

Decision on the procedures governing the unification of state-operated trade in the nation. March 10, 1950

In order to unify state trade throughout the country, carry out the import and export plans of the nation, guide the domestic market, make adjustments in the supply and demand of commodities at both national and local levels, and promote the rapid recovery and development of productive enterprises, the GAC of the CPG has made the following decisions in regard to state trade enterprises in the nation:

1. The state trading organs

A. The Ministry of Trade (MT) shall be the state's overall leading organ for state, cooperative, and private trade. The trade departments in the Large Administrative Areas [abolished in 1954] and in the provincial and municipal people's government shall be under the joint direction of both the MT and the financial and economic committee of the [local] people's government of that area.

B. Under the direction of the MT, a specialized national company for domestic trade will be set up for each of the following: grains, cotton yarns and cloths, general goods, salt, coal and building materials, and native products.

C. Under the direction of the MT a specialized national company for foreign trade will be set up for each of the following: hog bristles, exports of native products, oils and fats, imports, tea and mining products.

D. The national companies listed in articles B and C may set up branch companies in the various administrative areas. The branch company shall be under the dual direction of its respective national company and the department of trade of the regional people's government.

E. In the provinces, provincial companies for grains, general goods, and native products shall be established under the dual direction of the regional companies and of the department in charge of trade in the provincial people's government. Those national companies that do not have provincial companies may set up branch companies in key cities

and towns and ask the provincial companies of other national companies to buy and sell for them.

F. State wholesale business in large cities shall be under the direct control of the relevant specialized national or regional company. State trade retail business [in large cities] shall be under the direct control of the department in charge of trade in the municipal people's government. The people's government of the large cities should set up a number of state retail companies, under the control of the department in charge of trade in the municipal people's government. The relationships among the state retail companies as well as those among trust companies, and the specialized companies shall be of a commercial nature.

2. The duties and functions of the various state trade organs

G. The MT shall perform the following functions: (1) draft the overall plans for state and cooperative trade, on a basis of the overall financial and economic policies of the GAC, CPG, and execute these plans after obtaining the approval of the GAC, CPG; (2) approve the operational and financial plans of the specialized state companies and supervise their operations; (3) manage and adjust state trade funds and inventories; (4) determine wholesale prices of commodities managed by the state trade companies at the major markets; (5) guide private commercial enterprises in the nation, and the market-control effort of the departments in charge of trade in the people's governments at all levels; and (6) promulgate rules for accounting for various trades throughout the country.

H. The specialized national companies shall perform the following functions: (1) draft business and financial plans for the particular specialized national company and execute [these plans] after obtaining the approval of the MT of the CPG; (2) decide on the organization and personnel assignments and execute these decisions after obtaining the approval of the MT; (3) manage the capital and funds of the particular specialized national company; and (4) enforce a unified system of accounting and reporting.

I. The department of trade in the regional people's government and the department in charge of trade in the provincial people's government shall perform the following functions: (1) supervise the regional

and provincial companies in their execution of the business and financial plans drawn up by the specialized national companies and supervise the regional and provincial companies in their implementation of the policies of the CPG; (2) coordinate the relationships and activities among the regional companies; (3) direct appointments and transfers of cadre workers in the various regional and provincial companies, and provide for the maintenance and education of company employees; (4) determine the wholesale and retail commodity prices of the state trade companies at the medium and small markets in a Large Administrative Area or province in accordance with the overall price policies of the MT; and (5) direct private enterprises and market control in the Administrative Areas or provinces.

3. Fundamental principles in the management of capital for state-operated trading companies (extracts):

Articles J to N make the following points: (1) The capital of the various regional and provincial specialized companies shall be managed by the specialized national companies concerned. The MT of the regional people's government and the department in charge of trade in the provincial or municipal people's government do not have the authority to transfer the capital of the companies. (2) The People's Bank of China is to act as the trade treasury in the municipalities and hsien. (3) Financial plans for cash payment must be drafted by the regional and provincial companies and their branches for the following items: purchases, taxation, expenditures for warehouse construction, management, and salaries of personnel. These must be planned on the basis of monthly, quarterly, and annual budgets and submitted to the national offices for approval. (4) All cash income of the regional and provincial specialized companies and their branch companies, including receipts from sales, must be deposited with the designated treasury [i.e., The People's Bank] on the day the income is realized. Exceptions, however, may be made for branches in remote districts. (5) Cash deposited with the People's Bank cannot be withdrawn without a "payment notice" from the National Trade Treasury.

4. Basic principles in the allocation of state materials

O. All transfers of materials between the MT and other ministries

or departments [of the CPG] shall be based on the plans for allocation of materials in the overall national plan for finance and economy. First, the MT should reach agreement with the other government organs concerned on the general principles of allocation. Specialized national companies should then negotiate and sign contracts with the state enterprises under these government organs regarding the allocation of materials.

P. In allocating materials among the specialized companies under the MT, the specialized companies shall negotiate and sign contracts, on the basis of plans approved by the MT.

Q. In allocating materials among the regional and provincial companies under the specialized national companies, the regional and provincial companies shall also negotiate and sign contracts for their allocation according to the plans approved by the national companies.

R. All contracts for the allocation of materials must specify in detail their types, quantities, specifications, prices, means of transportation, packing, etc. After the contract has been signed, it must be strictly observed by both parties.

S. Currency may not be used for payment in the allocation of materials among state trade organs, for those between the state trade organs and the state enterprises, and for transportation between the state trade organs and the national transportation organizations. Payment shall be made in drafts, to be cleared through the bank.

5. Procedure in carrying out the above provisions (extracts):

Articles T and U stipulate that the above provisions shall not be in force until the various specialized national companies have been established. Thereafter, all allocation of material and currency in state-operated trade must go through the specialized national companies. Management of commodities and capital, now owned by the regional people's governments, which come within the scope of the state-operated trading companies, must be transferred to the companies concerned.