

BEIJING REVIEW

北京周報

A CHINESE WEEKLY
OF
NEWS AND VIEWS

- Premier Zhao on Key to Settling Kampuchean Issue
- Hua Guofeng's Speech at N.P.C. (full text)
- Report on 1980 and 1981 National Economic Plans



HIGHLIGHTS OF THE WEEK

Premier Zhao on China's Current Reforms

Zhao Ziyang, the new Premier, explains the political and economic reforms now being carried out in China to visiting Japanese guests (p. 5).

N.P.C. Documents

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New Leading Members of State and Government

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Vice-Premiers of the State Council (pp. 43-46).

Key to Solving Kampuchean Issue

Premier Zhao Ziyang stresses that the key to the settlement of the Kampuchean issue is the withdrawal of Vietnamese troops from Kampuchea. Otherwise, it would be meaningless to convene any international meeting to seek a political settlement (p. 3).

Soviet Trap

To leave the seat for Kampuchea vacant at the forthcoming U.N. General Assembly session would amount to falling into a trap set by the Soviet Union and Viet Nam. This warning was given by Prime Minister Khieu Samphan in an exclusive interview with Chinese correspondents (p. 9).

Democratic Kampuchea Makes Self-Examination

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Whither Europe?

How to establish a genuinely "powerful and independent Europe"? How can the cause of unity between Western Europe and the United States be best served (p. 10)?



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FOREIGN RELATIONS

Distinguished Guests From New Zealand

Prime Minister of New Zealand Robert Muldoon and his party arrived in Beijing on September 11 for a week-long visit immediately after the conclusion of the Third Session of the Fifth National People's Congress. They received a warm welcome from Zhao Ziyang, the new Premier, who gave a banquet in their honour that evening.

During Prime Minister Muldoon's stay in Beijing, he met Chairman Hua Guofeng and Vice-Chairmen Deng Xiaoping and Li Xiannian and held talks with Premier Zhao Ziyang who briefed him on the Third Session of the Fifth National People's Congress. Premier Zhao said that the session set a clear orientation for China's political and economic reforms.

Premier Zhao and Prime Minister Muldoon exchanged views on the current world situation and major international issues, particularly the questions of Afghanistan and Indochina. The two sides had identical or similar views and positions. Premier Zhao highly appreciated the clear-cut stand taken by the New Zealand Government in opposing Soviet aggression in Afghanistan and Vietnamese aggression in Kampuchea, demanding the withdrawal of Soviet and Vietnamese troops from those countries, and continuing to support the legitimate representation of Democratic Kampuchea in the United Nations.

Experiences of World War II. Speaking of the current world situation at the banquet he gave in honour of Prime Minister Muldoon, Premier Zhao pointed out that the situation today is becoming increasingly turbulent and tense and that the danger of war has grown visibly. He said: "The events that led to World War II have taught us that there is no alternative to resolute resistance in face of the aggressors' provocations. This is a matter vital to the destiny of mankind and is still of practical significance to us today."

China's Foreign Policy. Explaining China's foreign policy, Premier Zhao said: "We are not only concerned about our own national security but attach great importance to the larger issue of safeguarding world peace. Together with all the peace-loving and justice-upholding countries and people, we will continue to fulfil our bounden duty to combat hegemonism and defend world peace."

Bilateral Relations. Zhao Ziyang said that the relations between China and New Zealand had developed satisfactorily in recent years. The volume of trade between the two countries last year was 12 times that of 1972. City-to-city relations of friendship will be formally established between Guilin of China and Hastings of New Zealand. Prime Minister Muldoon said in his speech that New Zealand will strengthen bilateral co-operation with China. He emphasized that New Zealand "opposes armed intervention by one country in the affairs of another and the imposition of a government by force from abroad." He added:

"The crisis over Afghanistan, the conflict in Kampuchea, the intensification of superpower rivalry — all these have raised, once again, the question of world peace."

Part of Protocol Reform. The welcoming ceremony for Prime Minister Muldoon was held on the square in front of the Great Hall of the People. Moving the site of the welcoming ceremony from the airport or railway station to this place is part of the Chinese Government's protocol reform starting from September 1 this year.

Premier Zhao on Withdrawal Of Vietnamese Troops

"The Vietnamese troops must withdraw immediately from Kampuchea. This is the key to the settlement of the Kampuchean issue." This was stressed by Premier Zhao Ziyang on September 15 when he held talks with visiting Kenyan President Daniel Arap Moi in Beijing.

The Premier said: "Since the present situation in Kampuchea was entirely created by the Vietnamese armed invasion, the primary condition to the settlement of the Kampuchean issue is to withdraw the Vietnamese troops."

He added: "Only when Vietnamese troops are withdrawn from Kampuchea is it possible to safeguard Kampuchea's independence, sovereignty and territorial integrity and enable the Kampuchean people to decide their own future and destiny without foreign intervention."

Premier Zhao pointed out that it is almost a year now since the 34th session of the United Nations General Assembly adopted

the resolution demanding the withdrawal of foreign troops from Kampuchea. But to this day, the Vietnamese authorities have refused to carry out the resolution.

"Vietnamese troops are not only continuing their occupation of Kampuchea, but have also made incursions into the territory of Thailand, threatening peace and security in Southeast Asia," he said. "The ASEAN nations and other countries are concerned about this situation and have called for an international meeting to seek a political solution of the Kampuchean issue."

International Conference. "We are not opposed to convening an international conference," Zhao Ziyang declared. "But it must be made clear that the purpose of the meeting is to carry out the resolution of the 34th session of the U.N. General Assembly. If Viet Nam has no intention at all to withdraw its troops, then it is meaningless to convene such a meeting."

"To test Viet Nam's sincerity, it is necessary to demand Viet Nam to begin withdrawing its troops from Kampuchea before the international meeting is convened."

"We may also consider not taking the complete withdrawal of Vietnamese troops from Kampuchea as a precondition for convening the meeting, but this must not be interpreted as tolerating Viet Nam to continue its occupation of Kampuchea and accepting the fait accompli brought about by Vietnamese aggression."

The Premier stressed: "The international meeting must first of all set a time limit for the complete withdrawal of Vietnamese troops and provide for supervision over the withdrawal, and adopt feasible measures

to make sure that the Kampuchean people can exercise their right to self-determination without foreign interference; and it must guarantee Kampuchea's independence, sovereignty and territorial integrity." (For the report on Kenyan President Moi's visit to China see our next issue.)

News in Brief

Li Xiannian Meets Chiaromonte. Li Xiannian, Vice-Chairman of the Central Committee of the Chinese Communist Party, on September 7 met with Gerardo Chiaromonte, a leading member of the Italian Communist Party and member of its Secretariat. Vice-Chairman Li briefed the Italian guest on the Third Session of the Fifth National People's Congress and exchanged views with him on major international questions.

Deng Xiaoping Meets Dr. Salas. Deng Xiaoping met with Executive Director of the United Nations Fund for Population Activities Dr. Rafael M. Salas on September 9. He said: "We are drawing up a plan for controlling population growth and striving to keep the population within 1,200 million by the end of this century."

On the same day a programme agreement between the Chinese Government and U.N.F.P.A. was signed in Beijing. According to this agreement, technical assistance will be provided to the Chinese Government in an amount of 50 million U.S. dollars over a four-year period. Among the seven areas of assistance agreed upon are population census, family planning and population education.

Vice-Premier Ji in Three African Countries. Vice-Premier Ji Pengfei paid a friendly visit to Burundi, Madagascar

and Mauritius from August 25 to September 8.

In Burundi, he held talks with President Jean Baptiste Bagaza, and had identical views on major international issues. They attended the groundbreaking ceremony of the 110-kilometre-long highway built with Chinese assistance, which will extend from Bujumbura to the source of the Nile.

In Madagascar, he met President Didier Ratsiraka. Both expressed satisfaction over the development of friendly relations and co-operation between the two countries. A cultural agreement was signed.

In Mauritius Vice-Premier Ji held talks with Prime Minister Seewoosagur Ramgoolam and other ministers and exchanged views on bilateral relations, questions of common concern and other issues. These talks were helpful to the enhancement of the understanding and friendly co-operation between China and Mauritius.

POLITICAL

C.P.P.C.C. Closes

The 16-day Third Session of the Fifth National Committee of the Chinese People's Political Consultative Conference (C.P.P.C.C.) closed in the Great Hall of the People in Beijing on September 12. During the session, the members also attended the Third Session of the Fifth National People's Congress as observers.

The political resolution adopted at this session called on the people of all nationalities, democratic parties, people's organizations and patriotic forces throughout the country to make concerted efforts to accomplish the tasks set forth in Comrade Hua Guofeng's speech

on the work of the government at the Third Session of the Fifth National People's Congress.

The session elected He Changgong, Xiao Ke, Cheng Zihua, Yang Xiufeng, Sha Qianli, Burhan Shahidi (Uygur nationality), Zhou Peiyuan and Qian Changzhao additional Vice-Chairmen of the Fifth National Committee of the C.P.P.C.C., and elected 24 additional members to the Standing Committee of the National Committee.

The session decided that Wei Guoqing, Peng Chong, Zhao Ziyang, Song Renqiong, Yang Jingren and Bainqen Erdini Qoigyi Gyaincain will no longer be Vice-Chairmen of the C.P.P.C.C. National Committee as they had taken up other leading posts.

The session adopted a resolution on the revision of the C.P.P.C.C. constitution and set up a committee to revise its constitution with Deng Xiaoping as chairman.

In his closing speech on September 12, Vice-Chairman Ulanhu of the C.P.P.C.C. National Committee said that members attending the session had held discussions in a spirit of high responsibility as masters of the state, put forward valuable suggestions on major policies and political life of the state and on the work of modernizing the country, thereby displaying the role of democratic consultation and supervision.

A Meeting of Democracy

"No decisions on major state construction projects should be made with only the approval of

Premier Zhao on Political and Economic Reforms

During his meeting with a delegation from the Japan-China Association on Economy and Trade led by Toshiwo Doko and with Yoshihiro Inayama as its adviser on September 11 in Beijing, Premier Zhao Ziyang briefed them on the main contents of the Third Session of the Fifth National People's Congress. One is the reform of the political system, including the state leadership system and the cadre system, and the other is the reform of the economic system. The two supplement each other, he said.

The political reform, Premier Zhao said, is to solve the problems of over-concentration of power and life-long tenure for cadres. The experience of China and other countries has shown that over-concentration of power is not conducive to democracy.

The socialist system has great advantages, he added. But China's present economic system has two drawbacks. One is the over-concentration of power in making decisions, which leaves the leading members of enterprises practically powerless. The other is that no clear distinction is made between the government and the enterprises. Instead of exercising leadership over enterprises through economic planning, legislation and other economic means, he said, government institutions directly intervene in the internal affairs of the enterprises, thus putting the hundreds of thousands of enterprises in a passive position.

Zhao Ziyang said that the present reform is aimed at solving these problems. The enterprises will be given more power of self-management. Economic activities will be carried out through enterprises and other economic organizations. This reform is in line with the principle that the working class should be the master in running the enterprises, he stressed.

Personnel changes were made at the session, Premier Zhao said, but there will be no change in China's policies, including the policy of Sino-Japanese friendship. Strategically, he said that China and Japan have common interests and, economically, they need each other. Therefore, there are broad prospects for economic co-operation between the two countries.

a single government minister or vice-premier. If such matters are not considered by the National People's Congress, what's the use of the congress?"

Statements like this, as well as criticisms, recommendations and questions of all kinds, were heard throughout the Third Session of the Fifth National People's Congress which ended on September 10. Over 3,200 deputies from all parts of the country attended the lively, 12-day session and reflected the ideas of their electors in discussions on such important matters as political leadership, economic reform, education, law and cultural issues.

The deputies put forward 2,300 motions during this session, which were unprecedented both in number and in the scope of issues covered. Among the more important topics considered were the revision of the nation's Constitution, the adoption of various new laws and the changing of some of the top state leadership. The deputies also discussed national price and wage levels and expressed their views and opinions on the Baoshan Iron and Steel Complex, a major state construction project now going up in Shanghai, as well as other matters. Government officials concerned were sum-

moned to answer their questions.

For the first time in many years, *Renmin Ribao* printed the summaries of statements and complaints of more than 400 deputies and members of the Chinese People's Political Consultative Conference as well as the replies of the ministers concerned. *Gongren Ribao*, *Guangming Ribao* and other papers reported the minutes of various panel discussions, as well. This new policy is seen as an important step towards making people more familiar with the National People's Congress and with their own deputies, thereby helping them all to supervise the work of the government more easily.

One of the most important messages this session has given is that the Chinese people are the masters of their own country. Many deputies and citizens are saying with pleasure that important changes are taking place within the National People's Congress, that no longer can it be dismissed as insignificant or a forum of empty talk. A recent editorial in *Renmin Ribao* pointed out that this session marked a big step forward in promoting democracy and that the National People's Congress itself is moving closer to fulfilling its intended role as the highest organ of state power in China.

Against Bureaucracy

The Central Commission for Inspecting Discipline under the Central Committee of the Chinese Communist Party issued a circular last month calling on the people to combat bureaucracy in economic work.

Two Shanghai companies where bureaucracy caused heavy economic losses were cited. A total of 815 tons of

wool of the Shanghai Woollen and Linen Fabrics Company were left to be moth-eaten in nine of its warehouses, 150 tons of which were ruined by mildew. In the case of the Shanghai Silk Company, 3.37 million metres of grey silk fabrics or 15 per cent of its total stock, had lain idle in its warehouses for two to ten years, a portion of which had become so brittle that it could be easily torn apart.

The circular emphasized that these were by no means two isolated cases. Lack of Party discipline and slackness in the enforcement of rules and regulation in recent years had given rise to various forms of bureaucracy, causing tremendous loss and waste.

The circular stressed that such waste of state property is intolerable and detrimental to the four modernizations and should be combated by all means. Serious cases of irresponsibility in work and bureaucracy should be severely dealt with according to law and Party discipline.

Leading cadres of the Shanghai Textile Bureau and the two



Wang Zhenyu (left), head of Yanchi County in Ningxia, maintains close ties with the masses and is praised by them as a competent cadre.

companies mentioned above have, in accordance with the criticism in the circular, made self-examinations and are taking concrete steps to combat their bureaucratic style of work. At the same time, they are trying to improve their management system and take measures to salvage some of the damaged materials and reduce losses to a minimum.

ECONOMIC

Progress in Livestock Breeding

Production of pigs, sheep and draught animals has increased significantly for the second straight year as a result of policy reforms in agricultural and pastoral areas.

The total number of pigs had increased to 314 million by the end of June this year, up 1.5 per cent over the corresponding figure for 1979. In the first half of this year, 91.4 million pigs were slaughtered for consumption, or 9.8 per cent more than were killed in the same period in 1979.

The total number of sheep in stock had reached 206.1 million by the end of last June. This represents an increase of 8.4 per cent over the corresponding period of last year, the highest increase in New China's history.

The number of draught animals (horses, cattle, donkeys, mules and camels) in stock during the first six months of this year was 95.25 million, about one million or 1.1 per cent more than during the same period of last year.

These achievements result from recent government policies designed to encourage

livestock breeding in agricultural and pastoral areas. Since last year, the peasants and herdsmen have been allowed to raise any number of animals by themselves over production quotas, and have been given a certain amount of land for growing fodder crops. In many pastoral areas, production responsibilities that were once assumed by the production teams are now taken up by smaller groups (each with three or four households) or individual households. Under this new policy, the groups or individual households are responsible for meeting production targets set by the collective.

New Vinylon Mills

Nine new vinylon mills have been built in China, using limestone and coal as raw materials.

Their equipment is Chinese-made and modelled after a set that was imported in the 1960s and later renovated.

Six of the plants have already gone into operation one after another since 1975 in Fujian,¹ Hunan², Anhui³ and Jiangxi⁴ Provinces, as well as in Shijiazhuang⁵ of Hebei Province and Lanzhou⁶ of Gansu Province. Construction of the other three has been completed in Shanxi⁷ and Yunnan⁸ Provinces and the Guangxi⁹ Zhuang Autonomous Region, and part of their equipment has started trial-production.

The nine mills will be able to produce a total of 90,000 tons of polyvinyl alcohol from which 66,000 tons of vinylon fibre can be produced to make 462 million metres of vinylon cloth each year.



SOCIAL

Environmental Protection

With the quickening pace of industrialization in the country, active measures are being taken to combat pollution, according to a spokesman of the environmental protection office under the State Council.

China now has nearly 400,000 factories and mines. Last year an estimated 78.8 million tons of polluted water and 9,900 million cubic metres of waste gas were discharged from the factories every day, in addition to an annual 450 million tons of industrial residue.

Water and air pollution is a major problem at the moment. For instance, China's big rivers like the Changjiang (Yangtze), Huanghe (Yellow) and Huaihe Rivers are polluted to varying degrees by industrial effluent. Air pollution in the cities is mainly the result of irrational distribution of industries and the using of coal as fuel by a large number of people.

The central government and all industrial departments under the State Council have this year allocated special funds for tackling pollution. Such

funds have been increased year by year.

The State Environmental Protection Law was promulgated last year and has since been carried out on a trial basis. The various provinces have their own pollution-preventing regulations, and the fines imposed for effluent discharged exceeding the permitted amount are usually slightly higher than the cost of proper disposal of waste. This has prompted the enterprises to take practical and effective measures to reduce pollution.

A number of big cities are taking varied measures to tackle the pollution problem resulting from the irrational distribution of industries. In Beijing, for example, four factories and a workshop causing severe pollution have been moved out of the city, 40 have amalgamated, and 43 others have switched over to other trades. Another 39 factories will soon move out or switch to non-polluting forms of production.

At a recent national meeting in the city of Wuxi in east China, 50 experts and officials from 25 provinces, municipalities and autonomous regions jointly discussed how to step up their efforts in the battle against pollution.

There are at present 297 pollution monitoring stations employing 6,000 people in the major and medium-sized cities and industrial zones. A number of environmental protection research institutions have been set up, and special courses in this field are now offered in some colleges and universities. In addition, the construction of a national environmental science research institute is now being planned.

Kampuchean Policy Shifts to Fight Aggression

THE Democratic Kampuchean Government is striving to consolidate and broaden the Patriotic and Democratic Front of Great National Union to make it more comprehensive," Prime Minister Khieu Samphan told visiting Chinese radio and TV correspondents at the seat of the Kampuchean Government recently.

Khieu Samphan's statement shows why Democratic Kampuchea, far from being wiped out by the Vietnamese aggressors, is carrying on strong resistance.

