuang Autonomous Region;

The Red (or Yellow) Sun-cured Tobacco of Guangfeng and Guangchang of Jiangxi;

The Red Sun-cured Tobacco of Tongxiang and Suichang in Zhejiang, the Spice Tobacco and Yellow Sun-cured Tobacco of Xinchang and Shengxian in Zhejiang, and the Yellow Sun-cured Tobacco of Lanxi and Cangnan in Zhejiang;

The Red Sun-cured Tobacco of Fenghuang in Hunan;

The Red Sun-cured Tobacco of Yanbian in Jilin;

The Yabuli Sun-cured Tobacco of Heilongjiang, the Diaoling Sun-cured Tobacco of Linkou of Heilongjiang, and the Muleng Sun-cured Tobacco of Heilongjiang;

The Sun-cured Tobacco of Yanzhou and Qixia of Shandong.

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END