

102143

JPRS-CPS-85-022

8 March 1985

# China Report

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN,

No. 15, 20 July 1984

DISTRIBUTION STATEMENT A  
Approved for Public Release  
Distribution Unlimited

DMIC QUALITY INSPECTED 2

19990319 037

**FBIS**

FOREIGN BROADCAST INFORMATION SERVICE

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

Reproduced From  
Best Available Copy

8  
45  
A03

#### 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.

## NOTICE

A new serial entitled WORLDWIDE REPORT: ARMS CONTROL will be published starting in March 1985.

The new report will contain Soviet, European, and other foreign media reportage and commentary on arms control issues, negotiations, agreements, and treaties. Much of the material will be reprinted from the regional FBIS DAILY REPORTS.

U.S. Government consumers may arrange to receive the new report through regular publications distribution channels or by contacting:

FBIS/Liaison and Requirements  
P.O. Box 2604  
Washington, D.C. 20013

Other consumers may order the report by contacting:

National Technical Information Service  
5285 Port Royal Road  
Springfield, VA 22161

8 March 1985

## CHINA REPORT

## POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

## PRC STATE COUNCIL BULLETIN, No. 15, 20 JUL 1984

Beijing PRC STATE COUNCIL BULLETIN in Chinese No 15, 20 Jul 1984

[This volume contains selected translations from the PRC STATE COUNCIL BULLETIN. Items that are cross-referenced or marked [Previously published] have appeared in other JPRS or FBIS publications.]

## CONTENTS

|                                                                                                                                                                                                                                                                                                         |    |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| State Council Circular on Vigorously Practicing Water Conservation in Cities (19 June 1984).....                                                                                                                                                                                                        | 1  |
| State Council Circular on the Approval and Circulation of 'The People's Bank of China Report on the Division of Work Among Specialized Banks in Negotiating Fixed Asset Loans' (30 May 1984).....                                                                                                       | 5  |
| People's Bank of China Report on the Division of Work Among Specialized Banks in Negotiating Fixed Asset Loans (25 May 1984).....                                                                                                                                                                       | 6  |
| State Council General Office Circular on the Circulation of the Agriculture, Animal Husbandry and Fishery Ministry Report on the Protection of Grass Fields and Prohibition of the Irresponsible Picking of Herbs (25 June 1984) [Not translated]                                                       |    |
| Ministry of Agriculture, Animal Husbandry and Fishery Report on the Protection of Grass Fields and Prohibition of the Irresponsible Picking of Herbs (30 April 1984) [Not translated]                                                                                                                   |    |
| Circular of the State Science and Technology Commission and the State Commission for Restructuring the Economic System on the Implementation of 'Views on Setting Up Experimental Points in Research and Development Units To Put Operational Expenditure Under a Contract System' (10 April 1984)..... | 9  |
| Views on Setting Up Experimental Points in R&D Units To Put Operational Expenditure Under a Contract System (10 April 1984).....                                                                                                                                                                        | 10 |

|                                                                                                                                                                                                                                        |    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| Finance Ministry Stipulations on the Handling of Financial Problems<br>Encountered in the Course of Financial Inspections (27 May 1984).....                                                                                           | 15 |
| Bank of China Regulations on Foreign Currency Deposits (26 May 1984)...                                                                                                                                                                | 22 |
| Detailed Rules of the Provisional Regulations of the Import Permit<br>System of the People's Republic of China (15 May 1984).....                                                                                                      | 25 |
| Circular of the Ministry of Civil Affairs and the Ministry of<br>Finance on Pension Adjustment for Revolutionary Disabled Personnel<br>(30 May 1984) [Not translated]                                                                  |    |
| Provisional Rules on the Operation of Schools by Social Forces<br>(27 April 1984).....                                                                                                                                                 | 35 |
| President Li Xiannian's Message to Venezuelan President Luisinchi<br>Greeting the 10th Anniversary of the Establishment of Diplomatic<br>Relations Between China and Venezuela (28 June 1984) [Previously<br>translated and published] |    |
| State Council Approval of Hunan Provincial People's Government Proposal<br>To Move the Capital of Jianghua Yao Nationality Autonomous County<br>to Tuojiang Township (18 June 1984) [Not translated]                                   |    |
| State Council Approval of Hunan Provincial People's Government Proposal<br>To Abolish Lingling County and Restore Lengshuitan City<br>(22 June 1984) [Previously translated and published]                                             |    |
| State Council Appointments and Removals (May 1984) [Previously trans-<br>lated and published]                                                                                                                                          |    |

## STATE COUNCIL URGES VIGOROUS URBAN WATER CONSERVATION

Beijing STATE COUNCIL BULLETIN in Chinese No 15, 20 Jul 84 pp 515-517

[State Council Circular on Vigorously Practicing Water Conservation in Cities (19 June 1984)]

(Guofa [0948 4099] 1984, No. 80)

[Text] Currently, scarce water resources, insufficient water supply, and acute water shortages in many cities in the country have seriously affected the people's standard of living and industrial production. In addition to the lagging construction of water supply facilities and rising water consumption, the reasons for water shortages are that management of water sources is not unified, development of water sources is irrational and pollution of water sources is serious, but the chief reason is the serious wastage in the use of water due to backward production equipment and techniques, the high rate of water consumption and low rate of water recycling. It is estimated that by the end of this century upon quadrupling of the gross output value of industry and agriculture, industrial production and the people's standard of living will require a 150 percent increase in water supply. To obtain such a huge volume of water supply, if reliance is placed on state investments alone to build more waterworks, not only will it be difficult to obtain the necessary funds, but a crisis in water resources may also develop. Hence, to solve the water shortage problem in the cities from now on, we must adhere to the principle of "putting equal stress on finding new water resources and economizing on the use of water." In other words, we must vigorously develop water conservation work in the cities while expediting the construction of water supply facilities. Hence, this circular sets forth the following demands:

### I. Strengthening leadership over water conservation work.

People's governments at various levels and leadership cadres must recognize that water conservation is an important guideline which must be insisted upon for a prolonged period in the economic construction of our country and involves work of a long-term and regular nature. The various city people's governments must strengthen leadership over water conservation work. Waterworks in the cities must establish water conservation offices to take charge of concrete work. Their duties are: thorough implementation of the state's guidelines, policies and statutes on water conservation; checking and inspecting the use

norms and sanctioning the use of the water plans of water using units; collaborating with relevant departments in examining and sanctioning water conservation projects and supervising and checking their execution; formulating management methods for water conservation in cities; organizing exchanges of advanced experiences in water conservation and promoting the development of water conservation work.

II. Strengthening the management of the use of water by industries and carrying out planned water supply.

1. Water conservation by industries is the key to water conservation in cities. First of all, it is necessary to gradually include in the water supply plan the use of water by the various industrial units (including their own water supply resources) in cities with acute water supply problems, enforce planned water supply and, in conjunction with the economic responsibility system, carry out the plan of rewarding water conservation and punishing excessive use of water. Awards should be given from bonus funds of enterprises to units and individuals with good water conservation results. Progressive increases in water charges shall be imposed for use of water in excess of the plan; if necessary, water supply may be curtailed or stopped altogether. The increased water charges for use of water in excess of plan shall be paid by the water-using units out of their self-retained profits after paying taxes. The extra water charges for use of water in excess of plan shall be spent on developing water conservation work and subsidizing water supply construction projects of cities.

2. Various water using units, production workshops and main water-consuming equipment shall all have water meters installed and, on the basis of the norms for use of water, their water-using plan shall be fixed. In the event of the norms for use of water being exceeded, it shall be necessary, in combination with the technical transformation of the enterprise and readjustment of production techniques and procedures, to reform the water-using equipment and increase the water conservation facilities and thus to reduce the water-using plan to below the water-using norm. Units under new construction or expanded production of enterprises and offices, shall select the use of production techniques and equipment of the water conservation type and shall simultaneously plan, start construction on, and put into operation the water conservation facilities together with the main construction project. This shall be one of the conditions to be checked before acceptance of the finished project. The investments required shall be derived from the capital construction projects and in the case of renovation and transformation projects, from the renovation and transformation funds.

3. Industrial use of water shall include such measures as recycling water, multiple use of water, and comprehensive utilization and handling of waste water, thus improving the recycling rate of water. Coastal cities lacking freshwater resources shall actively make use of seawater for cooling purposes. From now on, those cities with a relatively low rate of recycled water in industrial use shall first tap all potentials and in general shall not newly build water supply works for industries.

4. City waterworks, property management departments and various water-using units shall strengthen the management repair and maintenance of the water supply and use of water equipment and installations, stopping up the escaping emitting, dripping and leaking of water and eliminate the continuous running of water. The leakage rate of the water network of cities shall be reduced to below 6 percent.

5. Funds required by water-using units for developing water conservation shall be paid out of the renovation and transformation funds and the production development funds of the enterprise. In the event of insufficient funds, application for bank loans may be made.