After summing up past experience and lessons, the Democratic Kampuchean Government is correcting its mistakes, and changing and reshaping its policies while carrying forward the anti-Vietnamese struggle. After seeking the opinion of personages and mass organizations of various strata, the government made public a Draft Political Programme of the Patriotic and Democratic Front of Great National Union of Kampuchea in September last year. The programme calls on all patriotic forces, regardless of their political leanings and differences, to unite as one in resistance against Vietnamese aggression and welcomes them into the government and administrations at various levels. Also, the draft political programme guarantees democratic freedoms and other rights of the people and protection of private property.

In order to implement the programme, the government organized study courses for cadres at different levels, carried out a major government re-

shuffle at the end of last year and suspended the Constitution of Democratic Kampuchea promulgated on January 5, 1976, which provided for elimination of exploitation and for state and collective ownership of the basic means of production.

Leaders of Democratic Kampuchea have on several occasions made self-criticisms over their past erroneous policies. Said Khieu Samphan: "We have committed excesses and serious mistakes." "We had intended to mobilize the entire people to boost agricultural production and improve living conditions as quickly as possible," but, he added, "we forced the people to do manual labour which was too harsh for some people. As a result some people died of exhaustion, diseases and malnutrition." Deputy Prime Minister Ieng Sary said that "political errors were made" because of the lack of experience in managing the state and over-zealous policies. He said the decision to clear out the city-dwellers proved disastrous to large numbers of people. The government should have allowed the family to live together instead of splitting it up; schools should have been kept running normally, private property should not have been abolished and currency should have been allowed as well as freedom of religious belief. For all these mistakes, he continued, the central government should be held responsible.

In line with the front's programme, the Democratic Kampuchean Government has rallied other Kampuchean resistance armed forces in Pursat Province,

and in the Melai Mountains, Thmar Puok and other parts of Battambang Province in a joint struggle against the Vietnamese aggressors. In the areas under the administration of Democratic Kampuchea, communal canteens and forced collective labour have been abolished, and private businesses and freedom in marriage and religious belief have been guaranteed. Cadres and soldiers are conscientious in taking care of the interests of the people, for which they have won praise from the people. Khieu Samphan said Democratic Kampuchea pursues a policy of "letting bygones be bygones" and of non-discrimination towards puppet military and administrative personnel who have crossed over to the people's side, as well as a policy of leniency towards Vietnamese captives who have laid down their weapons.

As Democratic Kampuchea has conscientiously implemented the programme of the front, suspicions and worries have been removed from the minds of many and relations between armymen and civilians have improved, thus further consolidating the foundation for a great national union. In Koh Kong Province, Khieu said, those who have fled into the jungle and survived since the invasion by Vietnamese troops have come down from the mountains. In Preah Vihear Province, the people warmly welcomed the fighting forces of Democratic Kampuchea, saying: "Here come our new troops." The people in different parts of the country are providing the guerrillas with information and food. More and more puppet soldiers and self-defence personnel secretly pro-

vide shelter or even serve as guides for the Democratic

Kampuchean national army and guerrillas.

Khieu Samphan on Kampuchea's Seat in U.N.

IT would be a grave mistake to adopt a neutral stand between Viet Nam the aggressor and Kampuchea the victim of the aggression, and to designate the seat for Kampuchea vacant at the forthcoming U.N. General Assembly Session. Whatever their desire may be, those taking this stand will actually be falling into a trap set by the Soviet Union and Viet Nam, thus helping them in their aggression and expansion.

This was said by Prime Minister Khieu Samphan of Democratic Kampuchea in a recent exclusive interview with Chinese correspondents.

Prime Minister Khieu Samphan stated that some people in some countries say that Viet Nam will not threaten other countries after invading Kampuchea. This is wrong. The Soviet Union and Viet Nam have the same aggressive and expansionist ambition and their strategic aims are the same. Facts have proved that Viet Nam aims to take over Southeast Asia.

To attain their goal, the Kampuchean Prime Minister continued, they will hatch all kinds of schemes, both militarily and diplomatically, such as dispatching secret agents to carry out subversive activities and inciting revolts in other countries. They used these tactics against Democratic Kampuchea before their open invasion of the country. Now they are employing the same tactics in dealing with the ASEAN nations in an attempt to force

these countries to accept the Vietnamese aggression in Kampuchea as a legal move.

Should they succeed in annexing Kampuchea, he said, there would be nothing to stop the Soviet Union and Viet Nam from realizing their strategic goals in Southeast Asia, nor would there be anything to prevent them from occupying the Strait of Malacca and dominating the South Pacific Ocean and the East Indian Ocean.

The Prime Minister warned that if the Soviet Union achieves supremacy in Southeast Asia and has its way in Afghanistan, there will be no way to check Soviet expansion in the Middle East and the Persian Gulf. The Kampuchean and Afghan issues are closely connected, as are the Southeast Asian problem and the issues of Southwest Asia and the Persian Gulf.

Khieu Samphan expressed the hope that all peace-loving countries and peoples in the world, including Western Europe and the United States, will stand by the Democratic Kampuchean people in their struggle and render support to them in fighting the Vietnamese expansionists.

Prime Minister Khieu Samphan said: A quarter of a million Vietnamese troops are now mired in Kampuchea. He said that the enemy is being very provocative in Thmar Puok and the Melai Mountains. However, they have suffered defeats in Thmar Puok and have sustained considerable losses in the Melai Mountains. The morale of the Vietnamese infantry is low. The attacks they mounted in the Melai Mountains are mainly psychologically orientated, and coordinated with their diplomatic move. The Vietnamese intention is to make people believe that they are powerful and to induce certain countries to recognize the puppet regime in Phnom Penh so as to make the seat reserved for Kampuchea vacant in the forthcoming U.N. General Assembly Session.

Heng Samrin—Tool of Moscow And Hanoi

THE Soviet Union and Viet Nam have been giving the puppet Heng Samrin regime a big buildup in an attempt to sell it to the United Nations as "the sole legitimate representative of the Kampuchean people." But the Moscow-Hanoi trade mark is all too clear.

The Heng Samrin regime was installed by Vietnamese troops the day after their oc-

cupation of Phnom Penh. Heng Samrin had earlier been a participant in the Hanoi-engineered coup of May 1978 against the Democratic Kampuchean Government. He had fled to Viet Nam when the coup was quelled and returned to Phnom Penh with the Vietnamese aggressor troops. The actual strong man in the Heng Samrin regime is Pensovan, the "general secretary" of the Moscow-



"Onward Fraternal Soldiers. . ."
Cartoon by Lan Jianan

Hanoi-fostered Kampuchean "communist" party. Hanoi-trained Pensovian also bears a Vietnamese name—Hugn Cuong. In a statement on August 21 of this year, Samdech Norodom Sihanouk pointed out: "Heng Samrin, Pensovian and company in Phnom Penh are traitors to their motherland and the Khmer people. Heng Samrin is a quisling who represents not Kampuchea but Viet Nam and the U.S.S.R."

Foreign correspondents who have visited Kampuchea point out that Heng Samrin is merely a front man of the Vietnamese aggressors. Reports say that Kampuchean affairs are actually run by the "Cambodia office" in Ho Chi Minh City, formerly Saigon. Vietnamese in Phnom Penh also revealed that "the man in overall charge of Cambodia is Le Duc Tho." Vietnamese troops are everywhere in Kampuchea, from Phnom Penh to outlying cities and towns. There is at least one brigade in every province, usually a regiment in the seat of a pro-

vincial military region and a battalion in each district. All installations, from the office buildings of the Heng Samrin regime to the vital communication lines, ports, airports, checkpoints and bridges, are guarded and controlled by Vietnamese troops. Vietnamese "advisers" hold supreme power in all administrative organs. All documents and official statements of the Heng Samrin regime are drafted by the Vietnamese and then translated into Kampuchean for release.

The Hanoi authorities have opened all kinds of "training courses" and "study classes" for the puppet officials to inculcate the "Indochina federation" concept, and Vietnamese-language classes have been set up in every department.

At present, even in areas under its control, the Heng Samrin regime is being spurned by the Kampuchean people who, in growing numbers, have come to realize that only by driving out the Vietnamese aggressors and overthrowing the puppet regime can the independence, neutrality and non-alignment of Kampuchea be safeguarded.

—Fang Yuan

Europe at the Crossroads

THE new slogan reverberating throughout Western Europe—"a strong and independent Europe"—was put out by French President Giscard d'Estaing when he visited Bonn in early July. He was all for a Franco-West German alliance. "Europe should be independent," he said, and "the voice of Europe must be heard" in international affairs.

Logical Consequence

The emergence of that slogan is a logical consequence of the changes in international relationships over the last decade. Western Europe has become one of the three economic centres of the capitalist world. By the end of the 1970s, the GNP, gold reserve, foreign exchange and foreign trade of the West European Community exceeded those of the United States. Western Europe is an

economic rival to the United States and is demanding to be heard and treated as a political equal.

Over the last decade or so, the military balance between the Soviet Union and the United States has tipped against the United States. The Soviet Union has strengthened its strategic encirclement and frontal threat against Western Europe, while the United States has retreated step by step before the relentless Soviet strategic offensive. In Europe, with the Soviet Union holding absolute superiority in military strength and with the strategic arms limitation talks not placing any limit on the number and deployment of Soviet SS-20 medium-range nuclear missiles, doubts have arisen in Western Europe about the credibility of the American "nuclear umbrella." Outside

Europe, Soviet aggression from the Horn of Africa to Afghanistan has not drawn any strong counter-measures from the United States, and this has aroused Western Europe worries about the U.S. ability to defend Western interests in other parts of the world, notably the Gulf area. Under such circumstances, it is natural for Western Europe to move away from relying on others to depending on itself and making itself stronger. In a word, France and West Germany are drawn closer together by their concern at the weakness and uncertainty of U.S. leadership. On the part of the United States, it wants Western Europe to make more commitments, particularly in defence, as it finds itself less able to counter-balance the Soviet weight in Europe.

There is nothing the matter with the slogan itself. What does need clarification is the word "independence" in this slogan. What is meant by "independence"? If it refers to flexibility and relative independence in tactics in maintaining their common strategic interests within the framework of the Europe-U.S. alliance, few would challenge it. But if it means disension and eventual rupture with the U.S. on the part of Western Europe, many will understandably be perturbed and even oppose it. In fact, as the West European and U.S. media have revealed a number of the most influential people in Western Europe, looking at the Soviet Union with good intentions, think that European se-

curity can be ensured if they carry on "detente" with the Russian bear and do nothing to offend it. They do not remember that while the bear may be momentarily appeased, its avaricious nature will not change. It is not only impractical but also very dangerous for Western Europe to exchange its "independence" from the U.S. for a kind of permanent "detente" with the Soviet Union.

Common Strategic Goals

West European public opinion points out that Western Europe and the U.S. are facing the same global challenge which should be met jointly and on a global basis. Realities show that neither the U.S. nor Western Europe is capable of meeting the Soviet challenge alone, and that they will find themselves inadequate even if they join forces.

Confronted by such a formidable foe, top priority should be given to their common interests and strategic goals. Without this overall situation in mind, there can be no

genuine interests for Europe, "independence" will prove unreliable and it may be difficult even to be "neutral." A strong and ambitious foe will not be deterred by an "independent Europe," nor by a world in loose array. The Soviet Union has been longing to drive a wedge between Western Europe and the United States so as to divide and destroy them one by one. Both the West Europeans and Americans see this. But to see it is not enough. It is crucial not to give the Soviet Union a chance to do so, as the British Prime Minister has stressed.

Western Europe and the United States have their contradictions and differences, owing to their respective positions and conditions. But this can be an advantage. They can help offset each other's limitations, help each other in various ways through exchanges of views. It depends on how the United States and Western Europe handle these differences and contradictions.

If Western Europe and the U.S., with the overall strategic situation in mind, consult each other on an equal basis, help each other and seek common grounds while keeping differences, it will facilitate Western unity and co-operation and the establishment of a genuine "powerful and independent Europe."

The current debate going on in Western Europe has a vital bearing on the future and destiny of Europe. It will probably determine where Europe will go. At this point, Europe seems to be at the crossroads.

— Xinhua Correspondent
Guo Ping



"Sleep well!"

Cartoon by Fang Cheng

Hua Guofeng's Speech

At the Third Session of the Fifth National People's Congress

September 7, 1980

Fellow Deputies,

This session has been going on for nine days now. Entrusted by the State Council, Comrade Yao Yilin and Comrade Wang Bingqian delivered reports on our national economic plans and our state final accounts and budgets respectively. Comrades Peng Zhen, Jiang Hua, Huang Huoqing, Wu Xinyu and Gu Ming delivered reports or made explanations on the work of the Standing Committee of the National People's Congress, the work of the Supreme People's Court, the work of the Supreme People's Procuratorate, and several draft laws. I would now like to put forward some ideas mainly concerning the work of the government. With regard to planning and finance, it is generally held that the rate of economic growth and the targets for this year and next proposed in the report on the economic plans are quite appropriate and that they will be conducive to the continuing readjustment of the national economy and to better economic results, while the report on the state finances has explained the 1979 deficit and the projected deficits this year and next, and it has put forward measures to be taken to reduce and eventually eliminate them. All of us believe that it is possible, if we make an effort, gradually to restore the balance between revenues and expenditures. Every endeavour has been made to ensure that both the national economic plans and the budgetary plans for this year and next are practicable. To realize them, however, will still require united exertion on the part of the workers, peasants, People's Liberation Army commanders and fighters, intellectuals and cadres of all our nationalities,



and all patriotic personages. Since last year, serious natural calamities have occurred, and they are still occurring in some areas, and I hereby extend my deep sympathy to all our elders, brothers and sisters in the afflicted areas and pay my warm tribute to the cadres and masses and the P.L.A. commanders and fighters who are heroically combating these calamities. Together with all our fellow deputies here assembled, I am firmly convinced that the people of our country can overcome the difficulties caused by these calamities as well as other transient difficulties to score brilliant new successes in our march forward.

In the discussions of the past few days, you have expressed your appreciation of what has been achieved in the work of the government and in other fields over the past year, while at the same time calling attention to existing problems and offering many valuable criticisms and suggestions. On behalf of the State Council, I sincerely thank you for your trust in us. The State Council and the departments concerned

should carefully study your criticisms and suggestions and must try hard to do what needs doing and correct what needs correcting.

The last session of the Fifth National People's Congress was held over a year ago. Since then, the focus of all our work has been progressively shifted to socialist modernization. **We have continued to deal with the political and social problems left over from the past and have further consolidated and promoted a lively political situation of stability and unity.** In spite of the many problems still awaiting solution, the political and social environment for modernization is basically sound. Thanks to joint efforts by the public security, judicial, educational, ideological and cultural departments, the Youth League and society as a whole, better public order has prevailed and there has been reassuring improvement in our moral standards. The government departments at all levels have consequently begun to focus their attention on economic construction and, by analysing the new conditions and solving the new problems, they have made real progress in exploring the specific road to socialist modernization in our country.

Our economy has taken on a fairly new look in the past year or so as a result of the process of readjustment, restructuring, consolidation and improvement. The major sectors are progressing towards balance. Agricultural production, which has long lagged behind, has begun to turn for the better in the past two years. The rate of growth in light industry has surpassed that in heavy industry and the restructuring of the product mix of heavy industry serving agriculture, light industry and the people's daily needs has made some headway. The scope of capital construction depending on appropriations from the state has been brought under control, and the excessively high rate of accumulation has begun to fall. There has been some improvement in the living standards of the majority of the urban and rural population. Preliminary structural reforms of the economy have been initiated. The power of the people's communes, production brigades and production teams to make their own decisions is being secured. The powers of industrial and commercial enterprises for operation and management are being expanded. The practice of combining regulation by planning and regulation by the market has been introduced to a certain extent. Competition between enterprises and combined operations by them in conditions permissible under socialism are being encour-

aged. The growth of collective economy in cities and towns is being fostered, and legitimate individual economy is permitted to exist and grow within limits in both town and country. A two-level financial system with the central and local authorities apportioning responsibility for revenues and expenditures is being implemented. As a result of all this, the over-centralization of production, circulation and distribution is beginning to change and the entire economy has become more lively. Progress has been made in consolidating enterprises, the leadership of many enterprises has been strengthened, and there have been advances in their democratic management. The technoeconomic indices have been improved. Cases of loss caused by poor operation and management have decreased. Relatively good results have been achieved in creating more wealth for society with the use of less manpower and materials. Many localities, departments and enterprises have improved the training of managerial cadres, technicians and workers and are educating them by various ways in business administration, enterprise management and science and technology. Technological reforms and innovations focused on conserving energy are getting under way in some places. Organization and management have been improved and the technical level of production raised. All this work is still in its initial stages, and we must resolutely carry it forward.

The introduction and implementation of the policy of readjustment, restructuring, consolidation and improvement mark the beginning of a radical change in the guiding precepts for our country's economic construction. For a fairly long period in the past, a Left-deviationist tendency prevailed in many aspects of our economic work. We went against the fundamental thesis of Mao Zedong Thought, divorced ourselves from reality and flouted objective laws, recklessly setting and blindly chasing high targets. As a result, investment in all sectors of heavy industry with the exception of energy and transport was too heavy and capital construction was over-extended. This has not only led to low speed and efficiency, but seriously hampered the growth of energy, transport, agriculture, light industry, commerce, science and technology, culture and education, and the improvement of the people's living standards. Moreover, it has often gravely affected and even wrought havoc on the environment and the ecological balance. Over-rigid and excessive control inhibited the initiative of the grass-roots administrative offices, the

enterprises and the workers, and obstructed the flow between the different links in production and circulation. There were also many serious defects in our methods of investment, in the apportionment of the earnings of industry, in labour management and in the principles of distribution, which actually fostered waste and not economy, lower and not higher quality, the backward and not the advanced and laziness and not diligence. All this served to smother the superiority of the socialist system and even distort the fundamental principles of socialism. In essence, carrying out the policy of readjustment, restructuring, consolidation and improvement means eliminating the influence of Left-deviationist thinking on our economic work and adopting the principles of Mao Zedong Thought—starting from reality, seeking truth from facts and doing things within the limits of our capabilities—in economic construction, so that economic activity may better conform to economic laws. Practice has proved that the policy of readjustment, restructuring, consolidation and improvement is correct and has revitalized our economy and led it on to the path of sound development.

