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# China Report

POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

PRC STATE COUNCIL BULLETIN

No. 26, 10 November 1984

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22 May 1985

## CHINA REPORT

### POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS

#### PRC STATE COUNCIL BULLETIN, No, 26, 10 Nov 1984

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [PRC STATE COUNCIL BULLETIN] in Chinese No. 26, 10 Nov 1984.

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STATE COUNCIL CIRCULAR BANNING LOOSE ISSUANCE OF UNIFORMS

Beijing STATE COUNCIL BULLETIN in Chinese No 26, 10 Nov 84 pp 920-921

[State Council Circular on Stopping Indiscriminate Issuance of Uniforms  
(20 October 1984)]

(Guofa [0948 4099] (1984) No 145)

[Text] Recently, the malpractice of using public money to make and issue uniforms has prevailed increasingly seriously in some localities, departments and units. In particular, some factories are hurrying to make factory uniforms. They have contested with each other for the standard of manufacturing uniforms which is getting higher and higher, and spent quite a lot of money. With regard to the expenses for making and issuing uniforms, some factories pay for it with staff and workers' welfare funds, others use their production development funds, still others even indiscriminately apportion and allocate these expenses to production costs. As a result, they have reduced the state's financial revenue. If this malpractice of indiscriminate issuance of uniforms is not stopped, it will bring about bad consequences.

Our country's four modernizations need large amounts of funds; now there are still quite great difficulties in state finance, so it is imperative for all units to implement the principle of working hard and practicing thrift. In the process of the economic reforms, our enterprises should first satisfactorily grasp the development of their production and enliven the economy and on the basis of improving their economic results, improve the livelihood of the staff and workers. In using their after-tax retained profits, our enterprises should conduct unified planning, give due consideration for all concerned, make rational arrangements and concentrate their limited funds on their technological transformation. For this reason, the State Council issues the following circular:

1. Except for uniforms that are made in a unified manner under the approval of the State Council, no state administrative organ or institution is allowed to use public money to make uniforms or pay subsidies in lieu of uniforms. The cost of the uniforms already made and issued will be borne by the individuals. If an individual finds it difficult to bear the cost, he may purchase the uniform at 80 percent of the original price.

2. If it is necessary for a whole trade to make uniforms in a unified manner. The application for this should be examined by the Ministry of Finance and be reported to the State Council for approval. Other enterprises which have a special need for unified uniforms should have their application examined by the responsible enterprise department and then report to the financial department of the same level for approval. Without approval, no one is allowed to use public money to make uniforms.

3. In enterprises which have already made and issued uniforms, 70 percent of the expense should be borne by the individuals. The rest of the expense is only permitted to be defrayed by bonus funds for staff and workers and should be included in the total bonus payment of the enterprises and be charged with bonus tax according to the regulations. Without exception, no enterprise is allowed to use their production funds to pay for the expense incurred in making uniforms or is allowed to allocate this expense to its production costs.

4. If the above-mentioned regulations are violated, in addition to the punishment for a breach of financial and economic discipline, disciplinary punishment will be meted out to the leaders and the persons directly concerned according to the seriousness of their case.

CSO: 4005/757

CIRCULAR APPROVING REPORT ON SUBSIDIZED SALE OF URBAN PUBLIC DWELLINGS

Beijing STATE COUNCIL BULLETIN in Chinese No 26, 10 Nov 84 p 921

[State Council Circular on the Approval and Circulation of Report by Ministry of Urban and Rural Construction and Environmental Protection on Expansion of Experimental Points for the Subsidized Sale of Urban Public Apartments (11 October 1984)]

(Guofa (1984) No 140)

[Text] The State Council approves the report by the Ministry of Urban and Rural Construction and Environmental Protection entitled "Report on the Expansion of Experimental Points for the Subsidized Sale of Urban Public Apartments," and asks you to study and implement it.