6. Units using the tapwater supply of cities which need an increased water supply shall first solve the problem by adopting water conservation measures; however, if the water supply is still insufficient, they must make applications giving the reasons which, when approved by the city waterworks, shall be made to the relevant department in charge and to the department in charge of water conservation for checking and approval. New construction, expansion and rebuilding of industrial enterprises needing water supply from the city shall turn over their relevant investments to the municipal construction departments for the unified construction of the water supply facilities and the amount of water needed shall be incorporated into the tap water supply plan of the city.

III. Abolition of the "system of a fixed charge" for the use of water by private households and installation of water meters and levying charges according to the amount of water used.

Before the end of 1985, the "system of a fixed charge" for the use of water by private households shall categorically be abolished. One meter per household shall be installed for newly built residences. In the case of old residences which have original water supply facilities, installation may be made on the basis of 1 meter per building story, or per house with courtyard, or per household. Cost of meter installation shall be included in the planning estimates in the case of newly built residences; in the case of old residences, it shall be borne by the units possessing the property ownership rights (if the property rights belong to the housing department, it shall be paid out of municipal construction funds); and, in the case of installation of a principal meter for a building of several stories or a house with a courtyard, the city waterworks shall be responsible for its payment. In the case of units which by 1 January 1986 will still be adhering to the "system of a fixed charge," if the per capita amount of water used exceeds the norm fixed for use of water for livelihood, the excess portion shall be subjected to a progressive levy double the current water charges.

IV. It is necessary to resort to economic tactics to promote water conservation by water-using units and reduce the drainage amount of soiled water; municipal construction departments shall as soon as possible and in conjunction with the relevant departments formulate measures for the use, with compensation, of water drainage facilities.



V. Water is a valuable material resource which is limited in supply and is irreplaceable. It represents an important material foundation of, and raw material for, industrial production, being also an indispensable means of living in people's livelihood. The fixing and readjustment of tapwater prices must, on the one hand, be beneficial to the rational development of water sources and the utilization and conservation of water and, on the other, consideration should be given to the capacity to bear the burden on the part of the water using units and to the intimate interests of the populace. In the case of localities which at present truly suffer from tapwater prices which are too low, the department in charge may bring up their concrete views for price readjustment and, within the limits of power under the principle of division of work in management of prices, report to the department in charge of price control for approval and enforcement.

VI. Waterworks in cities should grasp water supply with one hand and water conservation with the other, overcoming the tendency of stressing the sale of water but overlooking water conservation and stressing profits but overlooking services. In order to solve the contradiction between water conservation and profitmaking, from now on, city waterworks not only should check and assess the quality of water supply, water pressure, loss and leakage ratio of water, cost of water production, quality of services rendered, and so on, but also should take water conservation as an important criterion for checking and assessment. As for units which have done commendable work in water conservation and have suffered from a reduction in profit retentions due to a reduction in the sale of water on account of water conservation, the financial departments shall accord them with due compensation in accordance with the concrete conditions. Definite measures in this connection may be formulated by the localities themselves.

VII. Information units, newspapers, periodicals and propaganda departments shall vigorously propagate the great significance and the economic results of water conservation and protection of water resources. They shall constantly report on meritorious people and meritorious deeds in water conservation and promote advanced experiences in water conservation. The various relevant scientific and research units, higher and specialized institutions of learning which are water-using units shall do research on water conservation equipment, appliances and parts, and offer advanced technology in water conservation. They shall also study the technology of handling and utilizing seawater and soiled water.

VIII. The armed forces may, following the spirit of this circular, formulate concrete measures for the enforcement of water conservation.

CSO: 4005/442

FIXED ASSET LOAN POLICY CIRCULAR ISSUED

Beijing STATE COUNCIL BULLETIN in Chinese No 15, 20 Jul 84 pp 517-518

[State Council Circular on the Approval and Circulation of "The People's Bank of China Report on the Division of Work Among Specialized Banks in Negotiating Fixed Asset Loans" (30 May 1984)]

(Guofa [0948 4099] 1984, No 74)

[Text] The State Council approves People's Bank of China's "Report on the Division of Work Among Specialized Banks in Negotiating Fixed Asset Loans" and now circulates it to you for implementation.

Capital construction loans and technological transformation loans are two kinds of funds that differ in nature and purpose. At present, the method of formulating a unified "plan for fixed asset investment" has certain advantages in satisfactorily striking an all-round balance, but we should distinguish between the different nature of the two kinds of funds and adopt different methods of planned management. For the former, we should appropriately centralize our power, and for the latter, we should appropriately decentralize it. In order to satisfactorily manage technological transformation funds and in order to urge enterprises to carry out reform, reorganization and transformation and closely combine them, we should give full play to the important role of our banks as a wonderful mechanism. All the various specialized banks, in particular industrial and commercial banks, should conscientiously and satisfactorily do this work. The economic committees at all levels should rely on banks in strengthening management and supervision over technological transformation funds.

CSO: 4005/442

## DIVISION OF FIXED ASSET LOAN WORK AMONG BANKS DETAILED

Beijing STATE COUNCIL BULLETIN in Chinese No 15, 20 Jul 84 pp 518-519

[People's Bank of China Report on the Division of Work Among Specialized Banks in Negotiating Fixed Asset Loans (25 May 1984)]

[Text] Concerning the question of the division of work among specialized banks in providing fixed asset loans, in accordance with the spirit of the State Council Document Guofa [0948 4099] 1983, No 146 ("Decision of the State Council on the People's Bank of China To Specialize in Performing the Functions of the Central Bank" [Guofa [0948 4099] 1983, No 146] published in Issue No 21 of this Bulletin in 1983), and after a discussion in the Board of the People's Bank, we have put forth the fundamental principle of the division of work and the basic methods of administration. We hereby report to you our views on the division of work as follows:

1. Loans for capital construction projects based on the state budget and credit plans are to be handled by the construction bank. All the other specialized banks can continue to fulfill their commitments for providing capital construction loans that they undertook in the past until the projects are finished, but they are not allowed to provide any new capital construction loans.
2. All loans for technological transformation projects, whether budgeted or not budgeted and whether for industrial, communications, commercial or grain enterprises, are to be handled by industrial and commercial banks; all loans for agricultural enterprises, farm machinery companies, seed companies and supply and marketing cooperatives are to be handled by agricultural banks; all loans for foreign trade enterprises should be handled by the Bank of China; and all the loans for construction enterprises are to be provided by construction banks. All the banks are allowed to continue to fulfill their commitments for providing technological transformation loans for projects in progress, which they undertook in the past. However, they are not allowed to deal in any new loans for technological transformation projects beyond the above-mentioned scope of division of work.

Large-scale technological transformation projects that have been arranged to be carried out in combination with capital construction investment should be separately listed one by one. The loans for these projects should be dealt

with by construction banks. The details of the lists should be decided by the state economic and planning commissions through discussion.

3. In principle, the division of work concerning provision of loans for industrial and commercial, agricultural and industrial, agricultural and commercial, and other economic combines should correspond to the division of work concerning the departments that are responsible for the combines. In other words, if the responsible department of a combine deposits its money and borrows from a certain specialized bank, the technological transformation loans for the combine will also be dealt with by that specialized bank.

4. The fixed asset loans that an area or department entrusts a bank to deal with should be handled by the construction bank if the loans are to be used for a capital construction project. If it is used for a technological transformation project, it should be dealt with in accordance with the principle on the division of work that is set forth in Clause 2.

5. Except where there are other regulations of the state, foreign exchange fixed asset loans are to be dealt with by the Bank of China. The RMB loans needed in a project that requires foreign exchange fixed asset loans should be provided by the Bank of China if the allotment does not exceed the rate of one U.S. dollar to one RMB. Otherwise, the RMB loans will be provided jointly by the Bank of China and other specialized banks concerned.

6. Fixed asset loans for enterprises of joint Chinese and foreign investment should be provided by the Bank of China unless there are other regulations of the state on this matter.

7. The loans that were provided by the state financial allocation of funds and that have been handled by the construction bank, such as loans of small-scale technological renovations, specific loans for exports of industrial goods, local building materials loans and special loans for the projects of the Investment Bank of China utilizing foreign funds, should continue to be handled by the construction bank for the time being.

8. The capital construction funds of all units should be deposited in the construction bank and be supervised and managed by it. The renewal and transformation funds of all units should be deposited in the various specialized banks in accordance with the principles on the division of work listed in the above clauses and will be supervised and managed by the specialized banks that have taken in the deposits.

9. If there are no specialized banks to handle the fixed asset loans and deposits, we can entrust other specialized banks to handle the matter and we should not set up unnecessary additional organizations of the specialized bank in order to handle the loans and deposits.

10. The specialized banks at all levels should periodically report to the People's Bank on the employment of the technological transformation funds and technological transformation loans and the People's Bank should promptly sum up the reports and brief the State Economic Commission on this matter.

If the above-mentioned views are feasible, please approve them and circulate them to all the specialized banks and all the provincial, regional and municipal people's governments for implementation.