In the past year or so, there has been some improvement in the conditions for scientific research, which yielded a number of important results, and further efforts have been made to popularize science. In education, some progress has been made in the quality of instruction in primary and secondary schools and in universities. Certain reforms have been initiated in the structure of secondary education, and secondary vocational schools are being restored. The number of TV, correspondence and evening universities has increased. Significant successes have also been scored in culture, health work and physical culture. All this could not have been achieved without the strenuous efforts of comrades working in the fields of science, education, culture, public health and sports.

In the past year or so, further progress has been made in the development of socialist democracy and the socialist legal system. Guided by the four fundamental principles of upholding the socialist road, the dictatorship of the proletariat, the leadership of the Party and Marxism-Leninism-Mao Zedong Thought, cadres and the masses have emancipated their minds, sought truth from facts, dared to air their views and make criticisms, and had the courage to do what they ought and wanted to do but had hitherto dared not do. Many government organizations have had closer contact with the masses, heeding their criticisms

and suggestions and placing themselves under their supervision. The enforcement of the seven laws adopted at the Second Session of the Fifth National People's Congress is contributing greatly to the full play of the people's socialist initiative, to combating criminal offences, to the protection of the people's interests and to the smooth progress of modernization. Economic legislation and economic judicial administration are being introduced step by step to meet the requirements of economic development. The State Council and the departments concerned have already promulgated more than 40 economic statutes, with about two dozen more presently being drafted or examined. We are only beginning our work in this field and much remains to be done.

Here I wish to say a few words in particular about the question of protecting the democratic rights and economic interests of the minority nationalities and cementing the unity of all our nationalities. Owing to shortcomings and mistakes in our work, and particularly to the serious sabotage of our Party's and government's policies on nationalities, religion and other related matters by the two counter-revolutionary cliques headed by Lin Biao and Jiang Qing during the ten chaotic years, the right of many minority nationalities to regional autonomy and other democratic rights were trampled on, their economy and culture damaged and the people's life impoverished. In order to bring about a radical change in all this the Party and the government are taking a series of effective measures to enable the people in the minority nationality areas to recuperate and to institute genuine guarantees for their political, economic and cultural rights, especially the right to regional autonomy. We are all convinced that through the joint efforts of all our nationalities, we will be able to heal past wounds and bring about an unprecedented consolidation and development of close friendship and unity among the people of all our nationalities in a relatively short period of time.

In the past year or so, we have actively developed friendly co-operation and expanded economic, scientific, technological and cultural interchange with many countries, thus promoting friendship between the Chinese people and the people of those countries. We have persisted in opposing hegemonism and safeguarding world peace and have supported the just struggles of the people of various countries, thereby creating favourable international conditions for our socialist modernization.

In view of these developments in the political, economic, scientific, educational and diplomatic fields, we are justified in saying that, thanks to the joint efforts of the people of all nationalities, governments at all levels and personages in different circles, the resolutions adopted at the Second Session of the Fifth National People's Congress and the principles and policies it laid down either have been, or are being, carried out. Our major task this year and next is, in brief, to continue to build on the present favourable situation and implement the policy of readjustment, restructuring, consolidation and improvement of the economy and, in accordance with the plans put forward by the State Council at the present session, further to advance the cause of modernization on the basis of the progress made so far. This is a complex and challenging task with much to be done and many problems to be solved. I would now like to put forward my views on five points for your deliberation:

(1) Map Out a Long-Term Programme

This is a prerequisite to the development of the socialist planned economy. After the founding of the People's Republic, immediately after the three-year period of economic rehabilitation, we successfully formulated and fulfilled the First Five-Year Plan for the Development of the National Economy. The content of the Second Five-Year Plan was also fairly good, but to our regret it failed to play the role it should have played, as it was frustrated because of the mistakes of being boastful, stirring up a "communist wind" and giving arbitrary directions which were made in 1958, and because of "the struggle against Right opportunism" which began to unfold in September 1959. For a few years after 1961, the readjustment of the economy progressed smoothly with marked successes in every field, and rich experiences were gained. However, as this was essentially a period of economic rehabilitation, no new five-year plan for the development of the economy was mapped out. From 1966 onward, our economy as a whole and the work of the State Planning Commission itself were sadly disrupted by the "cultural revolution." Both the collection of information required for planning and the organs in charge of it were severely impaired, and it became almost impossible to carry on the work. Thus, during the 15 years between 1966



A food store set up and operated by an integrated farm-industry-commerce enterprise in Beijing.

and 1980, since it was impossible to work out detailed plans, we only produced outlines for the Third, Fourth and Fifth Five-Year Plans. Consequently, over a long period there was no long-term and comprehensive programme combining lofty with clear-set aims, far-sightedness with carefully planned steps and taking past experience into account with foreseeing future developments. Still, by their diligent efforts our workers, peasants, soldiers, intellectuals and cadres overcame a multitude of difficulties, put in a lot of hard work and registered quite a number of remarkable successes. Nevertheless, because we have not been able to escape blindness in one form or another and to achieve proper planning in economic construction, a number of grave and avoidable losses were incurred. Under such circumstances, the socialist economic system could not very well demonstrate its superiority. Without doubt, socialism is by far superior to capitalism, but events have shown that, in order to give play to this superiority, we must have a correct line and correct principles and policies under which to map out a sound long-term programme and annual plans. Now that we have such a correct line and such correct principles and policies, the task of formulating a long-term modernization programme or an outline of such a programme is on the agenda. As matters stand, the mapping out of an outline programme is still a very difficult task, but it has to be done—it is the guide to the four modernizations.

In my Report on the Work of the Government at the Second Session of the Fifth National People's Congress, I spoke of making necessary additions to and revisions of the draft outline of the ten-year plan (1976-1985). After repeatedly studying the matter, the State Council is of the opinion that the measures we have taken

and the exertions we have made to set things right since the smashing of the gang of four have resulted in the speedy rehabilitation and development of the economy. It has been our desire to make up for the loss sustained during the ten chaotic years. Such revolutionary enthusiasm should be affirmed. But the original draft, which came under the influence of the then prevailing conditions, underestimated the difficulties arising from the prolonged sabotage by Lin Biao, Jiang Qing and their ilk and the ultra-Left thinking stirred up by them and failed to learn adequately from the experience, both positive and negative, in economic construction of the past 30 years. Some targets were inappropriately high, the scale of capital construction was too large, and comprehensive balance was lacking in many projects. At the present session, you have raised a lot of criticisms in connection with the original outline plan and they are quite justified. However, it would be meaningless to revise this ten-year outline plan more than four years after it was drafted. Therefore, the State Council has decided not to do so but, instead, to map out a draft outline of a ten-year plan for the period 1981-1990 and then to draw up the Sixth Five-Year Plan for 1981-1985.

We believe in the light of experience that mapping out a good long-term programme requires a satisfactory solution to the following questions in particular.

We must proceed from the objective laws of socialist society. Socialist society covers a historical period of considerable length, during which the existence and growth of commodity economy is an objective reality and necessity. Of course, ours is a socialist commodity economy subject to planning. Our enterprises are relatively independent commodity producers. Guided by unified state planning and within the scope defined by the principles, policies and decrees of the state, an enterprise should have the right independently to carry on production, exchange and other economic activities according to the needs of society and the law of value. For a certain length of time during the socialist period, the state and collective sectors are the basic forms of socialist economy, while a small amount of the workers' individual economy under state guidance is a necessary complement to the economy of socialist public ownership. Any change in the prolonged coexistence of these economic sectors depends on the growth of the productive forces. One of the salient symptoms of Left-deviationist thinking in our past

economic work was the denial of the necessity of fully developing commodity production and exchange as well as of the continued historical role to be played by the coexistence of the above-mentioned sectors of the economy after the socialist transformation was basically completed. Rigid and excessive control of the economy, the attempt rapidly to contract the socialist commodity economy instead of striving to expand it and the attempt, regardless of objective reality, to do away with individual economy where it is still badly needed and speed up the transition from collective ownership to ownership by the whole people as early as possible instead of fully developing the productive forces as the principal motive force of history—all this has done us grievous harm and even now still confronts us with many difficulties. In mapping out our long-term programme, we must be thorough in summing up experience, liquidate the influence of Left-deviationist thinking as well as other forms of idealist and metaphysical thinking and work strictly in accordance with the objective laws of socialist society.

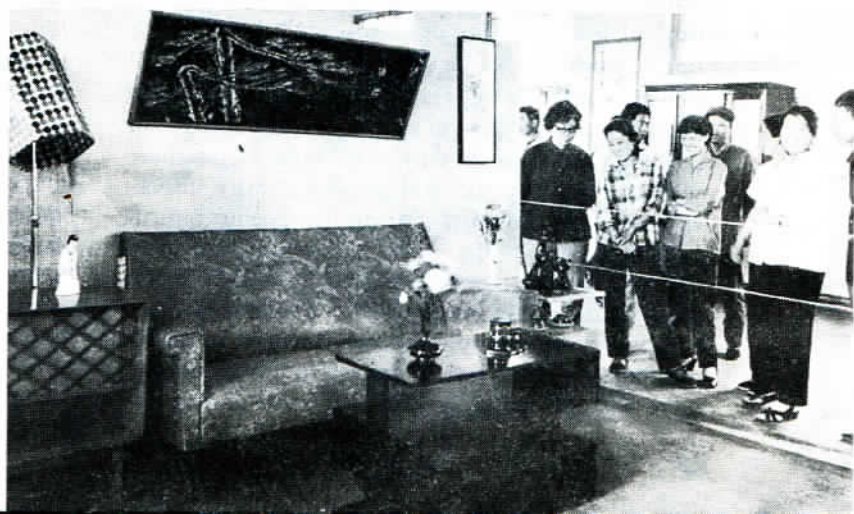
We must proceed from realities and work within the limits of our capabilities. China is a vast country with rich natural resources, but economic growth is highly unbalanced between different regions of the country with widely differing natural conditions. We have a huge population. Our people are diligent, courageous and intelligent, but their scientific and cultural level is low. We already have a fair-sized economy, which is independent and relatively complete in itself, but the per capita national income is very low, commodity economy is underdeveloped, and technology and management are backward. In mapping out the draft outline of the ten-year plan, we must take these natural, economic, cultural and other features of our country into full account. We must make the best use of our favourable conditions, exploit our advantages to the full and find new sources of production, and at the same time strive to overcome our weaknesses. We must exert ourselves for the prosperity of our country. The adequacy and effectiveness of our own subjective efforts will naturally have an important bearing on our achievements and the level we can attain in the next ten years. Nevertheless, we must recognize that these endeavours can play only a limited role and not an unlimited one. The reason is that the conditions we depend on, exploit or create in our endeavours cannot be determined arbitrarily by our will; they are determined by objective

reality. After this session, therefore, the departments under the State Council and the local governments at various levels will continue to make thorough, systematic investigations and studies of the current national situation, of the resources, including manpower, that can be utilized and developed in the next ten years, and of the course we should follow, so that our draft outline of the ten-year plan may as far as possible be placed on a scientific and practical basis.

We must devote our full attention to improving the living standards of the people. Our fundamental aim in modernizing the country is gradually to raise the level of the material and cultural life of the people on the basis of increased production. The State Council should take this into full consideration when undertaking to map out the draft outline of the ten-year plan. We combine planning for the expansion of production closely with planning for the gradual betterment of the people's living standards on the basis of increased production, so that our draft outline is an overall balanced plan covering our economic and social development. Naturally, to improve the material and cultural life of the people, we have to work in many spheres. Some of our work seems to have no direct connection with improving the people's living standards but such work is actually indispensable to a better life for the people. For instance, the further strengthening of the People's Liberation Army to consolidate the defence of our great motherland and to protect our peaceful construction is an indispensable task. And so is the study of certain basic sciences. All this is not hard to understand. In any case, we must see to it that the final results of the growth of production are manifested in appropriate and genuine improvements in living standards for the entire people. Thus, by studying the outline they can envisage how much our socialist economy will grow and how much their living standards will rise over the next ten years, and thus arrive at an understanding of the connection between the cause of modernization and their own immediate and long-term interests as well as the interests of the part and those of the whole. Then everybody will continue to display the spirit of arduous struggle and devote themselves to the cause heart and soul, knowing that it is their own.

We must pay special attention to the use of our intellectual resources and energetically develop our scientific and educational institutions. The level of development of a country hinges largely on the extent of its use of intellectual resources. The modernization of science and technology is the key to the three other modernizations. Scientific research must anticipate the needs of our economic construction and help solve the scientific and technological problems arising in the course of modernizing our country, and particularly the crucial ones. We must take the necessary measures in connection with management, economic benefits and ideological matters to facilitate the extensive and prompt popularization and application of the results of scientific research. The development of schools of all levels and categories has a direct bearing on the scientific and cultural standards of everyone working for the cause of modernization, and on the knowledge, skills, proficiency, discipline and moral qualities of manual and mental workers in town and country. It is the key to the development of our science and technology. Science is a productive force and so is education, which is indispensable as a means of training and raising the workers' knowledge and skills. We can never effect modernization if they remain illiterate or semi-literate. All levels of government and indeed the whole of society must stress and promote the cause of science and education, and respect our kindergarten, primary and middle school and university teachers and our scientists. We must respect their noble and arduous labour and raise their social status. On September 2, Ye Shengtao and seven other N.P.C. deputies wrote a letter to *Renmin Ribao*, severely criticizing some of the staff of two hotels in Dalian for their bad behaviour in slighting some

Furniture made by a company set up with investments by a forestry department of Heilongjiang Province and individuals.



primary school teachers, and called on people of all walks of life to respect primary school teachers. I fully agree with and support this letter. I hope all government personnel will join with the people throughout the country in creating an atmosphere in which all teachers and scientists are held in esteem by all members of society. The neglect of science and education, the failure to regard them as indispensable, is an important aspect of the Left-deviationist thinking of the past. It has cost us dearly and must be resolutely rectified. Therefore, the importance of science and education to the cause of modernization must be duly reflected in the draft outline of the ten-year plan. The State Council is prepared gradually to devote more funds to science and education in the coming decade and hopes that the governments of the provinces, municipalities and autonomous regions will do likewise. We shall strive in a multitude of ways to bring about more and better results in our scientific and educational work, so that in the course of time we may train generation after generation of workers with socialist consciousness, knowledge of science and culture, occupational skills and good health, as well as large numbers of specialists in all fields such as science and technology, social sciences, organization and management, literature and art, specialists suited to the needs of the four modernizations.

Family planning should be incorporated into the long-term programme. The population problem is one of universal concern. In mapping out our programme, we should plan the size of our population as well as the growth of material production, so that the two can fit in with each other. For a long period in the past, chiefly in the 1960s, we slackened our efforts with regard to family planning. As a result, our population has grown too rapidly and will continue to grow substantially in the coming years. Young people under 30 years of age account for about 65 per cent of the total population, or around 630 million. Some have already reached the age of fertility and the majority of the remainder will do so within the next 10 to 20 years or so. If population growth is not controlled, there will be a dizzy peak, making it virtually impossible for the economy and all our social institutions to cope. Upon careful study, the State Council deems it necessary to launch a crash programme over the coming 20 or 30 years calling on each couple, except those in minority nationality areas with sparse populations, to have a single child, so that the rate of popula-

tion growth may be brought under control as soon as possible. Our aim is to strive to limit the population to a maximum of 1,200 million by the end of this century. It is very common for one couple to have only one child in the developed countries. But for people in our rural areas, it is truly an important matter of transforming social customs and traditions. In our effort to achieve this, we rely chiefly on publicizing and implementing the policies of the Party and government and on ideological and political work, not on compulsion and arbitrary orders. It should be noted that since the early 1970s and in the last few years in particular, our promotion of family planning has achieved notable results both in town and country. Cadres at all levels, especially comrades in the women's organizations and the health and family planning departments at all levels, who are directly engaged in the work, have done a great deal. We should give them full credit. However, we must not shut our eyes to the fact that, for diverse reasons, cases of compulsion or even violations of the law and of discipline have occurred in this work in some places. We must firmly put an end to this. The State Council hereby proclaims to the whole nation: in the interest of the people themselves, it is essential that the promotion of family planning should continue and that we should continue to encourage, one couple, one child. Party and Youth League members and all cadres should take the lead without hesitation. The policies and measures we take in this connection must be appropriate. We must make full use of persuasion and education and guarantee safety in applying birth control techniques. It is our hope that after painstaking publicity and education the whole people, and particularly the young, will be able to see that this is in the nation's interest and will warmly respond to this important call.

The mass line is the essential way to map out our long-term programme. We should unite the leaders with the led and extensively mobilize government departments at all levels, all enterprises and establishments, workers and peasants and specialists in all fields to take part. The socialist economy, right down to each major enterprise or project, is a comprehensive whole comprising different elements, the interrelations of which may cause gains or losses to each other and which are very complex and far-reaching. This cannot be easily comprehended at a glance, and calculation must be meticulous and prediction scientific. Thus, decisions on major projects or programmes, or the for-

mulation of annual plans, and especially long-term programmes, can be made only after repeated investigation, calculation, study, demonstration, debate and comparison carried out by large numbers of specialists and after subsequent discussion and approval by the relevant departments in accordance with legal procedures. Nothing must be done in haste. While mistakes and losses are difficult to avoid, we must make every effort to avoid them as far as possible. When the Forum on Long-Term Planning was held in March and April this year, we invited specialists in all fields, including economists, techno-economists, technologists and natural scientists, to join in the discussion, thereby making full use of our specialists in all fields in drawing up the draft outline of the ten-year plan. This practice must continue in the future.

(2) Carry Forward the Structural Reform of Economic Management

Our present system of economic management, including the relevant systems of finance, labour and wages, prices and materials control, consists mainly of what we copied from abroad when we had very little experience and partly of what we inherited from the practices prevailing under the special historical conditions of the years of revolutionary wars. It has never undergone the reforms needed in the light of the specific course of development of China's socialist construction and in conformity with the scientific and democratic principles of socialism, and consequently more and more problems have piled up. The shortcomings and defects of our system of economic management show themselves mainly as follows: over-concentration of power; excessive and rigid control; denial of appropriate independence to socialist enterprises in their operations; improper use of government authority, both central and local, to take decisions directly and intervene administratively; and failure to distinguish either between the Party and the government or between the government and the enterprises in the sphere of management, thus making it very difficult for the enterprises to establish independent systems of production control and of operation and management. For a considerable period, we regarded as socialist principles certain methods in the system of economic management which hindered or even disrupted the growth of the productive forces. Instead of reforming them, we cherished and clung to them. At the same time, we denied the legiti-

mate independent functions and rights of the trade unions. As a result, enterprises ranging from industry, communications and transport, commerce, services, to state farms and the collectively run agriculture which involves the bulk of the population, lacked inducement to develop their production and improve their operations; the enthusiasm, initiative and creativeness of the working people were dampened; and the superiority of the socialist system was by no means given full play. We neglected the education of the cadres, staff and workers in production techniques and in operational and managerial know-how on the one hand, and failed to assign people with professional knowledge to important posts on the other, with the result that arbitrary directions were widespread, making it very difficult to raise technical, operational and managerial levels. During the ten-year upheaval, some systems and policies that had been gathered together through long experience and had proved efficient over the years were disrupted and all but destroyed by Lin Biao and the gang of four. Their ultra-Left line in economic work and their corresponding policies and methods wrought havoc in the economic system, which was already beset by numerous problems. After over three years of consolidation, the general economic situation has markedly improved, but many problems still remain. In a word, the shortcomings and defects in the system of economic management



A commune Party secretary in Ningxia Hui Autonomous Region working together with an old peasant to cultivate better strains of potatoes.

seriously impede the progress of modernization and must be eliminated in a thoroughgoing reform.