Subsidized sales of urban public apartments to individuals is an important measure to gradually turn residential housing units into commodities and conduct an all-round reform in our country's existing residential housing system. The people's governments of the cities where these experiments are carried out should strengthen their leadership, promptly solve the problems that will crop up in the experiments and continuously sum up their experience so as to create conditions for conducting subsidized sales of residential housing units throughout the country.

The relevant departments and units in the cities where these experiments are carried out, including central and local administrative organs and the enterprises and institutions under them, should all vigorously support this experimental work and conscientiously implement the regulations of the cities concerned on the experiments of subsidized sale of urban public apartments.

CSO: 4005/757

REPORT ON EXPANDING SCOPE OF SUBSIDIZED SALE OF URBAN PUBLIC DWELLINGS

Beijing STATE COUNCIL BULLETIN in Chinese No 26, 10 Nov 84 pp 921-924

[Report by Ministry of Urban and Rural Construction and Environmental Protection on Expansion of Experimental Points for the Subsidized Sale of Urban Public Apartments (15 September 1984)]

[Text] With the approval of the State Council, in 1982, four cities including Changzhou, Zhengzhou, Shashi and Siping carried out experiments of subsidized sale of newly built public apartments. The practice in the past 2 years has proved that this reform has been successful and has achieved relatively satisfactory results, and we have accumulated certain experiences. At the beginning of this year, Premier Zhao Ziyang gave the instruction: "The results of the experiments have been satisfactory. We should further popularize these experiments. We should furthermore continue to sum up our experiences and improve our methods in doing that in the process of popularizing them." Now, we report the results of the experiments and our opinions on the next step of expanding the experiments as follows:

I

Since the beginning of the experiments, the four cities have made subsidized sales of 2,140 residential apartments with 114,500 M<sup>2</sup> of construction area. About 16.4 million yuan has been invested and about 30 percent of this amount has been recovered or will be recovered when the installment payments are received in the future. During the experiments, workers and staff vied with one another to buy the apartments. As a first batch, Changzhou City put 158 apartments on sale. On the first day, 450 households came to register for purchase and within the first 10 days, over 1,000 came to register for purchase. Many of the people came early in the morning to line up for the purchases. Those who have purchased the apartments are very grateful to the party and government for the concern that they showed the buyers and regarded the sales of apartments as a "timely rain" and a "good rain after a long drought." Some of them happily said, "We have our homes at last."

In the situation of low wages and low rents in the four cities, it has not been easy to achieve such good results in a little over 1 year. In particular, these experiments have had a shocking impact on the existing housing system and its influence and significance is tremendously great. First, it has broken the fetter of the idea that holds that "the practice of urban people building and

buying houses by themselves means developing private ownership," an idea that has fettered people's minds for a long time, and has clarified some muddled understanding; second, it shook the practice of the state undertaking all the responsibility for the housing of the people and thus promoted reform of the existing urban housing system; third, it has removed the worries of staff and workers as to whether they can afford the purchase of their flats and it shows that the actual situation is that with two-thirds of the price subsidized by the state, quite a few of staff and workers can afford purchases; fourth, it becomes possible to solve the housing problem for those who have been unable to get allocation of housing facilities for a long time; and fifth, it will create conditions for speeding up the solution of the urban housing problem. At present, the state invests over 10 billion yuan in housing construction every year. If one-third of this amount is recovered every year, the state will be able to recover more than 30 billion yuan in 10 years, with which it can provide housing for 14 million people.

## II

Now, many cities have asked to take part in the experiment and thus have shown a strong desire for carrying out the reform. This is a valuable initiative. However, we should also see that this reform has wide involvement and is indeed fairly difficult, therefore, under the current situation, we have not been provided the conditions to popularize the reform all over the country. In order to act soundly and appropriately, we follow the spirit of Premier Zhao Ziyang's instructions and suggest that the experiment first be popularized in a few more cities in order to continue to sum up experiences and improve the methods and thus lay a sound foundation for a nationwide popularization of the experiment.