CSO: 4005/442

CIRCULAR ON CONTRACT SYSTEM FOR R&D UNITS

Beijing STATE COUNCIL BULLETIN in Chinese No 15, 20 Jul 84 p 521

[Circular of the State Science and Technology Commission and the State Commission for Restructuring the Economic System on the Implementation of "Views on Setting Up Experimental Points in R&D Units To Put Operational Expenditure Under a Contract System" (10 April 1984)]

(Guokefaguanzi [0948 4430 4099 4619 1316] 1984, No 262)

[Text] The "Views on Setting Up Experimental Points in R&D Units To Put Operational Expenditure Under a Contract System" have already been approved by the State Council. It is now circulated to you and you are requested to conscientiously organize implementation in connection with the actual situation.

Putting operational expenditure under a contract system in R&D units is a significant reform. The promotion of such a reform will definitely push forward the reform of the entire S&T structure. It is wished that all localities and departments profoundly understand Comrade Ziyang's spirit in approving this document, exercise meticulous guidance in connection with their own specific situation and in accordance with the demands of the document, be bold in initiating reforms, do good practical work in setting up experimental points and incessantly obtain new experiences in actual practice.

Upon receipt of this circular, you are requested to progress with your work, first, selecting the experimental point units and then notifying us of such units and the experimental proposals. You are welcomed in the future to report to us of the progress of work, the experiences and the problems encountered in the course of setting up experimental points.

CSO: 4005/442

## VIEWS ON CONTRACT SYSTEM TRIAL FOR R&D UNITS

Beijing STATE COUNCIL BULLETIN in Chinese No 15, 20 Jul 84 pp 521-524

[Views on Setting Up Experimental Points in R&D Units To Put Operational Expenditure Under a Contract System (10 April 1984)]

### [Text] I. Objectives and Extent of Setting Up Experimental Points

1. In order to implement the principle that S&T should be geared to economic construction, it is necessary to reform in a planned way the existing scientific research management systems which are unsuitable for economic development. In accordance with Premier Zhao Ziyang's significant instructions given on 19 July 1983 that "the direction of putting operational expenditure of scientific research units under a contract system can be affirmed, but the implementation should be carried out gradually by setting up experimental points," we have proposed "Views on Setting Up Experimental Points in R&D Units To Put Operational Expenditure Under a Contract System" after carrying out investigations and research. The objective is to directly hook up the scientific research tasks with operational expenditure, specify the technical and economic responsibilities of the scientific research units, overcome the flaws of "eating from one big pot," improve the dynamism and vitality of research units, improve the quality of scientific research units, speed up integration between scientific research and production, make more achievements, cultivate more talented personnel and make more contributions to the building of the four modernizations.

2. In order to actively and steadily implement this reform, it is proposed that a few R&D units which have the right conditions be selected and to experiment. The conditions for the experimental points are: the leadership group meets the demands of the four modernizations, is enthusiastic and bold in carrying out reforms; the direction for scientific research and tasks are specific; the unit possess sufficient scientific research conditions and a relatively good management basis.

### II. A Few Principles Which Must Be Maintained

1. It is necessary to proceed from making more achievements, cultivating more talented personnel and creating more social and economic results. It is necessary to accord priority to completing key scientific research tasks of the state or departments at higher levels. Under this premise, it is necessary

to fully tap potentials and actively undertake scientific research tasks entrusted by various quarters of the society.

2. While upholding scientific research as the major direction, the income of the experimental point units should gradually rely mainly on technical income. Simultaneously, it is necessary to pay attention to more long-term research and prepare technical reserves.

3. Exercise good management over scientific research work in accordance with laws governing scientific research and methods of economic management.

4. Strengthen ideological and political work and building of spiritual civilization, uphold the principle of remuneration according to labor, implement integration of responsibilities, rights and interests and handle well the relationship between the state, the collective and individuals.

### III. Operational Details at Experimental Points

1. The superior (provincial, municipal, autonomous regional or departmental S&T management departments of the experimental point units will set up an S&T development fund and be responsible for centralized utilization. The fund will comprise a scientific research affairs fund, three kinds of expenditure for S&T, S&T funds sponsored by the departments and localities and other kinds of funds obtained from various channels. The capital construction fund for S&T and purchase fund for large-scale instruments and equipment will remain with the original channels unchanged.

2. Putting operational expenditure under a contract system. The experimental point units must sign contracts for undertaking key scientific research tasks put forth by the state or the superior departments and other research tasks entrusted by the relevant departments. When contracts are signed with the state or the superior departments, the operational expenditure will be allocated by the S&T development fund, whereas operational expenditure of other entrusted scientific research tasks will be paid by the entrusting units.

3. The contracts must be signed on the basis of voluntary participation and mutual benefit and the signing is to be witnessed by a notary unit. Full technical and economic proofs must be shown prior to the signing of the contracts. The contents of the contracts are roughly as follows: research content, technological and economic standards, time limit for submitting results and categorization of results, distribution of operational expenditure for research and benefits, duties and responsibilities undertaken by both parties and so on.

4. The calculation of operational expenditure of the contracts roughly includes: salaries of personnel, cost of raw materials, utilization expenses of equipment, cost of water and electricity supply and communications, management expenses and economic benefits at a fixed proportion, and so on. The salaries of personnel employed for tackling key problems in key state projects are to be paid from the S&T development fund.



5. Both parties to the contract must strictly perform the economic and technological responsibilities stated in the contract. If economic loss is incurred to one party due to the failure of the other party to implement the contract, the latter shall be liable for compensation in light of the actual situation. If the tasks are completed in advance of schedule stated in the contract or if the technological and economic standards achieved are higher than those stated in the contract, the entrusting party can appropriately give encouragement in the operational expenditure subsequent to mutual consultation.

6. The superior departments in charge of both parties to the contract must strengthen management and shoulder supervisory and coordinating responsibilities for the execution of the contract. When a dispute arises, it should be settled by means of negotiations and if necessary, arbitration can be requested from a notary unit.

7. The possession right of scientific research achievements rests with the state whereas the utilization right and transfer right should be specified in the contracts. Benefits of both parties should be considered when transferring the achievements.

#### IV. Expanding the Decisionmaking Power of Experimental Point Units

1. The system of the director bearing the responsibilities is to be trial implemented in the experimental point units, the directors are to be nominated by the superiors and will work for a stipulated period. The assistant directors are to be recommended by the directors and approved by the superiors. The section leaders, team leaders and subject leaders are to be decided by the units themselves. Subject groups will adopt a system of guided free association. The experimental point units enjoy the right to choose the most suitable personnel and recruit necessary personnel or refuse to take in unsuitable personnel. The units can carry out readjustment, posting or organize studies for surplus personnel who are unsuited to the work of the scientific research center, and only basic salary is to be given during the study period; the units can reduce the salary of those who disobey assignments. The superior departments in charge must actively assist in solving the above problems.

2. Income of the experimental point units includes income from contract, technological inquiries and service, transfer of technological achievements, sale of scientific research products and other activities. The experimental point units enjoy the right to exercise self-management and rational utilization in accordance with state regulations.

3. The net income of the experimental point units are to be withheld by the units themselves for the establishment of three funds: S&T, collective welfare and award funds. Among these three funds, the S&T fund should account for over one-half of the total funds (the specifics for use of the funds are to be formulated separately by the State Science Commission, Ministry of Finance and relevant departments). The experimental point units should abolish egalitarian general awards and uphold the principle of remuneration

according to labor, directly linking awards with the performance of tasks. The form of award is to be determined by various experimental point units themselves. The total amount of award can be appropriately higher than the average amount in other research units and the details are to be decided by the localities and departments.

4. Apart from transferring capital in accordance with state regulations, the experimental point units enjoy the right to raise the salary of outstanding workers and the extent of increase should be around 1 percent.

5. The superior departments in charge should give commendations and awards to leaders of outstanding experimental point units.

6. The salary and welfare of retired personnel and personnel who have retreated to the secondary front of the experimental point units should be dealt with in accordance with state regulations.

#### V. Implementing the Policy of Giving Preferential Treatment in Experimental Point Units

1. For new scientific research products approved by the S&T departments in charge and scientific research products undergoing intermediate trial, experimental point units may enjoy tax reduction or exemption in accordance with state taxation regulations.

2. Experimental point units can obtain loans from banks as floating capital for S&T at low interest rates in accordance with their recovering capacity.

3. When experimental point units need additional equipment and imported spare parts and raw materials, the superior departments in charge should give assistance in foreign exchange and other departments concerned should also render assistance.

4. For the purposes of encouraging the production units to adopt new technology and develop new products and of speeding up the channel of shifting scientific research achievements to production, it is proposed that the state formulate necessary preferential policies for production units, such as exempting and reducing taxation and so on.

#### VI. Procedure of Work of Experimental Point Units

1. Various departments, provinces, municipalities and autonomous regions can integrate the actual situation with this proposal and cautiously select a small number of representative research units to carry out experimental points in accordance with the conditions of experimental points. In carrying out experimental points, it is necessary to integrate the specific situation of the research centers and characteristics in order to formulate specific methods of implementation, and progress gradually in a planned way or move in the direction of gradually reducing the affairs fund. The experimental point proposal must be submitted promptly to the State Science Commission and the State Commission for Restructuring the Economic System. A few medium and

small cities can be selected within the whole country to carry out experimental point work.