The general orientation for this reform is to transform over-centralized management by the state (central and local authorities included), extend the decision-making power of the enterprises and the power of their workers and staff to participate in management, transform regulation through planning alone into regulation through planning combined with regulation by the market, and transform management relying mainly on administrative organs and methods into management relying mainly on economic organs as well as on economic and legal methods. The reform in process for the past year is only a small first step in this direction. From now on, we must conserve what has proved effective in the reform, improve it and perfect it and, on the basis of our initial successes, carry it out unswervingly. It must be pointed out, however, that as structural reform is a very complicated matter with many ramifications, we must give it careful thought and make adequate preparations. We should draw up a programme for overall reform, conduct experiments, and put it into effect prudently and step by step.

The reform of the economic system is essentially aimed at making the maximum use of the superiority of socialism. Naturally, new problems will inevitably crop up in the process. We should make prompt investigation and study and solve the problems conscientiously and we must not panic or halt or fall back. The personnel, especially the leading personnel, at all levels of government, should further emancipate their minds and carry forward the reform by working enthusiastically with the masses, daring to innovate and acting prudently after investigation and study and on the strength of collective wisdom, and thus bring about fresh progress in socialist modernization. This reform will help raise economic efficiency, expedite modernization, consolidate and perfect the socialist system and, in short, improve living standards. We are convinced, therefore, that it will win the support of the whole people.

(3) Eliminate Bureaucracy and Improve Government Work

In restructuring our economic system, we must improve the work of the government at all levels. At present, widespread bureaucracy in our government offices at various levels is a very serious problem. In many of its manifestations bureaucracy is tied up with the irra-

tional economic system and the two reinforce each other; restructuring the economic management system will help to eliminate a good deal of bureaucracy, but bureaucracy in its turn will impede the restructuring of the economic system or even continue to do harm after the reform of the system. The elimination of bureaucracy, therefore, must be carried out together with structural reform of the economy. Bureaucracy hampers not only the restructuring of the economic system and the progress of modernization, but all our other work as well. It has already aroused and continues to arouse strong popular discontent. Unless our administrative structure is thoroughly purged of bureaucracy of all descriptions, the governments at all levels will be unable to build an administrative system of high efficiency and prestige and give full play to the enthusiasm of their personnel and of the masses and consequently to the superiority of the socialist system. So I would like to speak at greater length on how to overcome bureaucracy effectively.

Bureaucracy is a social phenomenon with a long history. While the bureaucracy of today and the bureaucracy of the old society have many things in common, the two are nevertheless essentially different. The bureaucracy of the old society served to exacerbate the exploitation and oppression of the working people by the ruling classes and could not possibly be eradicated by the old society itself, while the bureaucracy as exists in our society makes it hard for the socialist system to display its superiority, goes against its interests, and can and must be overcome by our socialist society. Apart from and more important than the surviving influence of the pernicious habits of the old society, the emergence and growth of bureaucracy in our government organizations has its social roots in the fact that our socialist system is still far from perfect and that our understanding of the laws of socialist development is still far from complete. We tried many times in the past to counter the manifestations of bureaucracy, but our efforts did not achieve much. Why? The main reason is that, in the past, we relied chiefly on ideological education, seeing it merely as a vestige of the old society and failing to look for the causes of bureaucracy in the various systems and the ways to overcome it. While the present socialist system is still far from perfect, our government organs are improperly managing almost every aspect of social life by administrative methods, thereby burdening themselves with a complex, back-breaking and unparalleled job. This irrational

state of affairs is in fact the crux of the matter. If it remains unchanged, it will not only prevent us from concentrating on eradicating the old-type bureaucracy, but will inevitably produce other kinds of bureaucracy under new conditions. I do not intend to dwell on the evil practices of old-type bureaucracy and the well-known bad work style of the bureaucrats in their dealings with the people. I wish to focus on the serious defects and faults engendering bureaucracy in our present administrative system. **They fall mainly under the following categories.**

1. Over-concentration of power. The individual enterprises and production units are not granted the power to engage in economic activity independently, and a lot of vital power is concentrated in the multiple echelons of administration above them. The result is that those higher up become far removed from actual production and enjoy ever greater power, the echelons of administration multiply, and work becomes increasingly difficult. The power which should belong to the enterprises and production units is improperly concentrated in the government departments, that which should belong to the local authorities in the Central authorities, and that which should belong to the government departments in the Party committees. This state of affairs is becoming an increasingly formidable obstacle to the progress of socialist construction. Things are more or less the same in undertakings outside the economic realm. True, a certain degree of centralization of management is necessary in our socialist state, especially in its early stages. In point of fact, an important manifestation of the superiority of socialism is the proper centralization of management in accordance with the plan for developing the economy and the centralized leadership of the government and the Party in co-ordinating the interests of all social sectors. But excessive centralization of power produces the opposite results, which are not unfamiliar to us — those at the lower levels who know how things stand are often not in a position to take decisions which should be theirs to take, while those at the upper levels who don't know how



A deputy to the Xuhui District People's Congress in Shanghai reporting to his voters.

things stand often have to take decisions without having the time to get to know the situation. This not only reduces efficiency and dampens the enthusiasm of those at the lower levels, but it also lowers the standard of leadership of functionaries at the upper levels, making mistakes inevitable in their work. They become deeply entangled in trifles which they ought to be rid of and consequently do not have time to study and consider carefully more important matters, so as to tackle them properly. As they are far removed from the complexities of real life, they unavoidably tend to simplify matters, think in absolute terms and find a single solution for diverse problems at the lower levels. This is an important reason for many bureaucratic practices in our real life.

2. Confusion with regard to the limits of powers and responsibilities. At all levels of government, from the State Council down to the local administrations, there are no systematic and practicable administrative rules and regulations by which to define or specify the scope and limits of powers and responsibilities and lay down the working procedure of departments, local administrations, units and individuals. This has often resulted in the departments and units having no rules and regulations to go by when there are no precedents to follow. They are not clear about their duties and responsibilities and consequently have no alternative but to report to the higher authorities and seek instructions, with the reports passing from one echelon of authority to another. Hence the odyssey of official papers and the deluge of reports and meetings, the endless disputes over trifles and the dilatory style of work.

3. The incompatibility of the present cadre system with the requirements of socialist construction. The different levels of government haven't a sound system for selecting, ap-

pointing, assessing and training cadres, or for culling out the incompetent and meting out rewards or disciplinary sanctions. The departments and units seldom recruit and employ cadres through advertisement and examination or use them in accordance with their abilities. Instead, cadres are mainly appointed by the organizational and personnel departments. This system has its historical roots and has played a positive role. But it is becoming more and more inadequate to meet the tasks of modernization. There is no practical plan for training cadres, and the system is often out of keeping with the requirements of our work. Regular and strict assessment of cadres is lacking, as are rewards and disciplinary measures. No distinction is made between those who do a good job and those who do a poor one and between those who are qualified and those who are not. Once a person becomes a cadre, he has a lifelong job, an "iron rice bowl." Even if he proves really incompetent or seriously negligent of his duties, he remains a cadre until he is dismissed. Actually, although this system can prevent unemployment and guarantee a secure life for some people, the cost of achieving these things is too great. If this state of affairs is not thoroughly changed, how will we be able to realize modernization?

4. Overstaffing, overlapping, the proliferation of deputy and nominal posts and low working efficiency. The three phenomena of over-concentration of power, lack of clear-cut job responsibility and impropriety of the cadre system inevitably result in overstaffing. And overstaffing, in its turn, leads to a worsening of the maladies of bureaucracy. The fact that there is often duplication in our administrative setup and that the numbers of permanent and provisional organs and of the functionaries they employ exceed all previous records testifies to the gravity of the problem. We must now seriously study and tackle it without delay.

Here I must stress that most of our administrative organs have done a lot of work indispensable to socialist construction. All our achievements are inseparable from their efforts. In future, we will still need a powerful state apparatus and a government with full authority. And this government will have to take up all kinds of necessary administrative work which is ultimately in the service of the people. I would also like to stress that most of our government functionaries are hard-working, uncomplaining and devoted to their duty and

that many of them are rather proficient and experienced in practical work, often conduct on-the-spot investigations and keep close ties with the masses. In criticizing the bureaucratism in our work, we are mainly referring to the need to find out its causes and improve our system. The present undesirable system often leaves many of our devoted functionaries little room for the full exercise of their abilities or involves them in a lot of fruitless work. The responsibility certainly does not lie with them. It is true that there are some functionaries whose thinking and style of work are not good. But without a change in the system it will be difficult to overcome their shortcomings effectively. **The key to the eradication of bureaucracy lies first of all in a thorough eradication of the irrationalities in the system of state administration, the system of office work, the cadre system and the administrative setups. The specific measures to be adopted are as follows:**

(1) Delegate powers to the enterprises and other units. Under the centralized leadership of the state, the enterprises and other units should have the necessary power to make genuinely independent decisions concerning their management and operations. Experiments to this effect were undertaken in a number of enterprises last year with generally good results. In future, such experiments should be extended step by step to cover more enterprises, and we should continue to expand their decision-making powers. Only a few other units besides enterprises have conducted experiments. It is necessary to sum up their experience and steadily extend our experiments. Once the enterprises and other units have more powers to take their own decisions, the work of many administrative departments will greatly diminish. Some of these departments may be transformed into enterprises or establishments, while others may be amalgamated. Thus, with the large-scale simplification of administration the room for possible bureaucratism will be immensely reduced. Of course, the power to make independent decisions should not be handed to only a few leading members of enterprises and other units. They must also be invested in the appropriate democratic management agencies and supervisory organs which are genuinely representative of workers and staff. The delegation of power must be linked up with democratic management. All enterprises and other units should establish congresses

or conferences of workers and staff. The congresses or conferences enjoy the right to discuss and decide on important matters within their purview and to elect their leading administrative personnel or make recommendations for their appointment or removal. In day-to-day work, all matters affecting the vital interests of the workers and staff should be handled with the consent and co-operation of the trade unions. The delegation of power should in no case weaken the necessary centralized control. But such centralized control of enterprises should be exercised mainly by using economic methods instead of administrative methods as in the past. But beyond any question, along with democratic management, there must be necessary centralized management and centralized direction within the enterprises, whether in the field of production, technology or economy. This is also true in principle of the different institutions.

(2) The functions and duties of each administrative organ and its subordinate units and individuals should be clearly defined by administrative statutes. This work should be approached simultaneously from two directions. First, each department and unit should arouse the masses to work out the rules, regulations and guidelines for all kinds of work so that each person is clear about his specific duty and each job has someone responsible for it. If there are more people than needed, they may leave their posts to receive training or be assigned other jobs. This is now being done by some units and has yielded satisfactory results. Second, the levels of government from the State Council right through to the local authorities should organize specialists to formulate systematic administrative statutes that clearly define the functions and powers of the departments and units and the principles guiding their exercise, as well as the methods for solving certain special problems. When such statutes exist, the routine of reporting and seeking instructions from above can be reduced to a minimum and many things can be settled independently by the related departments and units within the context of their respective powers and working principles. After the functions and powers are specified for each unit and person, a rigorous system for checking up on their performance should be established so that both merits and demerits will be duly recorded, rewards conferred and disciplinary measures taken. Those who seriously neglect their duty should be dealt with according to law.

(3) Efforts should be made to reform the cadre system. After conscientiously summing up historical experience and making thoroughgoing investigations and study, we should work out a viable system for cadres at all levels and of all categories with respect to appointment, examination, assessment, rewards and disciplinary sanctions, training, promotion, transfer, retirement, dismissal, and so on. Ours is a socialist country, so we must try as far as possible to ensure a secure life for all who work and to make proper arrangements for them when they should retire or are relieved of their posts.

(4) We must establish and perfect a system of inspection and supervision. By taking the three measures mentioned above, we will be able not only to remove over-concentration of power, confusion over the limits of powers and responsibilities and the weaknesses of the cadre system, but also eliminate overstaffing. This will greatly lessen the manifestations of bureaucracy. However, bureaucracy is a historical phenomenon, and naturally sustained and relentless efforts are required to combat it. It is necessary to carry out regular and strict inspections and supervision over government organs at all levels and their functionaries. At present, the forms, channels and procedures for popular inspection of and supervision over government functionaries at all levels are still imperfect; in fact, the exercise of supervisory power by the masses is far from easy or universal. This state of affairs must change. In addition to supervision by Party organizations and the Party committees for inspecting discipline at all levels, letters and visits from the masses should be handled in earnest and newspapers and magazines should properly be utilized for exposure and criticism in checking up on and supervising the various levels of government organs and their functionaries. It is necessary to give more support to such activities. Supervision by people's deputies and by government organs at higher levels and exposure by government organs at lower levels exert a powerful influence and should be extensively encouraged. Mass recommendation, appraisal and selection of cadres are now being tried out with good results in some government organs and may also be popularized. In short, governments at all levels must continue to pool the wisdom of the masses and strive to create additional methods of inspection and supervision which are both more efficient and easier to carry out. This will facilitate, in accordance with the people's will,

the timely commendation, rewarding and promotion of cadres who have distinguished themselves in the cause of socialism on the one hand, and on the other hand the exposure and correction of the faults and errors of government functionaries and the replacement and recall of bureaucrats who are guilty of serious dereliction of duty.

I wish to point out that I have covered neither all the sources of bureaucracy nor all the methods of overcoming it. Moreover, while some of the methods of overcoming bureaucracy mentioned above may be carried out fairly soon, others, and a considerable proportion at that, cannot be carried out at once because it will require a fairly thoroughgoing and all-round reform of our work system and even of our organizational system, and so adequate preparation is necessary. But since we are determined to strive for modernization, we must make up our minds to carry out those reforms. Otherwise our modernization programme will definitely be held back by the aforesaid irrational systems. Of course, bureaucratic habits left over from the old society are related to the level of the productive forces and to the educational and cultural level of the people and cadres. That is why the complete overcoming of bureaucracy in all its manifestations is a protracted and arduous task. But the major bureaucratic maladies and other maladies connected with them can surely be overcome provided that government organs at all levels fully recognize the danger, grasp the four key links — reform of the state's management systems, reform of the administrative work system at the various levels, reform of the cadre system, and improvement of the system of inspection of and supervision over

cadres — and solve these problems in a planned and systematic way while intensifying education and training. Bureaucracy is by no means an incurable disease under socialism. Socialism will assuredly develop into a vigorous system. At least in China it certainly can and will. This is a requirement of the basic tenets of Marxism and, what is more, with our long revolutionary tradition of the mass line we can rely on the broadest masses. This ensures our eventual success in overcoming bureaucracy. We should steadily and effectively hand over to the grassroots units and to the masses the portion of our power that ought to be delegated. They will surely be able to help and supervise our government in carrying out all the necessary reforms so as to enable it to adapt itself to the needs of modernization and build itself up and become a modern socialist government: a fairly streamlined, responsible and efficient government in our history, a government which maintains close links with the masses.

(4) Promote Socialist Democracy and Strengthen the Socialist Legal System

The political prerequisite for the smooth progress of socialist modernization lies in practising and promoting democracy and perfecting the socialist legal system so that the people may effectively exercise their right to manage political, economic and other social affairs and any unlawful acts that hamper and undermine the cause of socialism may be promptly and effectively punished.

We have begun to reform the system of economic management in order to do away with over-concentration of power. We are correcting the practice of making no distinction between the

Party and the government or between the government and the enterprises. We are extending to the localities and grassroots units the powers that should be theirs, delegating powers to the enterprises and other units, and enhancing the necessary powers of the enterprises and establishments to make independent decisions concerning their management and operation. We are trying to improve and perfect such democratic management agencies and supervisory organs as congresses of workers and staff and trade unions so



A lawyers' training class in Shandong Province.

as to strengthen democratic management and supervision in enterprises and establishments. We are expanding and guaranteeing the right of the minority nationalities to regional autonomy and other democratic rights. We are combating bureaucracy, improving the leadership of the government and strengthening inspection and supervision over government organs and their functionaries by the masses. We are putting an end to the practice of granting de facto lifelong posts for leading cadres, strengthening collective leadership in leading organs at all levels and opposing arbitrary decisions by any individual. All these are important steps and significant measures being taken to develop socialist democracy.

It is necessary for us to continue our strenuous efforts to really institutionalize and legalize socialist democracy. To revise the constitution is the most important task in this regard.

The Constitution is the fundamental charter of our country and the basic guide for all spheres of government work. The First Session of the Fifth National People's Congress made some amendments to the Constitution. But we did not have enough time then to sum up comprehensively the experiences and lessons gained since the founding of the People's Republic, nor did we have enough time to size up and eliminate the influence of certain aspects of Left thinking during the ten chaotic years. As a result, there are quite a number of places in the present Constitution which are inappropriate. Moreover, many of the provisions of what is the fundamental charter of our country are not free from flaws, nor are they as well-defined as they should be. Therefore, the Central Committee of the Chinese Communist Party has proposed that the present session consider and begin an overall revision of the Constitution, so that it can better reflect the interests and will of the people of all nationalities in the new historical period and better meet the needs of socialist modernization and the democratization of the state.