According to the experiences gained in the experiments of the four cities, in popularizing the experiments, we should take into account the different conditions in different cities and adopt feasible measures. We should reform the existing rent system to some degree while simultaneously carrying out the experiments of subsidized sales of public apartments. The qualification for the subsidy, the amount of subsidy, and the length of the term of installment payment should vary as localities and people vary and there should be no "uniformity."

Our actual opinions are as follows:

1. The various provinces, autonomous regions, and municipalities should expand the scope of the experiments step by step in a planned manner and in accordance with the actual conditions there. At present, Beijing, Tianjin, Shanghai and 80 other cities in 23 provinces and autonomous regions have asked to carry out this experiment. We have studied this problem and consented that experiments be popularized in Beijing, Tianjin, and Shanghai and that the provincial and regional governments, respectively, decide in which cities in their provinces and regions the experiment is to be popularized and report the decision to the Ministry of Urban Construction and Environment Protection for its file.

This year, we will mainly make the preparations and sell some apartments to set an example. We will strive to be able to make relatively great progress in 1985.

In Changzhou, Zhengzhou, Shashi and Siping where the first group of experiments were made, we should further deepen this work on the basis of summing up our experience and strive to achieve the aim of putting on subsidized sales of all newly built apartments (including those built by the various units by themselves). These cities should also conscientiously sell their old apartments at reduced prices. They should score outstanding achievements in carrying out rent reform in order to accumulate experience and create conditions for a nationwide urban residence rent reform. The four cities should be forerunners of reform experiments for the whole country.

2. In fixing the prices of apartments, we should take into consideration the capability of staff and workers to make payments. The price should include: 1) the construction cost of the apartment itself; 2) the apportioned cost of the construction of drains, steam, gas, electricity, roads and other facilities in the small area that the apartment is situated in; 3) the compensation for the people who have been moved away (the price of the old building that has been pulled down for the construction of the new apartment). The cost of the construction of other public facilities, construction tax, and energy and communications charges should not be included in the price.

On principle, an individual should pay one-third of the price to purchase the apartment. If the purchaser is well paid and his work unit has a limited capability to pay the subsidy; the proportion of his payment can be appropriately increased to two-thirds or the full price.

3. We should exempt property and contract taxes. According to our calculation, the construction cost of an apartment of 50 M<sup>2</sup> construction area is about 10,000 yuan. If a 1.2-percent property tax is levied, the annual tax will be 120 yuan, 100 percent higher than the annual rent on the apartment if it is rented to the individual. If the various kinds of taxes are charged in addition to the installment payment that the buyer has to pay, the financial burden will be too heavy for our people. This will surely hurt the people's enthusiasm to buy apartments. In northern areas where heating is necessary, staff and workers who have made subsidized purchase of apartments should pay the same heating expense as those who rent public apartments. They should not be charged with extra heating expense.

4. According to the opinion of the State Planning Commission in its Jizi 1984, Document No 1302, in the future the apartments built by a unit for sale to its member should not be taken into account in the calculation of the scale of its fixed-asset investment. According to the State Council's Guohanzi 1982, Document No 60, the steel, timber, cement, glass and other materials needed by test cities for building new commodity apartments to be sold to individuals should be included in local materials allocation plans.

5. At present, one of the major difficulties in making subsidized sale of apartments is the shortage of funds on the part of the individual who purchases an apartment and the unit which builds it. We suggest that the Construction

Bank provide a certain quota of loans to the housing departments of cities that are making the experiment of the subsidized sale of apartments. In the cities where the experiments are popularized, the Industrial and Commercial Bank should carry out the business of taking housing deposits and giving loans in accordance with the principle of combining the attraction of deposits with the provision of loans.