2. Strengthen organization and leadership of work of experimental points, promptly settle problems arising in the course of setting up experimental points and sum up and exchange experiences.

3. Experimental point work commenced in 1984 and should be completed within 2 to 3 years' time, when results will be examined and a summation of the basic practice and experiences of putting operational expenditure under a contract system in R&D units will be done.

CSO: 4005/442

## MINISTRY RULES ON HANDLING FINANCIAL AUDIT PROBLEMS

Beijing STATE COUNCIL BULLETIN in Chinese No 15, 20 Jul 84 pp 524-528

[Finance Ministry Stipulations on the Handling of Financial Problems  
Encountered in the Course of Financial Inspections (27 May 1984)]

(Caigongzi [6299 1562 1316] 1984, No 194)

[Text] For the purposes of party rectification, strictly enforcing the laws and discipline and protecting the revenues of the state and in accordance with the current policies and statutes of the state, the following stipulations are made on the handling of certain financial problems encountered in the course of financial inspections:

I. The following revenues of the state, held illegally in violation of the state's regulations, shall be rectified and repaid to the Finance Ministry:

1. All state revenues which should have been delivered to the state but have been misappropriated and diverted to one's own uses shall be repaid to the Finance Ministry in accordance with the regulations. These include profits from self-marketing, trial-marketing and exhibition-marketing of products; profits apportioned from joint operations with outside units in accordance with the provisions of the agreements; profits obtained from above-plan production and operation activities carried out with the method of regulation by market mechanism; profits from the exporting and importing of products; profits from marketing of products at negotiated prices; profits from trial production in newly established factories, mines and workshops which should have been delivered upward according to regulations; profits from state-run trading companies (warehouses); profits of trust companies of the localities; receipts from the sale of waste products and waste materials; various kinds of labor receipts, fees, confiscated overdue deposits for packaged goods, and other receipts and revenues.

2. Production cost of products computed not in accordance with the actual prices of the raw materials, apportioning of expenses and expenditures not in accordance with stipulations of the financial system, false reports on production cost and expenses, or random entries of business expenses not in accordance with stipulations of the system, shall all be rectified according to the real figures and the profits shall be delivered to the Finance Ministry.

3. Raising without authorization the ratios set aside for special funds, such as basic depreciation funds, renovation and transformation funds, overhaul funds, staff welfare funds, and so forth, shall be rectified and the excess portions of the special funds set aside shall be repaid to the Finance Ministry according to regulations.

4. In the event of technical projects financed by loans failing to be completed for production, or, though completed, failing to produce the anticipated results and the loans having been repaid from the original profits of the enterprise, repayment of the loans shall be shifted to be from the enterprise's special funds instead of from the original profits and the profits shall be repaid according to regulations.

5. If expenditures which should have been paid out from the special funds of the enterprise have been paid as part of production costs and commodity circulation expenses, they shall revert to being paid from the various special funds of the enterprise and the overdue profits shall be paid according to regulations. In the event that the various special funds of the current year are not sufficient for these purposes, it shall be permissible to pay these expenditures from the special funds of the ensuing year.

6. Differences procured from the sale of the retained portion of the foreign exchange earnings of an enterprise at prices higher than the fixed settlement prices for foreign exchange in trade, or profits derived from sale of imported commodities purchased with the retained foreign exchange earnings of the enterprise, after deduction of losses incurred from the exported commodities, shall be delivered to the Finance Ministry according to regulations.

7. Illegal profits derived from an enterprise raising without authorization the prices of commodities shall be delivered to the Finance Ministry in accordance with the stipulations under Circular Guofa 1983, No 104 jointly issued by the State Council and the Central Disciplinary Commission (published in Issue No 16, 1983 of this BULLETIN) and Circular Caiyuzi [6299 7315 1316] 1984, No 20 of the Finance Ministry, State Commodity Prices Bureau and the People's Bank of China.

8. Administrative and business units making false reports on and fraudulently claiming expenses, compiling false final accounts or entering administrative and business expenses which do not belong there into accounts shall make due rectifications and repay the funds to the Finance Ministry.

9. Factories subordinate to business units, supply and marketing units, building and construction units and all units engaging in business activities with the outside shall, according to law, pay the industrial and commercial tax and the industrial and commercial income tax. If the profits are after tax payment, with the exception of the portion for retention according to the fixed ratio, the remaining portion should be spent on administrative and business expenditures or delivered to the Finance Ministry. Those failing to pay the taxes according to law shall repay the exact amount of the tax.

II. Enterprises (including nonbudgeted enterprise units) and undertakings engaging in business activities found to have evaded tax payments shall make up and deliver the amount of tax evaded. In addition, the tax collection organ, weighing the different conditions and following the stipulations of the taxation laws, shall impose on them overdue charges and fines. Overdue charges and fines shall be paid out of the retained profits and other self-owned funds of the enterprise and shall not be charged to the production cost of products or to expenditures.

III. In the case of enterprises failing to observe the ratios approved by the state but, without authorization, retaining profits in excess of the ratios or offsetting the losses in excess of the exact amount of losses incurred, the excess portions shall be refunded in whole to the Finance Ministry. In the case of enterprises sanctioned by the state to enforce the financial management system of contracted responsibilities for profit and loss which are found to have committed tax evasion or nonpayment of taxes, or made false reports on profits or losses, thus adversely affecting the financial revenues of the state, the exact amounts retained shall be rectified and, according to the regulations, refunded to the Finance Ministry. In the event of committing falsehoods and willfully depressing the basic figure for the contracted responsibilities so that the basic figure for contracted responsibilities tends to become low, the basic figure for contracted responsibilities for profits and losses shall be reasonably readjusted.

Enterprises which have not been formally sanctioned by the state to enforce the system of contracted responsibilities for profits and losses shall be subjected to the financial management system regulated by the state and any portion of the profits excessively retained or divided shall be refunded to the Finance Ministry.

IV. All bonuses, subsidies and payments in kind illicitly granted in violation of the regulations of the state shall be handled in accordance with the following measures:

1. Past violations of the system of awards of the state by deftly making up special names for the indiscriminate granting of bonuses, such as sales bonus, purchase bonus, excess profit bonus and other bonuses, subsidies and percentile division of profit earnings under various pretexts shall all be rectified according to the different circumstances and a portion, or a great portion, of the disbursements shall be revoked or recovered according to the circumstances.

2. In the case of the violation of the regulations of the state, such as without compensation granting or distributing, or selling at low prices, to staff members and workers, washing machines, recorders, television sets, radios, music boxes, electric fans, gas cylinders, electric rice cookers, woolen blankets, woolen (blended wool) garments, down-padded garments, furniture and other kinds of articles of relatively high value, the cost, or the price differences, of the articles shall be reclaimed in one lump sum or by installments. In the event the staff members and workers are willing to return the original articles, the units making the grants shall give them to

trust companies for sale, with losses resulting from the price differences to be made good from the bonus or welfare funds of the enterprises concerned or their other funds.

3. Enterprises, business and administrative units which have illicitly given, or sold at low prices, to staff members and workers products of their own plants, and/or other resources, or have given to outside units or individuals products for the purposes of using, viewing or listening on trial, shall make a thorough check and claim back the articles or resources regardless of whether or not the accounts have been cleared. In the event of difficulties in claiming them back all at once, they shall be claimed back by installments within a year.

4. In the event that bonuses which should have been paid out from the retained portion of the profits of an enterprise or from nonbudgeted funds have been entered into the production cost or administrative expenses, due rectification shall be made and the bonus payments made shall be charged to the retained portion of the profits of the enterprise or its nonbudgeted funds. Of the funds recovered from the bonuses, subsidies and goods in kind wantonly granted or given, those that had been charged to production cost or to administrative or business expenses shall be delivered to the Finance Ministry; those paid out from the self-owned funds of the enterprise, business or administrative unit shall belong to the unit concerned.

5. From now on, in granting bonus payments, enterprises shall rigidly follow the stipulations under the State Council Circular Guofa 1984, No 55 (published in Issue No 8, 1984 of this BULLETIN).

V. In the event that enterprises, or business or administrative units have, in violation of the regulations of the state, illicitly raised the standards of various expenditures and extended the scope of the expenditures, the relatively more serious cases shall be reported to the department in charge for decision and action. In any case, beginning from 1984, the unified regulations of the state shall be rigidly enforced. If rectification is not made, the financial departments shall not pass or clear any excess portion paid and shall investigate and determine the responsibility of the leadership and financial and accounting personnel of the unit concerned.

VI. In the event of enterprises, or business or administrative units having given receptions, made gifts, invited guests on junkets, and generally lavished funds of the state, the responsibility of those sanctioning such doings as well as the responsible persons shall be investigated. Participants in parties shall pay the respective shares of the expenses; all gifts shall be claimed back. If, because of special conditions, it is difficult to claim back or collect the funds so expended, the principle of "whoever suggests the idea pays" shall apply and the leadership sanctioning the parties and gifts shall be held responsible. Outlays for inviting guests on junkets and generally to travel at the expense of the public shall be categorically rejected from the accounts.