The genuine rule of law is required not only for consolidating and enhancing the stability and unity of our country but also for ensuring the smooth progress of modernization. To this end, we must continue to improve the work of legislation and the administration of justice. We should first of all formulate laws that are much more complete than those we have now and, in particular, we should de-

vote much of our energy to legislation concerning economic affairs. We, therefore, suggest that the Standing Committee of the National People's Congress enlist the services of an adequate number of qualified personnel to draw up one by one such important laws as the civil law, the law of civil procedure, the law of minority nationality regional autonomy, the planning law, the factory law, the labour law, the contract law and the energy law. The State Council shall take an active part in the drafting of the relevant laws and shall institute and successively promulgate rules and decrees, especially administrative regulations governing the terms of reference and responsibilities of different organizations and the reform of the system of personnel placement. The provincial, municipal and autonomous regional people's congresses and their standing committees should draft and promulgate local statutes in conformity with the principles laid down by law. Only in this way can our cadres and other citizens have laws and regulations to abide by in all spheres of their work and their other activities.

As for laws, rules, regulations and decrees already promulgated, all levels of government must see to it that resolute measures are taken to enforce them. In recent months, counties all over the country have had deputies to their people's congresses directly elected by voters in accordance with the electoral law and have had their leading personnel chosen by these deputies. This is an event of far-reaching significance in the political life of our people, an indicator of the further development of people's democracy. The governments at different levels must do a conscientious job in this connection.

Our cadres, and senior cadres in particular, must set an example in observing discipline and abiding by the law. They must never think that they can flout laws and discipline on account of their authority or past meritorious services. Anyone who does so, comrades, is going to commit grave errors! The greater our cadres' authority and meritorious services, the greater their political and moral obligation to set an example to the people, their subordinates, their children and posterity and to lead the entire people in creating an entire generation imbued with revolutionary spirit. Comrades! We must resolutely do away with all bureaucratic airs and the exercise of "special privileges" and foster a revolutionary spirit of utter devotion to the people. This is our sacred duty to the people and youth of our country. People

who concern themselves only with the pursuit of their own private interests or those of their children, relatives and friends at the expense of the interests of the state and the people will eventually be brought to justice according to law and discipline. Our cadres must resolutely fight against the evil practice of tailoring the law to suit one's selfish ends and against bureaucrats shielding one another in wrongdoing. We must always keep to the principle that "all are equal before the law," and there must never be any "special citizens" who can violate laws and discipline with impunity. We must see to it that the public security organs, the people's procuratorates and the people's courts independently exercise their respective powers in investigation, prosecution and passing judgment, allowing no illegal interference whatsoever by any organs, mass organizations or individuals. Only by so doing can we guard the sanctity of socialist legality and make it a truly powerful revolutionary weapon in the defence of socialist democracy.

To ensure the correct and effective implementation of the present reform in our economic and political systems, we must strengthen ideological and political work as well as education in the revolutionary traditions, socialist morality, the socialist legal system and the communist attitude towards labour among cadres at all levels and the broad masses. We must strive to eradicate the influence of the remnant feudal ideology, and of such non-proletarian ideologies as bourgeois and petty-bourgeois thinking. It should also be noted that with the expansion of contacts with foreign countries, the corrosive influence of foreign bourgeois ideas is beginning to tell among certain people and such disgraceful behaviours as worshipping and having blind faith in things foreign and forfeiting national dignity are on the increase. We must be on our guard and oppose this tendency. To eradicate the influence of the ideologies of the exploiting classes and other non-proletarian classes is a major task for us, which is indispensable to the development of socialist democracy not only at present, but for a fairly long period of time to come.

(5) Ensure That the Leadership of Governments at All Levels Becomes Younger, More Educated and Professionally More Competent

Since we began to shift the focus of the work of the whole nation, it has become increasingly evident that the advanced age and lack of vocational knowledge of many govern-

ment leaders at the various levels make them unequal to the requirements of the four modernizations. Now the Party's work is to be separated from that of the government, and responsible personnel at all levels of government and in the enterprises and establishments will have to shoulder the heavy burden of organizing the people to undertake the task of modernization. The task will be severely affected and its fulfilment retarded if we do not change the present composition of the leading bodies by selecting and promoting to leading posts at different levels a large number of cadres who uphold the four fundamental principles and are in the prime of life and professionally competent. Therefore, as long as the four fundamental principles are upheld, the appointment of educated and competent younger people to leading government posts at all levels has a direct bearing on the continuity and stability of the government's correct leadership and on the success of our modernization programme.

Since the beginning of 1979 the Central Committee of the Chinese Communist Party has repeatedly emphasized that determined measures must be taken to strengthen the leading groups of Party committees at all levels with younger energetic cadres who uphold the Party's line and are professionally competent. This also applies to all levels of government. Over the country as a whole, this strategically important job has not been proceeding quickly, and not much progress has been made. Now it is time we came to grips with the problem. The three criteria put forward by the Central Committee for the selection and promotion of young and



Leading agricultural cadres from Guangdong, Guangxi and Fujian taking part in a short-term training course.

middle-aged cadres are by no means complicated. Provided we are unfettered in our thinking and follow the mass line, we should not have much difficulty in successfully promoting young and middle-aged cadres who fulfil these criteria. During the last 30-odd years we have trained more than 3 million college graduates plus more than 5 million graduates from secondary vocational schools. In addition, there are large numbers of young and middle-aged cadres of worker and peasant origin. In the long and complicated practice of revolution and construction, they have all undergone tests and raised their level of scientific knowledge and culture and acquired some professional know-how in their own line. There are plenty of people who meet the three requirements; the trouble is that little has been done to seek them out. Many capable people have been placed in posts where, being unable to use their specialized knowledge, they have long been tormented by a sense of frustration. And yet the leaders of their departments have paid no heed. What a big loss to the state this is! This again shows the importance of continuing to eliminate the evil influence of the long-prevailing Left-deviationist thinking which despises knowledge and intellectuals. More than 40 years ago, in speaking of the selection and promotion of cadres for economic work, Comrade Mao Zedong said, "Discard this mistaken view and you will see cadres all around you." This remark is well put and is still apposite today.

The important task of training and selecting young and middle-aged cadres rests especially on the older generation. Large numbers of our old cadres braved untold dangers in the prolonged revolutionary struggle and have driven with might and main for the cause of national construction. They have made great contributions and deserve the respect and love of the people as valuable assets of our Party and our country. To reduce the average age of leading cadres means to increase the percentage of younger people in leading groups at different levels so that they gradually become the majority. It does not mean the removal of all older people from leading posts. Besides, age requirements for leading cadres should vary at different levels. Older cadres who are able to carry on their work remain the mainstay of our leadership. But some are now quite old and lack the necessary health and vigour; after all you cannot resist the laws of nature. We might ask these comrades to act as advisers, but it would be too much to ask them to continue to shoulder

the heavy tasks at the front line. Thus we should conscientiously make arrangements for large numbers of older and frailer comrades who have made contributions to the state and the people to stay at the second or third line so that they may continue to make contributions in their remaining years while enjoying as before what is due to them politically and materially. The older cadres have rich experience in judging, selecting and training people. History has entrusted them with the important and glorious duty to actively find and promote outstanding young and middle-aged cadres, voluntarily to let the younger and more energetic comrades take their places, and to encourage, support and help them boldly carry on their work. This is a best and most valuable contribution our senior cadres can make to the cause of the four modernizations. We are convinced that they will certainly live up to the eager expectations of all our people!

The necessary conditions should be created to help large numbers of government functionaries and cadres in all fields of work to study full- or part-time and to acquire and increase the general and specialized knowledge they need to work for the four modernizations. These include regular specialized schools and training courses for cadres either at their posts or while on special leave. We have both positive and negative experience in this connection. In the early years of the People's Republic, we used varied methods in training cadres of worker, peasant and soldier origin and helped them raise their cultural level and increase their professional knowledge. This highly important work which had yielded notable results was later regrettably discarded. We should now resume and improve it in order that all such cadres fit for further studies will be able to pursue their studies in various specialties through all possible forms of training, arming themselves for the four modernizations. The leaders and functionaries at different levels of government, must study tenaciously and untiringly. It is our belief that from them will emerge more and more socialist-minded experts in all trades and professions.

In his report to the Second Plenary Session of the Seventh Central Committee of the Party, Comrade Mao Zedong said, "If we know nothing about production and do not master it quickly, if we cannot restore and develop production as speedily as possible and achieve solid successes so that the livelihood of the workers, first of

all, and that of the people in general is improved, we shall be unable to maintain our political power, we shall be unable to stand on our feet, we shall fail." After nationwide victory, we accomplished that task with resounding success. In the new circumstances of today, we face a similar task in realizing modernization. It is imperative for us to accomplish it, and we certainly can.

Fellow Deputies! All the questions I have just dwelt upon most deeply concern all our people. They have arisen from the new conditions and our understanding of them is still rather superficial. We now invite you, our fellow deputies, to discuss them so as to reach a common and correct understanding. It must be noted that we are merely posing these questions here and that arduous efforts will be needed for their solution. After the conclusion of this session, the State Council and the local governments should proceed from reality and investigate and study problems thoroughly so as to put forward effective and practical guidelines and specific policies and measures to this end. The governments at all levels should, first of all, initiate rigorous reforms in their work, overcome bureaucracy and become state administrative organs that can truly lead the cause of modernization and serve the people.

Now, as entrusted by the Central Committee of the Chinese Communist Party, I shall explain the changes in the leading personnel of the State Council.

In order to strengthen and improve the Party's leadership to meet the needs of socialist modernization, a number of important measures were proposed at the Fifth Plenary Session of the 11th Central Committee of the Party not long ago, measures such as making an effort to appoint to leading posts at all levels those comrades who unswervingly carry out the Party's line, who are able to work on their own and who are in the prime of life, measures designed to strengthen collective leadership and put an end to the practice of providing lifelong posts for leading cadres. The basic spirit underlying these measures is likewise applicable to the strengthening and improvement of government leadership. Learning from historical experience, the Central Committee of the Party has decided that, as a rule, the first secretary of a Party committee should not concurrently be head of a provincial people's government, chairman of an autonomous region, or head of an autonomous prefecture, or of a county or city. This was

aimed at preventing the over-concentration of power and the concurrent holding of too many posts by one person, and at truly and clearly separating Party work from government work. Such comrades will thus be able to concentrate their time and energy on solving the Party's major problems, while all levels of government under the State Council will have a complete and efficient administrative system from top to bottom. In line with the above principle, I proposed to the Central Committee that I cease concurrently holding the premiership of the State Council. The Central Committee has taken a decision to this effect. It has also decided that five veteran comrades of our Party who are now Vice-Premiers of the State Council, namely, Comrades Deng Xiaoping, Li Xian-nian, Chen Yun, Xu Xiangqian and Wang Zhen, cease concurrently holding vice-premierships of the State Council. Comrade Wang Renzhong who already holds an important Party post, will also cease concurrently holding his vice-premiership. I now submit all these requests to this congress for examination and approval. In addition, Comrade Chen Yonggui has asked to be relieved of his post as Vice-Premier. To this the Central Committee has also agreed. I request the congress to deliberate and come to a decision on this matter too.

After careful consideration, the Central Committee of the Chinese Communist Party proposes to the congress that Comrade Zhao Ziyang be appointed Premier of the State Council. It believes that Comrade Zhao Ziyang is a suitable choice for the premiership and worthy of our trust, and requests the congress to deliberate and come to a relevant decision on this proposal.

The changes in leading members of the State Council constitute a good beginning of the transformation of China's system of leadership. It is our belief that the current changes will definitely help to strengthen and improve government leadership, raise the quality and efficiency of its work and hasten the progress of modernization.

Fellow Deputies! **The modernization of our country calls for a peaceful international environment over a long period.** Opposing hegemonism and safeguarding world peace are in the interests of our people and those of the people of other countries as well. The invasion and occupation of Afghanistan by the Soviet hegemonists and their support for Viet Nam in continuing its occupation of Kampuchea present

not only a direct menace to peace and security in the Persian Gulf, the Middle East and the Southeast Asian region but also a threat to world peace and security. The Chinese Government and people resolutely support the people of Kampuchea and Afghanistan in their just struggle against aggression and will, as always, firmly stand together with the people of the world and make unremitting efforts to fight against hegemonism and safeguard world peace.

The Chinese People's Liberation Army is the staunch pillar of the dictatorship of the proletariat and the loyal defender of the socialist motherland and the four modernizations, and it is also an important force in safeguarding world peace. In the near future, it will not be possible to increase the expenditure on national defence by a big margin. Nevertheless, it is imperative that we should strengthen our defence. The People's Liberation Army must continue to step up its political and military training and the training of cadres, strengthen its political and ideological work, expedite various kinds of preparations against aggression, carry forward its fine traditions, and consolidate and heighten its combat effectiveness. We must continue to do a good job in building up the militia and in the work of supporting the army and giving preferential treatment to the families of the armymen. The people's representatives of all circles, governments at all levels and people of all our nationalities must care for and cherish our own army, actively support it and help it fulfil its various tasks. We must make concerted efforts to make our army an impregnable Great Wall.

We shall work energetically for the return of Taiwan to the motherland, fulfilling our lofty aim of unifying our homeland at an early date. The Message to Compatriots in Taiwan issued by the N.P.C. Standing Committee on New Year's Day 1979 has had a growing influence on the people in Taiwan from the top to the grass roots, and on our overseas compatriots and people of other countries. Over the past year or so patriotic fellow-countrymen in Taiwan and our overseas compatriots have striven for the unification of the motherland. Compatriots on both sides of the straits, in particular, desire to establish postal, transport and trade relations between the mainland and Taiwan at an early date. We are convinced that the unification of the motherland is an irresistible historical trend and that our lofty goal will be attained. There is but one China in the world, and Taiwan is an inseparable part of China — this is

the immutable stand consistently taken by the Chinese Government and people, and this is a basic principle governing the establishment of diplomatic relations between China and all other countries. Any argument for "two Chinas" or "one China, one Taiwan" is bound to be unanimously opposed by the Chinese Government and Chinese compatriots at home and abroad.

Comrades, Friends! The situation since the smashing of the gang of four proves that a bright future lies ahead for China and its people, a fact that has become more and more obvious. We have been able to win victories primarily because all our patriotic compatriots are closely united under the guidance of the correct line laid down by the Central Committee of the Chinese Communist Party. The unity of our great People's Liberation Army, our whole people and the local people's governments has been, is and will always be the most reliable guarantee for the triumph of our revolutionary cause. All our nationalities will always be closely united in the family of our great motherland and no force whatsoever can undermine our long-tested lofty fraternal feelings. In recent years, the democratic parties and democratic personages without party affiliation have made new and significant contributions to our motherland's prosperity and progress. They will continue to play an important role in our endeavour for the four modernizations. The slogan "long-term coexistence and mutual supervision" put forward by Comrade Mao Zedong will always be the principle governing the relationship between the Chinese Communist Party and the democratic parties. Patriotic leaders in religious circles have made valuable efforts in leading religious adherents to preserve the freedom of religious beliefs on a patriotic basis. Now that the cause of our motherland is advancing victoriously, we must exert ourselves even harder to consolidate and expand the united front formed by all our socialist working people, all patriots who are in favour of socialism and all who support the reunification of our motherland. We must rally more closely around the Chinese Communist Party and the people's government, hold aloft the revolutionary banner of Marxism-Leninism and Mao Zedong Thought and unswervingly carry out the lines, principles and policies laid down by the Party and state. Let us work together and strive for greater successes in our socialist modernization!

(We have put some sentences in boldface for emphasis. — Ed.)

Report on the Arrangements for the National Economic Plans for 1980 and 1981

Yao Yilin, Vice-Premier of the State Council and concurrently Minister in Charge of the State Planning Commission, delivered a report on the arrangements for the National Economic Plans for 1980 and 1981 at the Third Session of the Fifth National People's Congress on August 30, 1980. The report was approved by the congress. Following is the full text. — Ed.



Fellow Deputies,

I have been entrusted by the State Council to submit a report on the arrangements for the National Economic Plans for 1980 and 1981 to this congress for deliberation and approval.

In regard to the arrangements for the National Economic Plan for 1980, Comrade Li Renjun, Vice-Minister in Charge of the State Planning Commission, was entrusted by the State Council to report to the 14th Session of the Standing Committee of the National People's Congress, which he did on April 8 this year. The plan is being smoothly implemented, and it is expected that the targets set in the plan for the gross output value of both agriculture and industry will be overfulfilled. Copies of the report have been distributed for your deliberation, so I will not elaborate here. In view of the fact that previous annual plans were adopted rather late and this inconvenienced the various localities and government departments in their

efforts to make timely arrangements, the State Council decided that the National Economic Plan for 1981 should be drawn up in advance and submitted to this congress for deliberation and approval this year. The localities and government departments will then be called on to compile their specific plans.

I will now focus on the implementation of the policy of the readjustment, restructuring, consolidation and improvement of the economy since 1979 and on the arrangements for the 1981 National Economic Plan.

I. Progress Made in the Readjustment, Restructuring, Consolidation and Improvement of the Economy

The Second Session of the Fifth National People's Congress called upon the people of all nationalities in China, under the leadership of the Party and the government, resolutely to effect the great strategic shift of the focus of our work to modernization and to carry out the policy of the readjustment, restructuring, consolidation and improvement of the economy. Through well over a year of arduous and concerted effort, the people of all nationalities have made marked progress in all aspects of economic readjustment.

1. The relationships between the major sectors of the economy are moving towards balance, and there is sustained economic growth.

The pace of development of agriculture and light industry has quickened, while the relationship between agriculture, light industry and heavy industry has improved. Since the Third Plenary Session of the Party's 11th Central Committee, a series of rural policies have been put into effect and the state has given greater financial and material support to agriculture, considerably raised the purchase price of a number of major farm products, and reduced or remitted the grain purchase quotas for poorer communes, production brigades and production teams. All this has greatly fired the enthusiasm of vast numbers of peasants for production, triggering a faster growth in

agricultural production. In 1979, gross agricultural output value registered an increase of 8.6 per cent over 1978. The total grain output was 332.12 million tons, 27.37 million tons more than the bumper harvest of 1978. The increase in grain output in 1978 and 1979 totalled over 49 million tons—an increase unparalleled since the founding of the People's Republic. In 1979, the output of oil-bearing crops was 6.44 million tons, 1.22 million tons more than in 1978; the output of meat was 10.62 million tons, 2.06 million tons more than in 1978. These are both substantial increases. The output of cotton, hemp, silk, tea and other cash crops has also increased in varying degrees. The sluggish growth in agricultural production which prevailed for many years has begun to change.

Thanks to the priority given to light industry in the supply of raw materials, fuel and power, its gross output value increased by 9.6 per cent in 1979 over 1978 and by 24.2 per cent in the first half of this year over the same period last year. Both increases eclipsed those in heavy industry. Major light industry items such as cotton yarn and cloth, synthetic fibres, paper, detergents, bicycles, sewing machines and wrist-watches all recorded comparatively big increases in output, and many have been improved markedly in both quality and variety. In the first half of this year, the output value of collectively owned industrial enterprises increased by 23.6 per cent over the same period last year.