6. The relevant departments should vigorously support this experiment. The subsidized sale of apartments involves the immediate interests of the various enterprises, institutions and administrative organs and the masses of people there and it will inevitably affect certain systems and regulations. Therefore, it will not succeed without the vigorous support of the various relevant departments. In view of this situation, we suggest that the State Planning Commission, the Ministry of Finance, the Industrial and Commercial Bank, the Construction Bank, the Ministry of Urban Construction and Environmental Protection and other relevant departments should coordinate with one another closely, promptly solve any problem that might crop up in the work and make joint efforts to do this work satisfactorily.

If there is nothing inappropriate in this report, please approve it and circulate it to various areas for discussion and implementation.

CSO: 4005/757

CIRCULAR ON REPORT OF UNIFIED STATE EXAMINATION FOR PLANT HEADS

Beijing STATE COUNCIL BULLETIN in Chinese No 26, 10 Nov 84 p 924

[State Council General Office Circular on Circulation of Report by State Economic Commission on Unified State Examination for First Group of Enterprise and Plant Managers (27 September 1984)]

(Guobanfa [0748 6586 4099] (1984) No 34)

[Text] With the consent of the State Council, we now issue to you for circulation the report by the State Economic Commission's Committee for Guiding State Examination for Economic Management Cadres entitled "Report on the Unified State Examination for the First Group of Enterprises and Plant Managers," and request the various localities and departments to implement the various ideas put forth in the report.

CSO: 4005/757

REPORT ON STATE EXAMINATION OF FIRST GROUP OF PLANT MANAGERS

Beijing STATE COUNCIL BULLETIN in Chinese No 26, 10 Nov 84 pp 924-928

[Report by State Economic Commission's Committee for Guiding State Examination for Economic Management Cadres on Unified State Examination for First Group of Enterprises and Plant Managers (7 September 1984)]

[Text] In accordance with the instructions of the leading comrades of the State Council, after making nearly 1 year of preparations for the work of conducting unified state examination for enterprise and plant (mine) managers, the first round of examinations was held from 3 to 5 August last year and the work of correcting the examination papers was finished on the 24th. Now, we hereby brief to you on the results of the examinations and the problems for which we need your instructions as follows:

I. Background of Those Who Took Part in the Examinations and the Results of the Examinations

The syllabus of this round of unified examinations mainly consisted of the basic principles and policies on our country's socialist construction formulated since the Third Plenum of the 11th CPC Central Committee (hereinafter principles and policies) and basic knowledge about enterprise management. Generally speaking, the results of the examinations were relatively satisfactory and on the whole, they reflected the actual level of the competence of the enterprise and plant managers. Taking part in the unified examinations were enterprise and plant (mine) managers in seven sectors, including industry, commerce, foreign trade, construction, post and telecommunications, railway transport, and communications and transport. Their number totaled 9,019. Their average mark for the paper on principles and policies was 75.78 with a passing rate of 99.3 percent; and their average mark for the paper on basic knowledge about enterprise management was 74.05 with a passing rate of 94.47 percent. The number of those who got credit marks above 85 for both papers was 207 and 15 of them got "particular credit" for satisfactorily answering additional problems on enterprise management. The marks for the paper on basic knowledge about enterprise management achieved by managers of the various sectors were as follows:

A total of 7,373 managers of industrial enterprises and plants (mines) sat for the examinations and got an average mark of 73.5 with a passing rate of 94.19 percent. The number of those who got credit for both papers was 157 and that of those who got "particular credit" was 9.

A total of 493 managers of commercial enterprises sat for the examinations and obtained an average mark of 75.74 with a passing rate of 95.7 percent. The number of those who got credit for both papers was 11.

A total of 145 managers of foreign trade enterprises sat for the examinations and got an average mark of 81.26 with a passing rate of 99.31 percent. The number of those who got credit for both papers was 7 and that of those who got "particular credit" was 2.

A total of 777 managers of construction enterprises sat for the examinations and got an average mark of 77 with a passing rate of 96.65 percent. The number of those who got credit for both papers was 28 and that of those who got "particular credit?" was 2.