VII. All illicit conversions of enterprises under the system of ownership by the whole people into collectively owned enterprises, or of enterprises embodied in the budget into nonbudgeted enterprises, or a portion of the workshop and sale department of an enterprise into collectively owned, aside of those having been specially sanctioned by the people's governments of provinces, autonomous regions and directly subordinate municipalities, shall be investigated and rectified, and all the revenues that should have been delivered to the Finance Ministry shall be claimed back. All practices by units under the system of ownership by the whole people with the purpose of transferring and diverting the revenues of the state, such as lowering the prices of raw materials, raising the standard for processing fees, reducing the apportioning of expenses for wages, and so on, meant to accommodate subordinate units under the system of collective ownership, shall be investigated and rectified.

VIII. All fines collected according to law by public security and judiciary organs, industrial and commercial administrative organs, the Customs, tax collecting organs and units taking charge of commodity inspection, and environmental protection units shall be delivered to financial organs according to the regulations, and shall not be retained, in whatever form or under whatever pretext, for use by the enterprise concerned. Funds which have been retained and diverted to other uses shall be claimed back.

IX. Earnestly checking up borrowings by staff members and the petty cash chest. All enterprises, business and administrative units shall make a thorough checkup of monies owed by staff members and workers. The debtors shall make out a plan for repaying the loans either in one lump sum or by installments which shall be rigidly enforced. Generally, the period for repayment by installments shall not exceed a year. Illicitly exempting staff members and workers from repaying loans and chits shall be investigated and rectified and the responsibility of the approving unit and relevant personnel shall be investigated. Staff members and workers found to have misappropriated public funds for gambling and speculative purposes, or to have resorted to other means to seek private gain, shall be subjected to administrative censure and economic sanctions according to their different circumstances. Criminal cases shall be prosecuted by law.

Various units shall thoroughly check up and consolidate their petty public chests. Funds found to have been state revenues shall be delivered to the Finance Ministry following the checking up and consolidation. Funds belonging to the enterprise or business units themselves shall be entered in the books by the finance and accounts section and be used according to the relevant regulations. Sundry and petty receipts permissible for use by the units themselves, such as sale of waste newspapers, shall be left in the custody of the finance and accounts section of the enterprise and used according to regulations. In the event that monies in petty cash drawers and petty public chests have been misappropriated and spent by private persons, a thorough checkup shall be made and the monies reclaimed.

X. In the event of enterprises, or business and administrative units, contrary to the state regulations which aim at control of the purchasing



power of social bodies, purchasing commodities under monopoly control, serious cases shall be dealt with by confiscating most or all of the commodities purchased and the People's Government shall separately allocate them for use.

XI. In the event of an enterprise violating the financial and economic discipline codes but subsequently disclosing by itself the additional or excess profits gained, it shall still be allowed to retain or divide a percentage of the profits after paying the taxes. But if the additional or excess profits have been concealed by the enterprise and are subsequently discovered by an organ at a higher level, all such profits shall be delivered to the Finance Ministry. In serious cases, the administrative responsibility, including legal responsibility, of the leadership and relevant personnel of the enterprise shall be investigated.

XIII. Enterprises, or business and administrative units shall deliver the various kinds of receipts and revenues, in accordance with the subordinate relationships, separately to the financial organs at various levels. If the receipts and revenues cannot be delivered all at once, a plan for delivery shall be prepared and submitted to the financial departments for approval. If approved, delivery by installments may be made. If the enterprises, or business and administrative units differ in opinion concerning the problem investigated and disclosed, the views of the financial departments shall be carried out first while simultaneously a request shall be made to the upper level financial organ for consultation with the relevant department for arbitration.

XIII. All acts in violation of the financial and economic disciplinary codes discovered in 1983 shall be dealt with according to State Council Circular Guofa (1982) No 72 (published in Issue No 10, 1982 of this BULLETIN) and with reference to these detailed rules. Continued violations of the financial and economic disciplinary codes in 1984 shall be sternly dealt with in accordance with these detailed rules and definite fines shall be imposed on the offenders by the financial organs according to law.

XIV. Regarding the problem of dealing with the relevant persons in the financial inspections, cases in which the facts have been disclosed shall be grasped and dealt with in a timely manner. If it is difficult to find out the facts for some time, the cases may be left behind for a while. At any rate, cases of attacking and taking revenge on financial and accounting personnel and on persons for making the disclosures shall be investigated in time and be sternly dealt with. As for cases involving violation of economic regulations and statutes, such as corruption and theft, speculation and gambling, bribing and accepting bribes, the enterprises concerned and their higher level organs shall organize special teams to investigate and to unearth the facts, to be referred to the judiciary organs to deal with according to law. Serious and important cases shall be reported on time to the party and government leaderships.

XV. In view of the extremely complex conditions of violations of the financial and economic disciplinary codes, and regarding problems not touched upon in these detailed rules, the various localities and departments may, on the

basis of State Council Circular Guofa (1982) No 92 and these stipulations, determine supplementary measures to deal with them. As for cases which the various localities and departments have already dealt with in accordance with the regulations prior to the receipt of these stipulations, they do not need to be handled again.

CSO: 4005/442

## BANK OF CHINA REGULATIONS ON FOREIGN CURRENCY DEPOSITS

Beijing STATE COUNCIL BULLETIN in Chinese No 15, 20 Jul 84 pp 528-530

[Bank of China Regulations on Foreign Currency Deposits (26 May 1984)]

[Text] Clause 1. Transactions related to such deposits are to be handled by the domestic branches and offices of the Bank of China.

Clause 2. Any residents inside the borders of China, including returned overseas Chinese and relatives of overseas Chinese and Hong Kong, Macao and Taiwan compatriots can open a foreign currency account in his own name or jointly in his own name and the name of his relative who lives abroad.

Clause 3. There are two kinds of foreign currency accounts, namely, foreign exchange account and foreign banknotes account for the following kinds of foreign currencies:

1) The freely exchangeable foreign exchange sent or brought into China from abroad or Hong Kong or Macao and the freely exchangeable foreign exchange in the hands of Chinese residents can be deposited into foreign exchange accounts. In case of foreign exchange bills not immediately payable, the depositor should entrust the bank to collect the foreign exchange for him and deposit it into the account after it is collected.

2) The freely exchangeable cash in foreign currency brought in from abroad or from Hong Kong or Macao or held in the hands of Chinese residents can be deposited in foreign banknotes accounts.

Clause 4. Duration of deposits and variety of currency.

1) The deposits are all fixed deposits and the term of the deposits can be 6 months, 1 year or 2 years.

2) Five kinds of currencies are allowed for the deposits, namely, the U.S. dollar, the British pound, the Deutschemark, Japanese yen, and Hong Kong dollar. Other foreign currencies should be changed into the above-mentioned currencies at the exchange rate on the day of deposit and then be paid into the deposit account.

3) The minimum amount of foreign currency for opening an account is 150 yuan calculated in terms of RMB.

Clause 5. When opening an account, the depositor has to fill in an application form for opening an account and leave a sample of his seal in the bank (leaving a sample of seal is not compulsory) and then the bank concerned will give the depositor a deposit receipt addressed to the depositor. If there is no branch of the Bank of China in the area where the depositor lives, the depositor can write to any organization of the Bank of China in the vicinity to apply for opening an account and the bank organization will handle the deposit in the way prescribed by the depositor.

Clause 6. The calculation of interest on the deposit.

1) The interest of the deposit is to be calculated at the interest rate on personal fixed foreign currency deposits published by the head office of the Bank of China.

2) Even if the interest rate is readjusted before the fixed deposit is due, the interest will continue to be calculated at the rate on the day of the deposit. After the deposit term is extended, the interest rate will be that on the day of renewal.

3) In case of any special need, the depositor is entitled to withdraw a portion or all of the sum of the deposit (for once only) before the deposit is due. The interest rate on the portion of deposit that is withdrawn should be the corresponding rate of the actual term that the portion of the deposit has been deposited in the bank. When this actual term is shorter than 6 months, the interest rate for savings accounts should apply to the withdrawn portion. The original interest rate will continue to apply to the portion of the deposit that has not been withdrawn early.

Clause 7. The term of the deposit can be extended when it expires. If the depositor fails to extend the term after the deposit is due, the bank concerned will extend the deposit automatically by another term of the same length as the original term.

Clause 8. Withdrawal of the deposit.

1) When the deposit is due, the principal and interest of the deposit will be paid back by the bank in RMB after the deposit receipt is given back to the bank and the seal is appropriately used or after other agreed procedures have been taken. The deposit and interest will enjoy the preferential treatment for overseas Chinese foreign exchange.

2) If the depositor wants to use the foreign exchange withdrawn for purchases of goods at the friendship shops in China, the bank will give him immediate foreign exchange promissory notes in RMB face value.

3) When the depositor or his directly related relatives gets permission to leave China to settle down, visit relatives or receive medical treatment

abroad, after checking the relevant exit document, all or a portion of the principal and interest of the deposit will be allowed to be sent out of China. If the person who is leaving China wants foreign banknotes, the bank will supply him where appropriate.