In heavy industry, continued advance has been made in the course of the readjustment. The production of goods which were in excessive supply was curtailed and that of readily marketable items boosted, while a number of enterprises which had turned out high-cost, low-quality, unwanted goods or had long operated at a loss were shut down or suspended operations or were amalgamated or switched to the manufacture of other products. The gross output value of heavy industry in 1979 showed a 7.7 per cent increase over the previous year and another 6 per cent increase in the first half of this year as compared with the same period last year. The rate of growth of production in the coal and oil industries has been slowed down as a result of readjusting the relationship between extraction and tunnelling and between extraction and reserves. While increasing generating capacity, we have improved management in the power industry, thus putting an end to the serious frequency fluctuation and low voltage operation which have



A good wheat harvest in Jiangsu Province's Xuzhou area after overcoming a long cold spell.

persisted for years. In the iron and steel industry, steel output in 1979 increased by 2.7 million tons over 1978, while total energy consumption (taking the standard of one kilogramme of coal producing 7,000 kilocalories of heat) dropped by one million tons. At the same time, overall energy consumption per ton of steel fell from 2.51 tons of coal to 2.28 tons. In machine-building we have done much in adjusting service orientation and in changing the product lineup. The enterprises under the First Ministry of Machine-Building alone successfully trial-produced 945 major new products, a single-year record unmatched in the last decade. In the chemical and building materials industries, the output of many major items such as chemical fertilizer, plastics, cement and plate glass has risen considerably. The defence industry has succeeded in raising the quality of military supplies. In addition, it turned out more products for civilian use, which accounted for about 20 per cent of its total output value in 1979. We have also scored new successes in transport, post and telecommunications and in geological prospecting.

The ratio between accumulation and consumption has improved. The national income in 1979 was 7 per cent higher than that of the preceding year. Of the national income of 333.1 billion yuan 221.1 billion yuan went to con-

sumption and 112 billion yuan to accumulation. Thus the rate of accumulation dropped from 36.5 per cent in 1978 to 33.6 per cent and, under the 1980 plan, it may drop further to around 30 per cent. This lower rate of accumulation is mainly the result of an increase in the consumption fund for the rural and urban population, of limiting the scope of capital construction and of economizing on the circulating fund. It has played a positive role in the correct handling of the relationship between national construction and the people's livelihood and in the promotion of the planned, proportionate growth of the economy.

We have achieved initial successes in curtailing capital construction and getting better results from investment. In 1979 the total investment in capital construction within and outside the state budget was held at 50,000 million yuan and 295 large and medium-sized projects were suspended or deferred. The plan called for the commissioning of 118 large and medium-sized projects but 128 projects were actually completed. This has changed the situation in which the number of completed projects fell short of the plan year after year. The planned total investment in capital construction for 1980 is to be limited to 50,000 million yuan, and a further 238 large or medium-sized projects are to be suspended or deferred. Of the total investment in capital construction, the portion allocated for housing for workers and staff, science, culture, education, public health and city construction is to be increased. It was 17.4 per cent in 1978 and 27 per cent in 1979 and will reach 29 per cent in 1980.

2. We have introduced a number of new economic policies and initiated certain measures to reform economic management; the economy as a whole is thus livening up.

In the rural areas, new trails have been blazed in introducing more flexible policies and in exploiting favourable local conditions. In accordance with the Decisions of the Central Committee of the Communist Party of China on Some Questions Concerning the Acceleration of Agricultural Development, the localities have adopted measures to ensure the right of the communes, production brigades and production teams to make their own decisions, striven to carry out the policy of distribution according to work, implemented various systems of responsibility in production, developed diversified production and household sideline occupations and encouraged village fairs, thus greatly reinvigorating the rural economy. In accordance

with the principle of adapting measures to local conditions, many localities have begun to make adjustments both in the internal structure of agriculture and in the overall crop pattern. While raising the production of food grains, they have given attention to the development of forestry, animal husbandry, sideline occupations and fisheries. As for crop pattern, the acreage devoted to cash crops has increased both in 1979 and in 1980. The structure of agriculture and the patterning of crops which have been irrational for a long time have begun to show some change.

Industry has made a good start in establishing various forms of association and producing for demand. Under the precondition that ownership and affiliation are not altered, different forms of association which take into account the economic interests of all the parties concerned have been established on a trial basis in various localities. We now have specialized associations, joint investment ventures breaking through the conventional confines of different trades, joint undertakings embracing processing factories in one region and raw material producers in another, and so on. Through associated operation, the enterprises involved have been able to tap their potentials better, create new productive forces, open up new sources of raw material supply and achieve better results. Many local administrations and enterprises have tried to become more familiar with the market, and have organized sales exhibitions or sales through their own channels or on a commission basis. This has promoted the integration of industry and commerce and the linking of production with demand, and as a result readily marketable commodities have gradually increased. To meet market demand, the iron and steel industry has increased production and turned out more than 2 million tons of rolled steel products in short supply, such as small-sized steel products, wire, sheet steel and welded pipe. With under-capacity production quotas in 1979, the machine-building industry started to produce according to demand and sought and found more markets. Its gross output for the year registered an increase of 8.1 per cent over the preceding year, while export volume rose by 30.8 per cent.

We have actively yet prudently initiated experiments in restructuring economic management in selected enterprises on the basis of prior investigation. In the first half of this year, about 6,600 industrial enterprises experimented with added decision-making powers, their total

output value accounting for some 45 per cent of the gross output value of all state-run industrial enterprises. These experiments have done much to arouse the enthusiasm of the enterprises and their workers and staff, making them more mindful of management, markets, services and competition, and thus improving operational management, expanding production, improving quality and increasing profit. The rates of increase in output, output value and profits turned in of such enterprises generally surpassed their earlier levels and also those of other enterprises in the same trades which have yet to engage in such experiments. According to data from 84 local enterprises in Sichuan Province where experiments are being carried out, in 1979 average output value showed an increase of 14.9 per cent, profits 33 per cent and profits turned in to the state 24.2 per cent over 1978. This year all of Shanghai's textile enterprises are experimenting with retention of a portion of profits. Output value for the first half of the year was 14.1 per cent higher than that for the same period last year and the profits turned in to the state increased by 16.3 per cent, both increases being higher than the average increases for the city as a whole. In the rural areas, more than 100 state farms and a number of counties have formed associations on a trial basis embracing agricultural, industrial and commercial enterprises; the results have been generally good. In the financial sector, we have introduced the practice under which the central and local authorities "each apportions its revenues and expenditures and fixes its responsibilities," which has strengthened the motivation of the localities to boost receipts and cut down expenditures. In the foreign trade sector we have begun a number of experimental reforms, appropriately increasing the power of the localities and certain industrial departments to engage in import and export trade, and introducing the practice of allowing the retention of a share of the foreign currency earned. All such experiments give expression to the principle of combining regulation through planning with regulation by the market, the principle of taking into account the interests of the central and local authorities, the enterprises and the individual workers and the principle of closely linking the material interests of the workers with their enterprise's success, so as to stimulate

the enthusiasm and initiative of the enterprises and workers in improving management, increasing production and practising economy. Generally speaking, the results of these experiments are good, though quite a few new problems have cropped up in the process, and these will have to be solved in future.

3. We have achieved better economic results in various sectors with the progress in adjusting the relationships between the sectors of the economy, in introducing reforms in management and in consolidating enterprises.

In agricultural production and capital construction, fewer arbitrary orders are issued, and there is less inefficient use of labour and more regard for production costs. Production expenses took up a smaller share of the total proceeds of agriculture in 1979. State farms, some of which had long been running at a loss, showed over 300 million yuan profit last year as against a loss of 90 million yuan in 1978. In industrial production, measures for economizing on energy consumption have begun to take effect. Last year, with an increase in energy of less than 3 per cent, gross industrial output value rose 8.5 per cent. With only a slight increase in the supply of energy it was 13.6 per cent higher in the first half of this year than in the same period last year. Sixty-two per cent of the increased output value of state-run industrial enterprises is due to higher labour productivity. Every 100 yuan of net fixed assets produced 31.5 yuan in taxes and profits for the state in 1977, 35.5 yuan in 1978 and 36.3 yuan in 1979. The turnover of circulating funds has been speeded up. The amount of such circulating funds used by state-run industrial

Stalls selling specialties for minority peoples at a peasants' fair in Urumqi, Xinjiang.



and commercial enterprises in 1979 fell by 6.4 billion yuan as compared with 1978. In the first half of 1980, it was another 16 billion yuan less than in the same period last year. In the field of capital construction, the ratio of operational fixed assets to total investment increased from 74.3 per cent in 1978 to 83.7 per cent in 1979.

4. The Party and government have made strenuous efforts to increase the income of the urban and rural population and to improve living standards.

With growing agricultural production and higher state purchase prices for major farm products, peasant income increased 10.8 billion yuan in 1979. The peasants also benefited to the extent of 2 billion yuan from the reduction or remission of agricultural tax and taxes paid by enterprises run by the communes, production brigades and production teams. Their per capita income from the collective economy averaged 83.4 yuan in 1979, up 9.4 yuan over 1978, as against a total increase of only 10.5 yuan over the entire 11 years between 1965 and 1976 (these figures do not include their income from household sideline occupations). In 1979, a total of 9,030,000 people were provided with jobs in cities and towns, and we raised the wage-scales of 40 per cent of the workers and staff and readjusted wage classifications for some regions. Moreover, all workers and staff now receive a monthly subsidy to cover the price increases in non-staple food, and the system of rewards was universally introduced in enterprises. Last year's total outlay on wages (bonuses included) for workers and staff in state-run enterprises and establishments was 6 billion yuan more than in the preceding year, with annual per capita wages averaging 705 yuan, 61 yuan above the 1978 figure. Nineteen seventy-nine witnessed the biggest addition to housing for workers and staff since the founding of the republic, totalling 62,560,000 square metres of floor space (a 66 per cent increase over 1978). Construction of another 73,710,000 square metres of housing began in January-June this year, again more than in the same period in 1979.

5. We have enjoyed steady increases in purchases and sales, a brisk retail trade in urban and rural areas and a fairly big increase in foreign trade.

The total value of commodities purchased by commercial departments in 1979 was 199.2 billion yuan, or 14.5 per cent more than in 1978.

It rose again by 17.9 per cent in the first six months of this year as against the same period last year. Thanks to the higher income of the majority of workers and staff as well as of peasants, the people's purchasing power has grown substantially. With retail sales totalling 175.3 billion yuan, 22.5 billion yuan or 14.7 per cent more than in 1978, 1979 witnessed the biggest increase in such sales in many years. In the first half of this year there was another 18.5 per cent increase above the corresponding period last year. Since 1979, urban and rural consumption of major consumer items has been rising. Pork, long in short supply, can now be bought without any restriction. There has also been a substantial increase in the sales of knitted and cotton goods, bicycles, sewing machines, radio sets, wrist-watches, TV sets, tape recorders, etc.

The total value of imports and exports rose by 28 per cent in 1979 and by another 20.2 per cent in the first half of 1980 as against the same period last year. Foreign exchange earnings from non-trade channels such as tourism, remittances by overseas Chinese and harbour services have also recorded a fairly rapid increase.

6. Science, culture, education and public health have made further progress.

Altogether 103 inventions were approved by the state in 1979, and good results were obtained in more than 3,000 major scientific and technological research projects. New successes were scored in the popularization of hybrid paddy-rice over large areas, in the extensive use of methane gas, and in surveying China's agricultural resources, regional planning for agricultural growth, etc. The industrial departments have succeeded in trial-manufacturing some 1,000 important products, and heartening progress has been reported in scientific research into the multipurpose use of associated ores in the three big mines at Panzhihua, Baotou and Jinchuan. In the field of scientific research for national defence, new advances have been made in the development and manufacture of carrier rockets, nuclear weapons, man-made satellites, and so on. China's successful launching of a carrier rocket over the Pacific Ocean in the first half of this year signifies that our scientific and technological development has reached a new level. A lively atmosphere now prevails in the realm of social science, and many useful ideas have been put forth in studies of the theory and practice of socialist economy.

In 1979, the number of students in the colleges and universities reached 1,020,000, an all-time high. There were 1,200,000 students in secondary technical schools and 59,050,000 in ordinary middle schools. Another 860,000 students were enrolled in various kinds of adult institutions of higher learning. New achievements have been registered in the fields of culture, art, broadcasting, television, the press, publishing, public health and physical culture. We have made some headway in family planning, with the natural growth rate of our population dropping from 1.2 per cent in 1978 to 1.17 per cent in 1979.

Things have been going fairly well in the implementation of this year's national economic plan. Owing to severe natural calamities in many areas the output of summer crops dropped by over 10 per cent, but the autumn crops are now at the height of their growth and if there are no more severe natural calamities they will probably approach the 1979 output. It is expected that cotton and sugar crops will be bigger than in 1979 and that the output of oil-bearing crops, meat and aquatic products will reach state quotas. In industry, it is estimated that the output of major products such as coal, crude oil, electricity, steel, cement, chemical fertilizer, cotton yarn, synthetic fibres, paper, sugar, bicycles and TV sets will reach or exceed state quotas and that the planned 6 percentage increase in gross industrial output value for the year will be exceeded.

Practice has proved that the economic policies adopted by the Party and government in the past year or more are correct and have the support of the people. The readjustment of the national economy has been carried out smoothly and the people are pleased with what has been achieved. Nevertheless, we still face a lot of problems in our march forward. The living standards of the majority of peasants and workers have improved, but for people living in the outlying regions and in the minority nationality areas, where the pace of economic development has been slow over the years, or for people living in disaster-stricken areas, life is still very hard. For those scientific research workers, teachers, and medical and government workers who receive little or no bonus, income has increased very little or not at all, and for some of them living standards have actually



A wrist-watch factory jointly run by former national capitalists and the Nanjing Road neighbourhood in Shanghai.

declined. With the purchasing power of the people rising in both town and country, some commodities are in short supply because time is required for the reform of the industrial structure. The problems accumulated over the years in housing, health facilities, public utilities and environmental protection can only be solved step by step through sustained efforts. Generally speaking, capital construction is still over-extended. On the one hand, some major projects have not been cut back as they should have been. On the other hand, in areas such as energy, transport, building materials and science and education where spending should be increased, the demands cannot be met owing to shortage of funds. In the process of readjustment, certain heavy industrial enterprises, especially in the machine-building industry, are now operating under capacity. The problem of stockpiling is quite serious with some categories of means of production. Financially, we are still operating in the red. The readjustment of the national economy is a highly complex and difficult task and some contradictions and difficulties are bound to appear. So long as we earnestly implement the various policies laid down by the Central Committee of the Party and the State Council and work hard to increase production and practise economy, these problems can be solved step by step.

II. The Task and Main Targets for the National Economic Plan for 1981

The main task in developing the economy in 1981 is to carry on with the policy of readjustment, restructuring, consolidation and improvement so as to bring about the co-ordinated development of industrial and agricultural production and all other undertakings. Specific-

ly, we should strive to speed up the growth of agriculture and light industry so that the supply of consumer goods will be in general balance with the rise in the people's purchasing power and that commodity prices will remain stable on the whole. We should strive to develop and conserve energy, to promote communications services and the building industry, to speed up the reorganization and technical transformation of the machine-building industry, to rationally readjust production in the metallurgical, chemical and other heavy industries, to increase the production of raw and semi-finished materials in short supply and of new types of such materials, so as to do a better job in serving agriculture, the people's livelihood, export, national defence and the economy as a whole. We should continue to exercise strict control over the scale of capital construction and strive to shorten the building cycle so as to get more projects completed and into operation. We should develop foreign trade and expand international economic exchange. We should step up our efforts in science and technology, education and public health, urban construction, environmental preservation and labour protection. We should give overall consideration to economic results, do our best to find new financial resources, increase revenues and reduce expenditures. We should further adjust the ratio between accumulation and consumption, so that a further improvement in the people's standards of living will be possible with increased production.

In accordance with the above requirements, the main targets for the National Economic Plan for 1981 are as follows:

The total output value of industry and agriculture is expected to increase by 5.5 per cent as compared with 1980, with that of agriculture increasing by 4 per cent and that of industry by 6 per cent.

Agriculture: The output of grain will be 342.5 million tons, with an estimated increase of 10 million tons over 1980; cotton output will be 2.55 million tons, with an estimated increase of 250,000 tons over 1980. The output of other cash crops, meat and aquatic products and the acreage for afforestation will also register new increases.

Light industry: It is estimated that total output value will increase by 8 per cent, with light industry continuing to maintain a higher rate of growth than heavy industry. The output of cotton yarn will be 2.865 million tons, an estimated increase of 90,000 tons over 1980; that

of paper, 5.2 million tons, an increase of 200,000 tons; sugar, 2.6 million tons, an increase of 100,000 tons; bicycles, 14.84 million, an increase of 2.24 million; sewing machines, 8.6 million, up 1.4 million; wrist-watches, 23.6 million, an increase of 2.6 million; and detergents, 480,000 tons, an increase of 50,000 tons. The output of other light industrial products will all be increased in varying degrees.

Energy industry: The output of coal will be 620 million tons, an estimated increase of 10 million tons over 1980; that of petroleum, 106 million tons, maintaining the same level as 1978 and 1979; and that of electricity 312 billion kwh., an estimated increase of 12 billion kwh. over 1980.

Raw and semi-finished materials industry: The output of steel will be 35 million tons; 10 nonferrous metals, 1.08 million tons; cement, 7 million tons; chemical fertilizer, 12.3 million tons; and timber, 49.1 million cubic metres.

Machine-building industry: It will produce 97,500 tractors, internal-combustion engines with 20 million hp. and 160,000 automobiles. These figures are fixed in accordance with need and the likely available fuel supplies.

Transport and communications: The volume of rail freight will be 1,060 million tons; that of ship and barge freight, 390 million tons; and that of truck freight, 540 million tons. The total volumes of civilian passenger and freight transport by air and of postal and telecommunication services will also be increased.

Capital construction: Total investment will be held at 55 billion yuan, including direct investments under the state budget plus those made by the departments and localities, loan from Chinese banks and construction projects utilizing foreign capital.

Foreign trade: The total volume of imports and exports will be 55,900 million yuan, an estimated rise of 4,200 million yuan over 1980.