A total of 40 managers (bureau chiefs) of railway transport enterprises sat for the examinations and got an average mark of 80.8 with a passing rate of 100 percent. Three of them got credit for both papers and two of them got "particular credit."

A total of 173 managers of communications and transport enterprises (heads of stations and teams) sat for the examinations and got an average mark of 72.19 with a passing rate of 87.28.

A total of 18 managers of post and telecommunications enterprises sat for the examinations and got an average mark of 71.48 with a passing rate of 100 percent. One of them got credit for both papers.

Judging by the marks of the examinations, those of higher educational levels got better marks. Among the 207 people who got credit for both papers, 75.85 percent of them had received college education; 19.8 percent had received senior or professional middle school education and 4.35 percent junior middle school or less than junior middle school education. Among the 428 people who failed the examination of basic knowledge about industrial enterprises management, 211 or 49.3 percent were of or below junior school education level, 131 or 30.6 percent were of senior or professional middle school education level, and 86 or 20.1 percent were of college education level.

## II. This Unified Examination Gave Play to the Initiative of Managers in Carrying Out Their Study

The State Council's decision on carrying out a unified examination for enterprise and plant managers had a great impact on enterprise and plant managers and strong repercussions in the society.

People all hold that enforcing managers to sit examinations is an entirely necessary and important measure to urge cadres to study and improve their quality. Some of the plant managers who were newly promoted to leading posts and who were graduates of colleges of science and engineering said: "We are competent in

technology, but outsiders in management. In the past, we studied nothing about management knowledge, knew nothing about managing enterprises or finance and had great trouble in reading financial documents." Others said: "We are technical workers and support the party's principles and policies. But in the past we failed to pay much attention to studying the party's principles and policies. Now that we have been appointed plant managers, we found our ability falling short of our wishes in systematically publicizing and implementing the party's principles and policies. Through this systematic study, we have deepened our understanding of the party's principles and policies, feel more courageous and have new ideas." Still others said: "This unified examination is the demand of the reform and a major measure to raise our economic results. We should turn the pressure on us into a stimulus and change from adopting the attitude of 'being forced to sit for the examinations into adopting the attitude of 'wanting to sit for the examinations on our own.'" Most of the comrades have displayed a strong sense of responsibility and a lofty consciousness during the training and the examinations. Some comrades took part in the training and examinations in spite of being sick.

The practice of the unified examination has proved that grasping examinations pushed forward the development of the study of our cadres. When we held training courses for plant managers in the past, only a small number of principal plant managers took the courses and most of them who took the courses were deputy plant managers; also only a few young and strong people took the courses and most of those who took the courses were old and weak. Some people became "permanent students," as our enterprises grugged sparing time for their backbone cadres to take part in study. This unified examination has thoroughly changed the previous situation. This time the principal managers had to sit for the examinations earlier than deputy managers and all those who sat for the examinations had taken part in training and study. During their studies, people all worked hard and sat up late, and some of them even did not leave schools for home on Sundays.

By holding unified examinations for managers, the state has also promoted study by the masses of workers. Some workers said that in the past soldiers were examined by officers, but now both officers and soldiers were examined; therefore, we could not help but study conscientiously. After sitting for the unified examinations, some managers immediately returned to their companies to hold examinations for medium-level cadres and thus vigorously promote study by staff and workers throughout the companies.

### III. Conscientiously and Satisfactorily Grasp the Work of Giving Training Before the Examinations and Thus Lay Sound Foundation for the Unified Examinations

In order to satisfactorily conduct the first round of unified examinations, we conscientiously grasped the work of training enterprise and plant managers. First, we organized some scholars of the Chinese Academy of Social Sciences and some professors of the People's University and other higher educational institutes to write a set of review programs and teaching materials for the unified examinations. Then we trained teachers in various areas and held

teacher-training courses. At the same time we held experimental training courses for enterprise and plant managers in order to gain experience in training managers. On this basis, the economic committees and other departments in all the provinces, autonomous regions and municipalities, respectively, held more than 120 unified examination training courses in their institutes for economic management cadres and other higher education institutes. About 10,000 people have taken these courses.