4) When the depositor or his directly related relatives wants to buy medicine, S&T books and instruments and other necessities outside China or wants to pay the registration fee, tuition fee and living expenses for his child who is studying abroad, he can send foreign currency abroad from his deposit after showing the relevant documents of proof.

5) The person outside China who has a joint deposit with a relative in China can have the deposit sent abroad when he needs it.

In principle, the currency to be sent out or brought out should be of the same kind as the deposit. If other kinds of currency are needed, it can be exchanged into other currencies at the exchange rate on the day of withdrawal.

Clause 9. If the depositor loses his deposit receipt or seal, he should immediately report the loss to the bank of deposit, bringing with him his identity document or other agreed document. After verification, the bank of deposit will issue him another deposit receipt or allow him to change the sample of seal in the record. If the deposit is withdrawn before the loss is reported, the bank will not be held responsible.

Clause 10. The bank of deposit is responsible to keep the deposit confidential for the depositor.

Clause 11. These regulations are to be implemented after it is promulgated by the head office of the Bank of China and the same applies in the case of amendments.

CSO: 4005/442

## IMPORT PERMIT SYSTEM RULES DETAILED

Beijing STATE COUNCIL BULLETIN in Chinese No 15, 20 Jul 84 pp 530-537

[Detailed Rules of the Provisional Regulations of the Import Permit System of the People's Republic of China (Promulgated on 15 May 1984 by the Ministry of Foreign Economic Relations and Trade and the General Administration of Customs)]

[Text] Article 1. These detailed rules are formulated in accordance with the "Provisional Regulations of the Import Permit System of the People's Republic of China" (briefly termed below as the "Provisional Regulations") (published in Issue No 2, 1984 of this BULLETIN).

Article 2. All goods needed for import by the various localities and departments in the country shall, in accordance with the authority of examination and approval stipulated by the state, be subject to examination and approval by the relevant departments in charge and corresponding examination departments. Prior application shall be made for and an import permit procured for goods requiring an import permit as stipulated in the "provisional regulations" and these detailed rules, except those separately stipulated by the State Council and the Ministry of Foreign Economic Relations and Trade, following which the corporation handling import business, may, with the state's approval, place the order for goods from abroad. The Customs Administration shall, based on the import permit and other relevant verifying documents, examine the goods for clearance.

Article 3. The Ministry of Foreign Economic Relations and Trade represents the state in issuing, in a unified manner, import permits. It delegates its authority to the provincial-level foreign economic relations and trade control departments (i.e. the foreign economic relations and trade departments, committees, or foreign trade bureaus, of the various provinces, autonomous regions and directly subordinate municipalities; same below) to issue some import permits to the various departments under the localities. Offices of the special representatives of the Ministry of Foreign Economic Relations and Trade stationed at the major ports (briefly termed below as offices of special representatives) issue some import permits for relevant departments in their related localities. The import permit issuing authority of the provincial-level foreign economic relations and trade control departments and offices of special representatives shall be in accord with the relevant directions of the Ministry of Foreign Economic Relations and Trade.

In issuing import permits, provincial-level foreign economic relations and trade control departments and offices of special representatives are subject to the direct leadership and supervision of the Ministry of Foreign Economic Relations and Trade. They shall periodically submit reports to the ministry. Urgent problems shall be reported at once.

Article 4. In their import trade, various categories of companies approved to engage in import trade according to the stipulations of the State Council shall all rigidly remain within the approved scope of operation and the list of import commodities to be handled.

Of the above-mentioned companies, the foreign trade specialized import and export corporation and its subordinate branch companies at provincial level, the import and export principal companies subordinate to the various ministries of the State Council and their directly subordinate branch companies at provincial level, and foreign trade import companies subordinate to the various provinces, autonomous regions and directly subordinate municipalities (the list of these three categories of companies shall be announced separately by the Ministry of Foreign Economic Relations and Trade) shall be exempted from procuring import permits, except for those commodities restricted from import by the state. Customs shall examine and clear the goods on the basis of the relevant verifying documents. Outside of the abovementioned three categories of companies, all other categories of companies engaged in import trade shall have to apply for and procure import permits for all goods to be imported. Customs shall, based on the import permits and the relevant verifying documents, examine the goods for clearance.

No department or enterprise without approval to engage in import trade from a government organ delegated by the State Council with the authority to grant such approval shall be allowed to import goods on its own. Relevant departments wishing to buy by themselves small quantities of urgently needed goods shall follow the stipulations under Articles 7 and 8 of these detailed rules.

Article 5. The import procedure of goods to be imported under agreements signed with foreign and Hong Kong and Macao factories and merchants and approved by the relevant departments, commissions or people's governments of provinces, autonomous regions and directly subordinate municipalities (including their delegated organs) within the sphere of authority for examination and approval stipulated by the State Council for importing materials for processing or parts for assembling, or for compensation trade, or for contracted engineering projects, shall be governed by the following stipulations:

1. Goods imported under agreements approved by the authorities for importing goods for processing or parts for assembling, and which belong to the approved sphere of business operations and whose processed or finished products will be returned for marketing outside of the territory, shall be exempted from the import permit requirement. Customs, based on the documents of approval, the contracts signed with the outside, and the import documents, shall examine them for clearance. If for special reasons, and subject to approval by the relevant departments in charge at the provincial level, the imported materials, parts or processed articles are shifted to internal marketing, they shall be

treated as imports in general. Of them, those that come under the category of goods restricted from import by the state shall, following approval by the appropriate examination departments, apply for and procure the import permit. In the case of commodities that are not restricted from import, Customs may be directly approached to carry out the necessary import procedure on the basis of the approved documents.

2. Of the imported goods in approved compensation trade and under contracted projects with the outside, those under the category of nonrestricted import commodities shall be exempt from import permit requirements and Customs shall, based on the documents of approval, contracts with the outside and import documents, examine them for clearance; for commodities restricted by the state from import, prior approval of the appropriate department concerned shall have to be obtained, following which the import permit shall be applied for and procured.

Article 6. An import permit shall first of all be applied for and procured for commodities restricted from import by the state, irrespective of the form of grade (with the exception of import goods under agreements of imported materials for processing and imported parts for assembling from the outside) and irrespective of the source of foreign exchange and the channels of import. Only then is it possible for the state to approve the company carrying on the import business to place an order for goods from abroad. Of the commodities restricted from import by the state, those already listed with the special names of commodities, their quantities and departments using the goods under the yearly import plan approved and announced by the State Planning Commission shall be applied for and the import permit procured on the basis of the plan approved by the State Planning Commission; as for those not listed in the state's annual import plan and those for which the names of commodities, quantities and the departments using the goods are not listed in the state's annual import plan shall, in accordance with the authority of examination and approval stipulated by the state, be reported to the appropriate department and the corresponding examination department for approval following which the import permit may be applied for on the basis of the document of approval and other relevant verifying documents.

Categories of commodities restricted from import by the state shall be subjected to (unified) announcement and amendment by the Ministry of Foreign Economic Relations and Trade (list of categories of commodities currently restricted from import shown below).

Article 7. The following imported articles (with the exception of those commodities restricted from import by the state) are exempt from import permit procurement:

1. Samples of goods and advertisement articles purchased or presented by foreign merchants in the course of trade with various categories of companies approved for doing import business in accordance with the authority for approval stipulated by the state.



2. S&T, educational, cultural, recreational, pharmaceutical and public health articles of a gross value not exceeding \$5,000 per consignment which are urgently needed by the S&T, educational, cultural, sports, pharmaceutical and public health departments and which shall be purchased by themselves or through organs stationed abroad and subject to approval by the Ministry of Foreign Economic Relations and Trade, the foreign economic relations and trade control departments at provincial level or offices of special representatives.

3. Subject to the approval of the Ministry of Foreign Economic Relations and Trade, foreign economic relations and trade control departments at the provincial level or offices of special representatives, machines, instruments, electrical equipment and parts thereof and articles which are urgently needed by factories, mines and enterprises for their own production or use for scientific research which they themselves purchase or which are purchased through organs stationed abroad and whose gross value does not exceed \$5,000 per consignment.

4. Goods specially exempted by the State Council or the Ministry of Foreign Economic Relations and Trade from import permit procurement.

Customs, based on the documents of approval, shall examine the above-mentioned goods under Items 2, 3 and 4 for clearance. As for Items 2 and 3, if the gross value of the self-imported goods exceeds \$5,000 per consignment, an import permit shall be required and, on the basis of the import permit, Customs shall examine them for clearance.

Article 8. If, because of special conditions, organs, associations and nonproduction enterprises purchase by themselves small quantities of urgently needed articles from abroad, they shall still apply for and procure import permits. The customs shall examine them for clearance on the basis of the import permit.