Home market: The total volume of retail sales will be 220 billion yuan, an estimated increase of 15 billion yuan over 1980.

Science and technology: Over 400 items have been listed in the national scientific and technological plan. These include trial-manufacture of new products, intermediate tests and major scientific research projects.

Education: As students admitted into institutions of higher learning in 1977 began the

academic year later than usual and will not graduate and make room for new students until the winter vacation of 1981, the enrolment of new students in 1981 will be 270,000, or the same as in 1978 and 1979.

Employment: 6 million people will be given jobs in cities and towns.

Family planning: The natural population growth rate will be 1 per cent.

People's livelihood: The income of communes, production brigades, production teams and individual peasants will increase by approximately 10 billion yuan. The urban population's income will increase by more than 4 billion yuan, and urban housing and collective welfare and every-day services will continue to be improved. Beginning from 1981, we shall gradually and suitably raise the income of people engaged in scientific research, teaching, medicine and office work who receive small bonuses or none at all.

In making plans for 1981, we should pay attention to the solution of the following questions:

The growth of light industry has been hampered by the slow increase in cash crops in recent years. Therefore, in agriculture we must do a better job in surveying resources and in regional planning, suiting measures to local conditions in order to achieve all-round progress. In regions suitable for growing cash crops, we must develop them in a planned way, giving top priority to the production of cotton and sugar. Simultaneously, we must strive to increase the output of grain wherever conditions are suitable. In the grain-producing regions of Heilongjiang, Jilin and other provinces, we must expand commodity grain-producing bases in a planned way to provide the state with more marketable grain. We must actively promote growth in forestry, animal husbandry, sideline production and fisheries. In light industry, we must strive to expand the sources of raw materials and processing capacity since growth lags behind the increase in the people's purchasing power. We must also increase variety in product design, size and colour and raise the proportion of medium- and high-grade goods.

The planned increase in the production of energy for next year is 0.9 per cent, whereas the planned increase for industrial production as a whole is 6 per cent. We must try hard to save energy and, at the same time, ship out

more quickly the coal stockpiled at a number of coal mines. In the rural areas, we must actively promote the utilization of methane gas and the planting of forests for fuel.

In the field of transport and communications, we must step up our efforts to renovate and expand the major harbours and wharves and those railway sections which are unable to handle large traffic volumes.

We must continue to do a good job of tapping the potential of existing enterprises and of renovating and transforming them with the emphasis on saving energy and raw and semi-finished materials, on producing raw and semi-finished materials in short supply and those which are needed but have not yet been produced as well as new types of materials.

There are numerous demands from every quarter for capital construction funds, but as our financial and material resources are limited, we must act according to our capabilities and rationalize the use of the construction funds from various channels through planning and guidance so that the needs of key projects are fully met.

Both in industry and agriculture, we must attach importance to popularizing the achievements of scientific research and energetically apply new technology. We should make overall arrangements for the introduction of key technology urgently needed in our economic construction and for scientific research projects aimed at meeting the needs of long-term development.

In the field of education, we must open up new avenues of schooling, reinforce higher education, reform the system of secondary education and promote vocational and technical education. We must continue to universalize elementary school education and improve our work in child-care and preschool education.

In health work, we must continue to unfold patriotic sanitation campaigns so as to improve sanitary conditions in both town and country and reduce the incidence of disease, thus raising the people's level of health.

With respect to the question of employment, we must modify the current labour administrative system step by step, adopt more flexible policies and open up new avenues of employment. We must combine employment on the recommendation of state labour departments with employment through voluntary self-organization and the individual search for jobs.

We must vigorously develop the economy of collective ownership in which enterprises assume sole responsibility for their profits and losses, and must appropriately develop individual economy involving no exploitation of others.

We should promote labour protection. All production and construction units, enterprises and establishments should conscientiously draw on the profound lessons to be learnt from the capsizing of the oil rig *Bohai No. 2* and should perfect and strictly abide by the rules for safety in production and the various systems of job responsibilities, respect science, improve their technical knowledge, modestly heed the opinions of the workers and technicians, submit themselves to supervision by the masses and guarantee the workers' safety of person.

As for family planning, we must regard it as a task of strategic importance and allow of no relaxation of effort. We should conduct intensive and meticulous publicity work and forbid any resort to compulsion. We should constantly improve birth control techniques and take the utmost care to prevent accidents resulting in injury or disablement.

III. Take Vigorous Measures to Ensure the Fulfilment of the Plans for 1980 And 1981

To fulfil the National Economic Plans for 1980 and 1981 successfully, it is necessary to proceed from the actual conditions and adopt effective and vigorous measures. In agriculture, all local authorities should conscientiously carry out the policies laid down by the Central

Committee of the Party, energetically promote and popularize science and technology, increase their aid to agriculture so as to ensure the continued all-round development of agricultural production. The whole nation should continue to pay attention to light industry and boost its production by every possible means, so that its prospects will become ever broader. I would now like to explain the principal measures that are needed in four areas, that is, the exploitation and conserving of energy, the readjustment of heavy industry, especially the readjustment and transformation of the machine-building industry, the strengthening of the raw and semi-finished materials industry and the restructuring of economic management.

First, we should lay equal stress on exploiting energy and practising economy in its consumption. In the near future, however, it is imperative to give priority to saving energy, and make every endeavour to carry out technical transformation and structural reform to this end. The first steps should be taken next year.

We shall adopt the following measures to exploit energy and increase its production:

In the coal mining industry, we should strive, through state investments in capital construction, bank credits and associations of various forms, to engage in the construction of new collieries having a total capacity of 120 million tons next year, with those put into operation having a capacity of 10 million tons. Simultaneously, beginning next year we shall appropriately increase expenditures on maintaining simple reproduction so as to better tap the potential of existing coal mines and bring about their renovation. We shall also take necessary measures to improve the work system and ensure the safety of the coal miners.

In the petroleum industry, agreements on marine prospecting have been signed with a number of foreign oil companies, and geophysical surveys have been conducted over an area of 410,000 square kilometres in China's Nanhai Sea (South China Sea) and southern Huanghai Sea (Yellow Sea). On this basis we will begin issuing successive calls for tenders on joint exploration and exploitation. Moreover, we have signed contracts with foreign oil companies to carry out joint exploration and exploitation of

At the mechanized Hegang Mine in Heilongjiang Province.



oil and gas in parts of the Bohai Sea and Beibu Gulf. With regard to onshore oil prospecting, while work continues in the eastern part of the country, progress is being made in the continental sedimentary basins of Jungar, Qaidam, Tarim, Shaanxi-Gansu-Ningxia and Sichuan.

In the power industry, we shall strive to install new generating sets with a total capacity of over 3 million kw. next year. This will be done through state investment in capital construction and by attracting funds from the localities and getting more bank credits. In the meantime, we shall speed up survey and designing and other preparatory work for the construction of a number of big hydropower stations.

We shall continue to step up research and experiment in nuclear power, solar energy and other new sources of energy.

And we shall take the following measures to conserve energy:

We shall continue to improve energy management. Quota management will be strengthened and a balance between power and heat loss will be struck next year for those enterprises with an annual comprehensive consumption of over 50,000 tons of standard coal. Economic methods will also be utilized to impel the enterprises to further reduce their energy consumption. We must do all this well and strive to save 7 to 8 million tons of standard coal next year.

We shall alter the structure of industry and the product mix step by step. The plan calls for an increase in the proportion of the output value of light industry to the total output value of industry from an estimated 44 per cent this year to 45 per cent next year. By an increase of 1 per cent, we can save 6 million tons of standard coal. The planned ratio of the amount of pig iron to the output of steel will fall from 1.03:1 this year to 1:1 next year, which will mean a further saving of 2 million tons of standard coal. Every locality and government department must adopt effective ways and means to change the structure of industry and the product mix in order to save as much energy as possible.

We shall endeavour to carry out technical transformation with the focus on energy saving. This will be an avenue for conserving energy for a long time to come and an important step towards modernizing our industry. Preparations will be made next year to renovate

medium and low voltage generating units which are characterized by high coal consumption and to introduce the centralized supply of heating and integrated power generation and heat supply, so as gradually to replace small boiler units. Other measures will also be enforced that will yield prompt and effective results in energy conservation in the metallurgical, chemical, building material, petroleum, communications and transport and other major departments.

We shall update motorized machines and tools with high energy consumption. Experiments will start with trucks next year. Some will be replaced, others put into storage and still others eliminated in order to save oil.

We shall keep on trying to convert oil consumers into coal consumers. The focus will be on those power stations and factory boilers which were originally designed to use coal but were later changed over to oil consumption. Plans call for the conversion of power stations and factory boilers with a total consumption of 2.5 million tons of oil next year.

We shall institute laws and regulations setting standards for energy consumption together with relevant regulations for rewards and penalties.

2. We shall further readjust the structure of heavy industry, especially the machine-building industry, so as better to serve economic development.

With the readjustment of the ratio between accumulation and consumption, the scope of capital construction is being brought under control and the demand for some kinds of means of production is on the decline; the income of the urban and rural population is steadily rising and so is their demand for consumer goods. These are new conditions to which the present structure of industry finds it hard to adapt itself. Part of the machine-building industry now has idle capacity, whereas supplies of some consumer goods are inadequate; this has an adverse effect on the harmonious development of the entire economy. The key to settling this problem is for us to actively undertake a substantial readjustment in heavy industry, and especially the machine-building sector, as far as its service orientation is concerned.

The machine-building industry, including the electrical engineering and electronics industries, supplies all branches of the economy

with technical equipment and carries a heavy burden in the four modernizations programme. In order to utilize its capacity to the full and raise its level of production and skills, we must undertake comprehensive planning, gradually break down all sorts of barriers between different departments and regions and accelerate the readjustment and transformation of the industry in accordance with the principles of co-ordination among specialized departments, standardization, serialization and interchangeability. We must step up scientific research and the import of technology in order increasingly to master the world's advanced production technology and product designing. We must make great efforts to improve the quality of basic parts and raise the level of basic process technology. We should work hard to trial-produce and manufacture new-type machines and electronic products and optical instruments including laser, which are urgently needed, highly efficient, of good quality, and low in consumption of energy and cost of production, for light and heavy industries and other departments. We should strive to increase the production of consumer goods. We must make ever wider use of such new technology as integrated circuits and electronic computers, and particularly small and medium-sized computers and microprocessors, in industrial and agricultural production and in producing articles for daily use. We must get large-scale integrated circuits into mass production. In the machine-building industry, we must energetically raise our ability to supply complete sets of machinery and improve technical service. All departments and all the people should show concern for our machine-building industry and should be keen on using Chinese products. Administrative and economic measures should be taken to promote the growth of our machine-building industry, at the same time reducing its dependence on imports and increasing its exports.

In line with technical transformation centred on energy conservation, the machine-building industry should develop energy-saving mechanical and electrical products and quicken the pace of replacement of those with high rates of energy consumption. Particularly with respect to those motorized machines and tools which consume large amounts of energy, such as factory boilers, internal-combustion engines, automobiles, pneumatic machines, pumps, and motors, we should actively study, design and manufacture new types that meet energy-saving targets.

We should transfer, in a planned way, a part of the productive capacity and technical forces of the heavy and defence industries to the production of consumer goods and other urgently needed merchandise. We hope that the localities and departments will make solid market investigations and forecasts and, basing themselves on economic rationality and allowing for technical suitability and supplies of raw materials, concretely carry out these transfers.

3. We must strengthen the materials industry, increase variety and improve quality and make every effort to promote comprehensive utilization.

Materials are vital to the economy, defence and the development of science and technology. The levels achieved in their variety, quality and output are major indicators of the degree of development of our economy and science and technology. Technical transformation, with its focus on energy saving, the growth of industrial and agricultural production and science and technology, the modernization of national defence and the gradual improvement in living standards — all this will make more and new demands on the materials industry. Therefore, we must pay adequate attention to its development.

We should produce more varieties of better metallic materials and gradually raise the share of alloy steel in steel production to meet our social needs. At the same time, given China's wealth of polymetallic associated ores, we should exploit and utilize such ores in a planned and comprehensive way. Our rich deposits of vanadium, titanium, nickel, cobalt, niobium and rare-earth metals should be exploited so as to increase the varieties of iron, steel and non-ferrous metals.

We should systematically put such non-ferrous metals as tungsten, molybdenum, tin, aluminium and copper to multipurpose use and improve the quality of their products. We should step by step turn from the export of nonferrous metals themselves to the export of their products.

Wherever possible, we should energetically develop the manufacture of plastics, synthetic fibres and synthetic rubber and gradually increase their level in the raw material mix used by industry, and by light industry in particular.

New construction materials are important for shortening construction cycle in the build-

ing industry, lessening the structural weight of buildings, cutting costs, utilizing industrial residues and saving energy. We should give special help to their development.

Our country abounds in non-metallic mineral deposits such as graphite, asbestos, gypsum and kaolin. We should gradually modernize the existing technology in prospecting for, extracting and processing these minerals, which is still backward.

We should continue to develop new materials. As the cause of modernization progresses, there will be an increasing demand for more new materials of better quality, more variety and improved properties. This work will be most challenging. We must consider it an important task and render all necessary financial and material assistance to the development of new materials to which we must give special help in matters of pricing and taxation.

4. We must expedite our experiments in restructuring the economic managerial system, give full play to favourable conditions, ensure competition, promote integration and mobilize the initiative of all concerned.

We should try to enlarge the decision-making power of all enterprises in state-owned industry. Under the guidance of the state plan, enterprises should enjoy greater power than they do today to decide matters concerning personnel, financial and material resources, production, supply and marketing. On condition that it ensures the supply of goods as required by the state, an enterprise may fix production plans according to market demand or undertake tasks in co-operation with other units. Aside from materials provided under the state plan, an enterprise may also purchase what it needs according to its own choosing. Contracts and agreements signed between enterprises should be protected by law. Any rules and regulations now in force which are incompatible with the principle of enlarging the decision-making power of enterprises should be gradually revised. Congresses or conferences of representatives of workers and staff should be instituted in every enterprise or establishment. They have the right to discuss and take decisions on important matters concerning their unit. They have the right to submit to the higher authorities proposals for the removal of any leading member of the administration who is not equal to his duty, and they can gradually undertake the election of leading personnel at appropriate levels.

We should actively develop various types of economic integration. All localities, departments and enterprises should give full scope to their respective specialities and strong points and, taking the road of integration, develop economic co-operation, complement each other, fostering strengths and circumventing weaknesses so that they may obtain the maximum economic results at minimum costs. Organizational linkups should be arranged on the principles of equality, mutual benefit and due consideration of the economic interests of all parties concerned. Though such linkups need not be limited to the same trade, region, sphere of ownership, or affiliation, the ownership, affiliation and financial relations of the participants must not be changed at will. Each enterprise within an association should keep its separate accounts, which means no "sharing of food from the same big pot." The association is entitled to market those goods produced over and above its plan quota. A joint committee consisting of representatives of all parties concerned should be set up to act as the overall authority.

Extensive competition is to be encouraged under the guidance of the state plan. Given adherence to the socialist planned economy, competition between enterprises will spur them to improve management, strengthen cost accounting and raise economic efficiency and quality. To unfold competition, it is necessary to do away with regional blockades and inter-departmental barriers and combat monopoly so as to allow goods to flow freely in all directions. It is wrong to shield backwardness, blockade the market and impede the normal circulation of merchandise by administrative means, and this should be stopped. While competing, we should encourage the socialist spirit of co-operation and the exchange of technical know-how. As for important new technology, a scheme of royalties should be worked out.

Banks are to be run independently. Under the guidance of the state plan we should promote to the full their role in economic development. We should enlarge their decision-making power step by step, so that they are entitled to decide on the extension and supervision of loans in accordance with credit policies, loan ceilings and lending priorities stipulated by the state. All banks should improve their work, make full use of interest rates as leverage, broaden the sources of credit funds, support the expansion of production, assist enterprises in making careful plans and economize in the

use of capital funds by speeding up their turnover.

We should gradually reform the system of taxation. In accordance with the laws to be adopted at the present session, we shall impose a profits tax on ventures involving joint Chinese and foreign investment and an individual income tax, and we must do a good job of taxation where foreigners are involved. In the machine-building and farm machinery industries, we shall experiment with a tax on added value so as to solve the problem of double taxation on some industrial products. We shall revise the laws concerning taxes on profits of collectively owned urban enterprises and appropriately adjust their taxes so as to facilitate the development of the collective economy. Beginning from 1981, we shall try out collecting fees from state-owned enterprises for the use of fixed funds so as to promote the rational use of state assets. We shall extend to more state-owned enterprises the experimental changeover from the transfer of profits to the state to a tax on profits, and we shall also impose regulatory taxes and taxes on natural resources. In capital construction, investment by the state should be replaced by bank loans wherever repayment is possible.

We should encourage market regulation under the guidance of the state plan. The state plan should bring about overall balance. Some of the targets assigned to the enterprises are of a mandatory nature and must be fulfilled; there will be a gradual reduction in targets of this kind. Others perform the function of guidance or forecasting. Through its economic policies and decrees and the use of certain economic levers, the state gives guidance to the enterprises regarding production and expansion so as to stimulate their initiative. There will be more and more targets of this kind. Except for those materials which are very important and in short supply and must be distributed in a planned way and those which are subject to priority purchase by supplies departments, the means of production can be put on the market for free circulation. Except for those consumer goods which are subject to unified purchase and marketing or unified purchase and distribution, the state monopoly over the selling of consumer goods will be replaced by planned purchase, by placing orders or by exercising choice. It is necessary to reduce the number of links in the chain of circulation and open up more channels of circulation. It is necessary to break

down the barriers separating different administrative departments and divisions and to organize rational circulation of the means of production and consumer goods within the economic zones. We should sum up experience concerning the existing forms of circulation used by various regions and departments, such as commodity fairs, wholesale markets, trade centres, trade warehouses, enterprise-operated street outlets and combined exhibition and sales departments. Those forms of circulation must continue to be run well so as to promote industrial and agricultural production and improve the people's living standards.

We should continue with the restructuring of the management of foreign trade. We should entrust all areas and departments engaged in foreign trade with greater operational powers. We should effectively strengthen economic accounting. At the same time, certain large enterprises and associations can begin, upon approval, to experiment with direct foreign trade. It is imperative to formulate necessary decrees, rules and regulations in accordance with the principle of unified policies, unified planning and unified international stance and the principle of expanding the power of departments at all levels to make decisions with respect to foreign trade. Goods will be imported or exported under license and exchange control will be tightened.