Generally, these training courses were 3 months long. During the study, teaching was conducted in close accordance with the review program and teaching materials for the unified examinations. It has deepened the examination-sitters' understanding of the party's principles and policies adopted since the Third Plenum of the 11th CPC Central Committee and enabled them to master the basic theories and methods of enterprise management. On this basis, the enterprise and plant managers have been urged to link what they have studied with the actual conditions in their units, analyze the problems in their units in implementing the party's policies and managing the enterprises, and put forth plans for improvement. As a result, their ability to analyze and solve problems has been augmented. The systematic training has laid a sound foundation for the unified examinations.

The practice of this examination has proved that satisfactorily grasping pre-examination training is a key to satisfactorily carrying out the unified examinations. In Shanghai, 135 enterprise and plant managers who had received higher education sat for the unified examination without taking the training courses and 9.3 percent of them failed to pass the examinations. In the section under the Beijing Bureau of Building Materials, only seven people attended the lectures but failed to take the supplementary lessons. As a result, five of them failed the examinations. This has proved that attending training and the quality of training has a great bearing on the results of examinations.

Before the second round of the examinations, the various areas and departments must vigorously hold training courses and make all the managers who are to sit for the examinations attend the training.

#### IV. Several Problems That Need To Be Solved

1. The problem of correctly dealing with those who have sat or have failed to sit for the examinations and those who got good or bad marks in the examinations. To encourage enterprise and plant managers to study and take part in examinations, those who should take part in the examinations but fail to do so even after being admonished shall be dismissed, except for those who have been exempted. Those who pass the test of two subjects and whose achievements in actual work are significant, may remain in the leading groups even though they are not college-educated. While conferring the title of economic specialist, an enterprise administrative section may exempt them from examination and acknowledge their equivalence of a college degree in business administration. For those who pass the test, they shall be given certificates indicating their particular credit, credit and acceptable scores. Those who pass with particular credit or with credit may be awarded and promoted to important posts by their responsible departments at their discretion and according to need; those who fail may retake the test, and if they still fail, they shall be replaced.

2. The problem of expanding the scope of the examination. To improve the leading groups' educational structure and train cadres of the third echelon, an appointment-through-examination system shall be instituted for the young, reserve cadres. Only those who pass the state examination may become candidates for leading groups. Examinations for reserve cadres shall begin in 1986.

3. The problem related to improving the method of unified examination. In accordance with the principle of "simplifying administration and delegating authority," and beginning with the third round of the unified examinations, examination papers for unified examinations shall be prepared in a unified manner, but examinations will be conducted at various levels. This is to say that examination papers shall be prepared and examinations shall be organized both in a unified manner for managers of over 3,000 large and medium-sized mainstay enterprises. Examination papers for managers' and directors' examinations of other ordinary medium-sized and small enterprises, plants and mines shall be prepared by the state in a unified manner, but the examinations for them shall be organized by various provinces, autonomous regions and municipalities directly under the central government.

4. The problem of strengthening the development of institutes for economic management cadres. During this round of unified examinations, the institutes for economic management cadres in various areas and departments all undertook the tasks of training enterprise, plant and mine directors and played an important role. An outstanding problem at present is that these economic management institutes lack teaching staff and school buildings. In order to enable our institutes for economic management cadres to continue to undertake the tasks of giving training to the enterprise, plant and mine managers who are to sit for the next rounds of examinations and the tasks of training cadres on a large scale, all the regions and departments should increase their necessary investment, accelerate the construction of these institutes, supply them with more teaching staff and improve the quality of their teaching staff so that they will play to the full their role as cadre training bases.

Please give us your instructions on whether these opinions are right or wrong.

CSO: 4005/757

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