Article 9. In the case of Sino-foreign jointly financed enterprises which have been approved by the Ministry of Foreign Economic Relations and Trade or by the appropriate provincial-level departments and duly recorded in the files of the Ministry of Foreign Economic Relations and Trade, the scope and procedure of applying for and procuring the import permit for importing goods for their production needs shall follow the provisions under Article 63 of the "Regulations on Enforcement of the Laws Governing PRC-Foreign Jointly Financed Enterprises" (published in Issue No 21, 1983 of this BULLETIN). This is to say: (1) Of the equipment and material resources for import contributed by the foreign partners in their investments, those commodities whose import is subject to the state's restrictions shall require an import permit which may be directly applied for and procured on the basis of the approved agreement. All other equipment and material resources shall be exempt from the import permit requirement and Customs, based on the approved agreement and import vouchers and certificates, shall examine them for clearance. (2) In the case of Sino-foreign joint enterprises which, within the scope of operations stipulated in the duly approved joint-operation agreement, import by themselves machines and equipment, spare parts, raw

materials and fuels for their own use in production, those commodities subject to the state's import restrictions shall require an import permit (those commodities already incorporated in the annual plan of the enterprise may be covered by a permit extending over half a year; those not so incorporated shall first be examined and approved by the department concerned and then apply for and procure an import permit); commodities not subject to import restrictions are exempt from the import permit requirement. (3) Self-import of articles by Sino-foreign joint enterprises outside the business scope of the enterprises, shall require an import permit.

This article shall also apply to import of goods needed within the scope of the joint agreement by Sino-foreign jointly operated enterprises which have been sanctioned by the state.

Article 10. Under the following conditions, the permit-issuing organ shall not issue import permits or shall cancel the permits already issued:

1. Goods which the Ministry of Foreign Economic Relations and Trade has decided to stop or temporarily stop importing.
2. Goods whose importation is against the foreign policies of the state.
3. Goods whose importation does not conform with the provisions of bilateral trade agreements and payment agreements.
4. Goods whose importation does not conform with the public health standards and quarantine requirements of medicines, foods, animals and plants, agricultural products, animal husbandry products and marine products prescribed by the public health departments, agricultural and animal husbandry and fisheries departments of the state.
5. Goods whose importation violates the interests and/or laws of the state (such as importation of goods which violates the foreign exchange control regulations of the state, or is contrary to the operation channels of imports, or is excessively high priced).

Article 11. Units applying for the import permit shall present to the issuing organ an application form from an organ at or above the department or bureau level and present verifying documents of approval for import issued by an organ in charge at or above the department or bureau level and by the appropriate examination organ. The contents of the application form shall include: name of commodity for import, specifications, quantity, unit price, gross amount of funds required, unit on our side concluding the transaction with the outside, country of origin of the goods, source of foreign exchange, form of trade, port of entry, name of the applicant unit, and so on. If examination by the permit-issuing organ finds that the application conforms with the requirements of the "Provisional Regulations," and with these detailed rules and other relevant regulations and that the application procedure has been fully completed, it shall issue the import permit. Only upon having procured the import permit shall the unit concerned, in accordance with the spirit of division of work in operation, entrust an import company to place the purchase order abroad.

When taking delivery of and filling out the import permit, the applicant unit shall declare truthfully, write legibly, and shall not make any erasures or changes on the form.

Article 12. The period of validity of an import permit is 1 year. During the period of validity, if the goods ordered have not been imported, the unit holding the permit may write to the issuing organ and apply for extension. The issuing organ, based on the terms of the contract, shall correspondingly extend the validity period. If the purchase order has not yet been placed abroad even after a year of issuance of the import permit, the request for extension shall not be granted. If import is still required, a separate application for a new import permit shall be made.

After procuring the import permit the applicant unit shall put it in safe custody and shall not lose it.

Article 13. Penalties for violating the "Provisional Regulations" and these detailed rules shall separately be as follows:

1. If in the process of declaring the import goods at Customs, it is found that the import permit is lacking, Customs shall, according to the circumstances, either confiscate the goods declared or reject them from import. If special approval is subsequently obtained from the issuing organ to issue a permit, Customs, after levying a fine, shall examine and clear the goods.

2. Submission of bogus import permits shall subject all imported goods to confiscation by Customs. Additionally, fines shall be imposed in serious cases and criminal responsibility shall be investigated.

3. Transfer of the possession of an import permit shall be penalized by Customs, with a fine imposed on the offender according to the circumstances.

4. Erasing and changing without permission the name and quantity of the commodity and the name of the unit concluding the transaction with the outside originally stated on the permit shall be penalized by Customs confiscating the imported goods; erasing and changing, on the import permit, the specifications and value of the goods and the validity period shall be penalized by Customs levying a fine on the offender but the goods shall be allowed to be examined and cleared. Falsely reporting the country of origin in order to cover up violation of the state's policy relating to trading countries (regions) shall be penalized by Customs confiscating the goods or rejecting their import or levying a fine before allowing the goods to be examined and cleared.

Article 14. Goods imported by the various departments of the special economic zones [SEZ's] shall be confined for use within the special zones and shall not be transshipped to the interior. Importation of goods by the SEZ's for use within the special zones shall follow the regulations specially prescribed by the state for the SEZ's.

Shipment of products of special zones from the SEZ's to the interior shall be examined and cleared by Customs on the basis of the documents of approval from the ministries and commissions in charge under the State Council and the relevant documents and vouchers.

Transshipment of imported goods, via the SEZ's, by companies doing import and export business in the interior shall be governed by the "Provisional Regulations" and these detailed rules.

Importation of goods by the Hainan Administrative Zone for use and sales inside the administrative zone shall be governed by the special regulations prescribed by the State Council for Hainan Island.

Article 15. All importation of goods for relevant departments in the interior by Hong Kong and Macao agents of various export and import companies shall be subjected to the departments in the localities which make the commissions separately applying for and procuring from the issuing organ import permits on the basis of the documents approving the importations. Customs, on the basis of the import permit and the verifying documents, shall examine the goods for clearance.

Article 16. In the course of economic and trade intercourse with the outside, units of various localities and departments accepting from foreign merchants and merchants in Hong Kong and Macao gifts comprised of commodities restricted from import by the state shall, on the basis of the documents of approval by the units in charge at the department or bureau level, or above, and the letter related to the gifts, apply for, and procure, the import permit. When applying for the import permit for a gift motor vehicle, the application shall be accompanied by documents of approval from the people's governments of the provinces, autonomous regions or directly subordinate municipalities or the ministries or commissions in charge under the State Council. Gifts of other articles, except commodities restricted from import by the state, shall be exempt from the import permit requirement and the accepting unit shall, on the basis of documents of approval issued by the unit in charge at the department or bureau level or above, declare the goods to Customs for examination and clearance.

Importation of material resources provided as aid or gifts by international organizations, foreign governments, foreign civil organs and friendly people of foreign countries in accordance with the relevant agreements, and importation of material resources presented by overseas Chinese and compatriots in Hong Kong and Macao shall all be exempt from import permit procurement and shall be separately handled in accordance with the relevant regulations of the state.

Article 17. Of the import articles for repair and maintenance work, or as consignment for sale on commission by foreign business firms handling the technical repairs and maintenance of articles and handling consignments for sale, subject to approval by the Ministry of Foreign Relations and Trade, other departments in charge under the State Council and the foreign economic relations and trade control departments of provinces, autonomous regions and

directly subordinate municipalities, those commodities restricted from import by the state and tobacco, wines and beverages shall require import permits and all other articles shall be exempted. Customs, shall, on the basis of the documents of approval, agreements with the outside and the relevant verifying documents, examine the goods for clearance.

Article 18. Imported goods under the hire and lease trading form, import goods directly purchased from abroad with foreign exchange earnings from labor receipts from the outside, reimport of export goods, and new goods replacing old ones, shall all go through the regular import examination and approval procedure and an import permit shall be required.

Article 19. These detailed rules shall go into effect from the date of promulgation. In the event of contradictions with these detailed rules by regulations contained in past import permit systems, these detailed rules shall prevail.

Matters not dealt with in these detailed rules shall be interpreted and dealt with by the Ministry of Foreign Economic Relations and Trade in consultation with the General Administration of Customs.

Full List of Categories of Goods Restricted From Import  
by the State, Requiring Import Permits  
(as of the end of May 1984)

1. Motor vehicles (various kinds of communication and transportation motor vehicles and the chassis of motor vehicle)
2. Motorcycles (including light vehicles)
3. Bicycles (including motor bicycles)
4. Television sets
5. Radios
6. Recorders (including dual-purpose receiving and recording sets, amplifiers)
7. Videorecording equipment (including full sets of videorecording equipment and videorecorders)
8. Electric fans
9. Refrigerators (referring to capacity of below 300 liters and temperature control within 20°C below zero)
10. Washing machines (referring to washing and drying capacity up to 3.5 kg)
11. Wristwatches

12. Cameras (excluding cameras for medical, underwater and aerial use)
13. Computers (referring to various kinds of full sets of computers and central processors)
14. Reproducing equipment for recording and videorecording magnetic tapes
15. Electronic calculators (referring to pocket electronic calculators and programmable calculators; permit required for importing 10 or more electronic calculators)
16. Duplicating machines

Of the 16 categories mentioned above, full sets in separate parts and parts for assembling shall be treated as whole machines and shall go through the inspection and approval procedure and procedure for procurement of the import permit.