We should strengthen legislation and the administration of justice in the economic field. With the gradual restructuring of our economic management and with the increasing application of economical methods in managing our economy, there is an urgent need for reinforcing both economic legislation and its administration. It is imperative to conscientiously study and sum up experience in economic construction at home and abroad, gradually to formulate laws and rules governing the planning and management of our socialist economy in the light of our Party's lines, principles and policies, and actively to train legal personnel. It is imperative to reinforce economic arbitration, and we suggest that an economic tribunal be quickly set up with adequate personnel.

All the economic reform measures mentioned above are aimed at promoting the readjustment of the economy, arousing general enthusiasm, using our economic potential, increasing production and practising economy. But these measures are only of a preliminary nature. The overall restructuring of manage-

ment of our economy calls for further investigation and study, the summing-up of experience, deeper theoretical exploration and the absorption of the strong points of other countries which are relevant and useful. It will take a period of deliberation and preparation before it can be unfolded.

Fellow Deputies! Thanks to our conscientious implementation of the policy of readjustment, restructuring, consolidation and improvement for well over a year, our economy has made major progress. Practice proves that it can advance steadily in the process of readjustment. We are convinced that our national construction will continue to advance triumphantly

and the prospects for realizing socialist modernization by the turn of the century are very good, so long as, under the leadership of the Central Committee of the Party, we continue to carry out this policy, give more scope to the people's wisdom and talent and earnestly solve new problems as they crop up in our advance. We must emancipate our minds, seek truth from facts, work with one heart, study diligently, go all out to make the country strong, enthusiastically and steadily make a success of our work and strive to fulfil and overfulfil our national economic plans for 1980 and 1981!

(We have put some sentences in boldface for emphasis. — Ed.)

Biographies of New Vice-Chairmen and Vice-Premiers

Following are short biographies of the five new Vice-Chairmen of the N.P.C. Standing Committee. — Ed.

Peng Chong

Born in 1915 in Zhangzhou of Fujian Province, Peng Chong joined the Communist Youth League in 1933 and became a member of the Communist Party of China in 1934. At the beginning of the 1930s, he engaged in underground Party work and helped lead the student movement in the Zhangzhou area.



During the War of Resistance Against Japan, he took part in building some base areas in southern Jiangsu and served as political commissar of a regiment and secretary of a county Party committee. During the War of Liberation, he was political commissar of a regiment and deputy political commissar of a division.

After the founding of the People's Republic of China, he was Deputy Head of the United Front Work Department of the East China Bureau of the Party Central Committee, first secretary of the Nanjing city Party committee and mayor of Nanjing, and First Secretary of the Jiangsu Provincial Party Committee.

After the downfall of the gang of four, he served as Third Secretary of the Shanghai Municipal Party Committee and Second Vice-

Chairman of the Shanghai Municipal Revolutionary Committee, and later became First Secretary of the Shanghai Municipal Party Committee, mayor of Shanghai, Second Political Commissar of the Nanjing Units of the Chinese People's Liberation Army and Vice-Chairman of the Fifth National Committee of the Chinese People's Political Consultative Conference.

He was elected an Alternate Member of the Ninth and Tenth Party Central Committees, and is now a Member of the 11th Party Central Committee and a Member of its Political Bureau and Secretariat.

Xi Zhongxun



Born in Fuping County, Shaanxi Province, in 1913, Xi Zhongxun joined the Communist Youth League in 1926 and the Communist Party in 1928. After joining the revolution in 1926, he took part in the student movement and, from 1930 to 1932, did Party work among

soldiers in the Northwest Army. From 1932 to 1936, he led peasant movement and carried out guerrilla war in Shaanxi and Gansu Provinces. As Chairman of the Shaanxi-Gansu Border Area Soviet Government, he directed the battles that smashed the first, second and third encirclement campaigns launched by enemy troops against the area.

From 1936 to 1943, he served as secretary of central Shaanxi prefectural Party committee and political commissar of the garrison of the central Shaanxi military sub-area. From 1943 to 1949, he successively served as political commissar of the Shaanxi-Gansu-Ningxia Border Area Army Group, Deputy Head of the Organization Department of the C.P.C. Central Committee, Secretary of the Northwest Bureau of the C.P.C. Central Committee, Political Commissar of the Northwest Field Army and Political Commissar of the Northwest Military Area. Along with Comrades Peng Dehuai and He Long, he took part in directing the campaigns to defend Yanan and the Shaanxi-Gansu-Ningxia Border Area and to liberate northwest China.

After the founding of the People's Republic in 1949, he served as First Secretary of the Northwest Bureau of the C.P.C. Central Committee, Head of the Propaganda Department of the Party Central Committee, Secretary-General of the State Council and Vice-Premier. After the downfall of the gang of four, he became First Secretary of the Guangdong Provincial Party Committee, Governor of Guangdong Province and First Political Commissar of the Guangzhou Units of the Chinese People's Liberation Army.

Xi Zhongxun was an Alternate Member of the Seventh Party Central Committee, a Member of the Eighth Party Central Committee and is now a Member of the 11th Party Central Committee.

Su Yu



Born in Huitong County, Hunan Province, in 1907, Su Yu joined the Communist Youth League in 1926 and became a member of the Communist Party of China the following year. He participated in the Nanchang Uprising of 1927 and then followed Zhu

De and Chen Yi to the Jinggang Mountains. He served successively as company leader, regimental commander, divisional commander, divisional political commissar, and chief of staff of an army corps of the Chinese Workers and Peasants' Red Army. He took part in the five anti-encirclement campaigns in the Central Revolutionary Base Area and, in 1934, he joined

the Red Army's Anti-Japanese Advance Detachment to the North. Later, under the most difficult conditions, he set up the guerrilla base area in southern Zhejiang and persisted in guerrilla warfare for three years.

During the War of Resistance Against Japan, he served as deputy commander of the headquarters for the area south of the Changjiang River and in northern Jiangsu under the New Fourth Army and, along with Chen Yi and other comrades, established and expanded the resistance base areas in southern and central Jiangsu. He became commander and concurrently political commissar of the first division of the New Fourth Army following the South Anhui Incident of 1941.

At the early stage of the War of Liberation, he served as Deputy Commander of the Central China Military Area and Commander of the Central China Field Army. Later, he became Acting Commander of the East China Field Army and took part in directing the Huai-Hai Campaign. After that he became Deputy Commander of the Third Field Army and took part in directing the campaign of forcing the Changjiang River and capturing Shanghai.

From 1951 onward, he served successively as Deputy Chief of the General Staff and Chief of the General Staff of the Chinese People's Liberation Army, Vice-Minister of National Defence and First Political Commissar of the Academy of Military Sciences.

Su Yu was elected an Alternate Member of the Seventh Party Central Committee, and a Member of the Eighth, Ninth and Tenth C.P.C. Central Committees. He is now a Member of the 11th Party Central Committee. He was also elected a Standing Committee Member of the Third and Fourth National People's Congresses. Now he is a Standing Committee Member of the Fifth National People's Congress. He is a Standing Committee Member of the Military Commission of the C.P.C. Central Committee.

Yang Shangkun



Born in Tongnan County, Sichuan Province in 1907, Yang Shangkun joined the Communist Youth League in 1925 and the Communist Party of China in 1926, and took part in the student movement in Sichuan and Shanghai in that period. From 1927 to

1930, he studied at Sun Yat-sen University in Moscow. After his return to China in 1931, he served as Secretary of the Party Fraction in the All-China Federation of Trade Unions and Head of the Propaganda Department of the C.P.C. Central Committee and helped organize and lead the workers' movement and the movement against Japanese aggression and for national salvation in Shanghai. After he entered the revolutionary base area, he became director of the political department of the First Front Army and Deputy Director of the General Political Department of the Red Army. He took part in the 1934-35 Long March and attended the Zunyi Meeting as an observer.

He became Secretary of the North China Bureau of the Party Central Committee in 1937, organizing and leading the work in the anti-Japanese base areas behind enemy lines in north China. In 1945, he became Secretary-General of the Military Commission of the C.P.C. Central Committee.

After the founding of New China, he served as Director of the General Office of the Party Central Committee and Deputy Secretary-General of the Party Central Committee. From 1978 onward, he served as Second Secretary of the Guangdong Provincial Party Committee, Vice-Chairman of the Guangdong Provincial Revolutionary Committee, Vice-Governor of Guangdong Province, first secretary of the Guangzhou city Party committee and chairman of the Guangzhou city revolutionary committee.

Yang Shangkun was a Member of the Eighth Party Central Committee, and is now a Member of the 11th Party Central Committee. He was a Member of the First, Second, Third and Fifth National Committees of the Chinese People's Political Consultative Conference and a Member of their Standing Committees.

Bainqen Erdini Qoigyi Gyaincain



Kanpolija (the highest administrative organ

Bainqen, of Tibetan nationality, whose secular name was Goinbo Cedan, was born in Xunhua County (now the Xunhua Salar Autonomous County), Qinghai Province, in 1938. After the Ninth Bainqen died in 1937, the Bainqen

under Bainqen), through religious procedures, chose Goinbo Cedan in 1941 as the tenth reincarnation of Bainqen, one of the founders of the gelugpa (or yellow sect) of Tibetan Lamaism, and sent him to the Gumbum Monastery in Qinghai Province for worship.

On October 1, 1949, Bainqen Erdini Qoigyi Gyaincain sent a message to Chairman Mao Zedong and Commander-in-Chief Zhu De, extending congratulations on the founding of the People's Republic of China, showing support for the People's Government and expressing his hope for the liberation of Tibet at an early date. He returned to Tibet in 1952.

Since liberation, Bainqen Erdini served successively as a Member of the Standing Committee of the First National People's Congress, Vice-Chairman of the Standing Committee of the Second National People's Congress, Vice-Chairman of the Second National Committee of the Chinese People's Political Consultative Conference, a Standing Committee Member of the Third and Fourth National Committees of the C.P.P.C.C., First Vice-Chairman and Acting Chairman of the Preparatory Committee for the Tibet Autonomous Region.

He is now a Deputy to the National People's Congress and Honorary President of the Chinese Buddhists' Association.

Following are short biographies of the three new Vice-Premiers. — Ed.

Yang Jingren



Yang Jingren, of Hui nationality, was born in Lanzhou, Gansu Province, in 1918. He took part in the student movement against Japanese aggression and for national salvation in support of the "Xian Incident" in 1936, and joined the Chinese Communist Party

the following year. During the War of Resistance Against Japan, he took part in the activities of the Hui people to resist Japanese aggression and save the nation and later became the political commissar of the Hui people's cavalry regiment in the Shaanxi-Gansu-Ningxia Border Area. During the War of Liberation, he was a member of the Nationalities Affairs Commission of the Shaanxi-Gansu-Ningxia Border Area and took part in the struggle to defend the border area.

He was commander of a northwest guerrilla unit.

After the founding of New China, he served successively as Vice-Minister in Charge of the Nationalities Affairs Commission, First Secretary of the Ningxia Hui Autonomous Regional Committee of the Chinese Communist Party, Chairman of the Regional People's Council, and member of the Secretariat of the Northwest Bureau of the C.P.C. Central Committee. He is now Deputy Head of the United Front Work Department of the C.P.C. Central Committee and Minister in Charge of the State Nationalities Affairs Commission.

Yang Jingren is a Member of the 11th Party Central Committee.

Zhang Aiping

Born in Daxian County, Sichuan Province, in 1910, Zhang Aiping joined the Communist Youth League in 1926 and the Communist Party of China in 1928. He took part in the student and peasant movements between 1925 and 1929 and joined the Red Army in 1929. After 1930, he served as Secretary-General of the Central Bureau of the Communist Youth League, director of the political department of a division of the Third Army Group of the Red Army, and political commissar and acting commander of the cavalry regiment under the Military Commission of the C.P.C. Central Committee. He took part in the Long March.



During the War of Resistance Against Japan, he was commander of the fourth division of the New Fourth Army and commander of the Huaibei Military Area Command. He was Deputy Commander of the Central China Military Area Command and a Member of the Front Committee of the Third Field Army during the War of Liberation. He became commander and political commissar of the navy under the East China Military Area Command in April 1949 and helped in founding the navy of the Chinese People's Liberation Army.

After the founding of New China, he became Commander of the Seventh Corps and Chief of Staff of the East China Military Area Command and the Third Field Army. He became Deputy Chief of the General Staff of the People's Liberation Army, Deputy Director of

the National Defence Scientific Commission and Deputy Director of the National Defence Industrial Office. He is now Deputy Chief of the General Staff of the People's Liberation Army and Director of the National Defence Scientific Commission.

Zhang Aiping was an Alternate Member of the Eighth Party Central Committee and is now a Member of the 11th Party Central Committee.

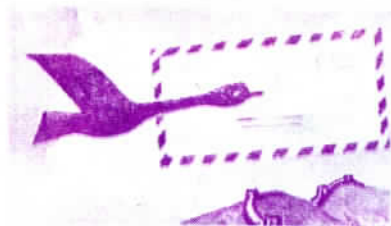
Huang Hua

Huang Hua was born in Cixian County, Hebei Province, in 1913, and joined the Chinese Communist Party in 1936. He took part in the December 9th Student Movement of 1935-36 and was once secretary of the Party fraction in the Beiping Municipal Students' Federation. He went to the Northern Shaanxi Revolutionary Base Area in the summer of 1936 and became an interpreter for the General Headquarters of the Red Army and the Military Commission of the C.P.C. Central Committee. After 1938, he served for a time as secretary of the Party fraction in the All-China Students' Federation. After 1944 he served as the secretary and the head of the information office on the side of the Chinese Communist Party at the Beiping Executive Headquarters for Military Mediation.



He was head of the offices of foreign affairs of the military control commissions in Tianjin, Nanjing and Shanghai between 1949 and 1953. He was a delegate for political negotiations from the Chinese People's Volunteers Delegation in 1953. With Comrade Zhou Enlai, he attended the Geneva Conference in 1954 and the Bandung Conference in 1955, serving as advisor to and spokesman of the Chinese delegations. He was later a department director in the Ministry of Foreign Affairs, the Chinese Ambassador to Ghana, the Arab United Republic and Canada, and China's Permanent Representative to the United Nations. He has been Minister of Foreign Affairs since 1976.

Huang Hua was a Member of the 10th Party Central Committee and is now a Member of the 11th Party Central Committee. □



LETTERS FROM READERS

One Person, One Post

I think people often find in China that one person holds several important posts at the same time. The work of these cadres or leading members must be very heavy. I would like to know what the Chinese people think about it. It'd be all right if it's only for the period of transition.

In the course of accomplishing the four modernizations and striving for bigger and better achievements, it'd be better for one person to hold only one post in the leading bodies of political, economic and social welfare departments at various levels.

If a person is at the same time a Member of the Standing Committee of the Political Bureau of the C.P.C. Central Committee and Vice-Premier of the State Council, I am sure he'd be weighed down by the duties of these two important posts. Please don't misunderstand me, and I am not trying to underestimate the ability of a person. It has many advantages, though, under temporary or specific conditions. But from a long-term point of view, it is better for one person to hold one post only. I think the younger generation should receive training under the guidance of experienced leading cadres, so that they can take up important posts in the future. In the leading bodies of political, economic and social affairs, it is of course not practical to carry out all at once the system of one person holding one post. But no matter when you introduce such reforms, you have to take various measures to train and raise the level of the cadres as fast as possible, so as to do away with the phenomenon of one person holding several posts.

Narendra Malla
Aachen, W. Germany

Economic Reform

The article "In What Direction Should Shanghai's Industry Be Developed?" (issue No. 30) is based on an on-the-spot investigation and a scientific analysis. The examples given in "Shanghai Helps Hangzhou" and "Urban-Rural Jointly Run Factories" are valuable materials for reference.

The article "One Step Back, Two Steps Forward—Readjusting Capital Construction" (issue No. 29) is easy to understand and outspoken. I read it with admiration. The examples cited concerning "protracted projects," a hydro-power station and a petrochemical fibre plant are very convincing.

Ychiro Ogawa
Kawasaki, Japan

I enjoyed very much your articles about economic reform. I wish to mention, in particular, the report carried in issue No. 31 entitled "A 'Dragon' of Farming, Industry and Commerce," which explained the necessity of this reform. The concrete facts given are of help to readers to get an understanding of the initial results already obtained.

Gerd Wedemeyer
Wiesbaden, W. Germany

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My purpose in writing this is, as a long-time reader who saves his back issues, to moan about the Index inserted in issue No. 26 (June 30), 1980. Where it seemed that all indexes in past years could be removed without harming the issue, I was distressed to find out that this new index cannot be entirely removed without taking pages 9 and 10 of the text with it. This must present a small difficulty too for libraries which bind their indexes either at the front or back of volumes. I hope that in the future you will go back to indexes that can be removed without harm to the issue of *Beijing Review* in which they are included.

Fred Grant, Jr.
Wellesley Hills, Mass., U.S.A.

We are aware of this difficulty. We'll avoid it in the future.—Ed.

Peace and Security in Middle East

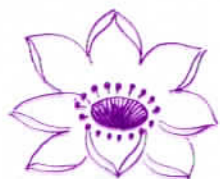
In issue No. 23, *Beijing Review* published an article entitled "Peace and Stability in Middle East: A Common Aspiration." Though it is in the interests of the Arab people and completely reflects their aspiration to realize a just and lasting peace in the Middle East, I still wish to express my views with regard to this article. The Saudi Arabian Crown Prince's statement released through the *Moroccan News Agency* completely denied what the *Washington Post* had published. This meant that the Crown Prince's speech had been distorted by the *Washington Post*. All things considered, Saudi Arabia would not take any unilateral step, but your magazine reported what was published in the *Washington Post*. Saudi Arabia is a party to the dispute, but the United Nations has not played the role of a mediator between the Arab countries and Israel; even Sadat, President of Egypt, does not play such a role, because he signed by himself the Camp David Agreement which Saudi Arabia disagreed. Besides, the Saudi Arabian Crown Prince did not put forward any demand to Israel, for any measures that should be taken must first of all come from Israel and not the Arab people. It is true that the Arab people wish to achieve a peaceful solution of the Middle East issue, and that Israel must withdraw from occupied Arab territory and recognize the Palestinian people's rights. This is the key to solving the Middle East question.

Ata Rumi
Arhus, N. Denmark

More Coverage on Sports

I would like to make a few suggestions on the "Special Feature" column. It has given us much information, but there is one thing that should be included in this column, and that is sports, and we have been waiting for it for a long time. People throughout the world, particularly the younger generation, are very fond of sports.

Hamadouche Youcef
El-Asnam, Algeria



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