17. Picture tubes for television sets
18. Recorder decks (including parts for a full set)
19. Synthetic fabric:
  - (1) Cloth materials (excluding imported materials using two-way letters of credit and cloth materials for reprocessing for export)
  - (2) Garments
  - (3) Knitted synthetic fiber upper garments and trousers
  - (4) Skirts
  - (5) Socks and stockings
  - (6) Mosquito nets
20. Synthetic fibers monomers
  - (1) Polyester slake
  - (2) Caprolactan
  - (3) Dimethyl terephthalate
  - (4) Pure terephthalic acid
  - (5) Nylon 66 salt
  - (6) Polypropene resin (fiber)
21. Synthetic fibers
  - (1) Adhesive fiber
  - (2) Copper rayon fiber
  - (3) Acetate fiber
  - (4) Polyester fiber
  - (5) Polyamide fiber
  - (6) Acrylic fiber
  - (7) Polyvinyl alcohol fiber
  - (8) Polypropylene fiber

- (9) Polyvinyl chloride fiber
- (10) Amine fiber

22. Polycarbonate

23. ABS resin

24. Rubber

25. Sulphuric acid

26. Sixteen categories of southern medicines:

Antelope horn, rhinoceros horn, guang jiao [1684 6037], tiger bone, leopard bone, musk, bezoar, sea horse, jia pian [3946 3651], American ginseng, da haizi [1129 3189 1311], sha ren [4263 0088], cardamon, daemonorops draco, agalloom eaglewood, and safflower

27. Civilian guns and instruments of destruction

28. Lumber

CSO: 4005/442

## PROVISIONAL RULES ON OPERATION OF SCHOOLS BY SOCIAL FORCES

Beijing STATE COUNCIL BULLETIN in Chinese No 15, 20 Jul 84 pp 539-542

[Provisional Rules on the Operation of Schools by Social Forces (Promulgated by the Beijing Municipal People's Government on 27 April 1984)]

[Text] These provisional rules have been formulated in accordance with the stipulation of Article 19 of the PRC Constitution, which states that "the state encourages collective economic organizations, enterprises and institutions of the state and other social forces to establish and run various kinds of educational undertakings in accordance with the law."

Article 1. In operating schools, our social forces must adhere to the orientation of serving the socialist "four modernizations," and conscientiously implement the four instructions by the CPC Central Committee on the construction of the capital and the party's education principles and policies and observe the decrees of the government.

Article 2. What is called operation of schools by social forces in these provisional rules denotes the operation of various kinds of educational undertakings by the various democratic parties, mass bodies, formally approved social bodies and academic bodies (preparatory organizations not included) and citizens in Beijing.

Article 3. The government encourages social forces to be engaged, separately or jointly and in accordance with the law, in preschool, primary, middle, higher, postgraduate, vocational and technical education and other educational undertakings of various grades and kinds.

Any individual who has a job in a certain unit should first have the approval of the unit and get a certificate from it.

Article 4. Schools operated by social forces are a constituent part of the socialist educational undertaking, a necessary supplement to the schools operated by the state, collective organizations, enterprises and institutions, and an important force that is indispensable for a long time in developing the educational undertaking of the capital.

Article 5. The district and county people's governments, the educational administrative departments and all social circles should support and help



the schools operated by social forces. They should give them the same political status and provide them materials and goods just as they do for the schools operated by enterprises and institutions.

Article 6. In order to operate a school, the social forces concerned should be provided with the conditions that are suited to the nature, tasks and scale of the school:

1. It should have politically reliable and professionally competent people to be responsible for the leadership of the school. The people who are responsible for the leadership of the school must have formal residence registration record in the municipality.

2. It should have a clear goal of training, and clear plans for the operation of the school and for the work of teaching and study.

3. It should have full-time or part-time teachers and personnel necessary for the education.

4. It should have sites (including rented sites) and equipment necessary for the education.

5. It should have reliable sources of funds for its expenditure (including the collection of reasonable tuition fees).

6. It should have an actually feasible teaching and administrative system.

Article 7. A social force must get approval from the appropriate departments of the municipal, district and county governments for the operation of a school:

1. For the establishment and operation of various kinds and grades of continuation and supplementary schools that do not require academic entrance qualifications, it must apply for approval from the adult education administrative department of the district or county concerned and report to the municipal adult education bureau for the record.

For the establishment and operation of vocational, technical, literature and art, medical and sports schools and other such schools that do not require academic entrance qualifications, it must apply for approval from both the district and county adult education administrative department and the labor, cultural, medical, sports or other department concerned and report for the record to the municipal adult education bureau.

For the establishment and operation of schools that recruit students in other provinces and municipalities (including correspondence and (journal) schools), it must apply for approval from the municipal adult education bureau and the appropriate departments and report for the record to the municipal government.

2. For the establishment and operation of higher or middle technical colleges or schools that grant records of formal schooling recognized by the state, it

should apply for examination and approval according to the procedures stipulated by the relevant regulations of the State Council and the Ministry of Education. It must recruit and graduate students through standardized examinations held by the municipality.

3. When two or more citizens jointly set up a school, they should apply for approval from the government educational administrative organization in the name of one of them. This one will be responsible to the government organization.

4. Any changes in the nature and operational scale of a school, any readjustment of its specialties and courses, any change in sponsor unit and persons and the closing down of the school require approval from the organizations that have originally approved the establishment of the schools.

Article 8. In operating schools, it is imperative for our social forces concerned to accept the guidance of the state plans. The municipal, district and county labor, cultural, medical, sports and other departments concerned should coordinate with the adult education department in jointly strengthening their guidance and administration over schools operated by social forces. The municipal, district and county adult education administrative departments are responsible for summing up the information about the situation, studying the principles and policies and guiding the work of the schools.

Article 9. The teaching and management in the schools operated by social forces should mainly be put in charge of the sponsor units and persons. These schools can employ part-time teachers. Under the precondition of fulfilling the tasks of his own job and with the consent of his unit, any individual who has a permanent job, may do some teaching in addition to his principal occupation. The various units should arrange teaching jobs for him in a unified manner and give him support.

Article 10. In operating schools, the social forces may rent the schoolhouses of full-time colleges, middle schools and primary schools for after school hours and holidays. The full-time schools should positively provide them with convenience, give them support and allow them to put up their school signboard. The full-time schools that rent their schoolhouses may impose a reasonable charge. The charge should be calculated in accordance with the stipulations of the joint circular of the municipal education bureau, financial bureau and the industrial and agricultural education office. It is imperative for the unit which operates a school, to educate its students to observe school discipline, to pay attention to civilization and courtesy, to take good care of state properties and to do a good job of sanitation and hygiene.

Article 11. In operating schools, the social forces should raise funds themselves for their expenditures, but they should not solicit contributions by force. The schools may charge their students reasonable tuition and sundry fees. The fees should be calculated in accordance with the stipulations of the relevant departments. The schools should adhere to the practice of operating schools in a thrifty and hard-working manner, to financial

democracy and to making their accounts known to the public. In operating schools, with the approval of relevant departments, the social forces may open an account with a bank. They should subject themselves to the supervision and examination of the financial, bank and education departments.

Operating schools by accepting donations from overseas Chinese and compatriots in Hong Kong and Macao should be approved by the relevant government departments. Donated funds shall be special funds to be used only for their specified purposes; donated equipment for education should be appropriately taken care of and used properly, should not be sold, transferred or taken for private use. Donation procedures should be in accordance with the relevant procedures stipulated by the state.

Article 12. In schools operated by a citizen or operated jointly by more than two persons, the school names and seals should all bear the phrase "Operated by the people."

Article 13. The various grades and kinds of continuation and supplementary schools that do not require academic entrance qualifications will give their students certificates for the reference of the units employing them, after they have completed the courses and passed the examinations.

Article 14. When a job-awaiting youth finishes his study in a school operated by social forces, the school will give him a certificate and the period of study will be counted as the probationary period of the employment that the youth gets. The period of time that a job-awaiting youth works in a school operated by social forces should be included in the calculation of his length of service.

Article 15. With the consent of the organizations that originally approved its establishment and the approval of the relevant departments of industry, commerce and administration and so forth, a school operated by social forces may run a small factory or carry out projects of theatrical performance or service which are related to the contents of their teaching.

Article 16. The enrollment of various kinds of continuation schools and supplementary classes can be advertised in the press, journals, radio and posters, after the advertisement is examined by the district and county adult education department and a written approval is given by them. But the enrollment of various kinds of technical colleges (classes) and middle technical schools (classes) operated by our social forces cannot be advertised in the press, journals, radio and posters unless it is examined and approved in writing by the municipal adult education bureau.

Article 17. The schools and personnel that have achieved an outstanding success in conducting education should be cited and awarded by the relevant departments of the people's government at all levels. As for schools that do not conform to the stipulations of these rules, the relevant departments of the people's government at all levels have the power to reorganize and even close them.

Article 18. Beginning from the day of promulgation, these rules will be implemented on a trial basis. The former "Provisional Administrative Rules of Beijing Municipality on the Operation of Private Schools" will be abolished beginning from the same date.

CSO: 4500/442

- END -