

No. 51 December 21, 1981

# BEIJING REVIEW

北京周報

A CHINESE WEEKLY  
OF  
NEWS AND VIEWS

National People's Congress Ends Session

Full Text of Premier Zhao's Report





# LETTERS

## North-South Dialogue

The articles and China's speech at Cancun (issue No. 44) are worth a subscription! *Beijing Review* once again proves unique. We now know about the new international economic order. Western bourgeois papers are quite inadequate.

**J.M. van der Hoeven**  
Lopik, the Netherlands

I was particularly interested in "North-South Economic Relations and North-South Dialogue" in issue No. 43. The article systematically explained the North-South dialogue. More than half of the globe's population is expected to benefit from the dialogue. I hope future issues will contain articles about the progress and results of the dialogue.

**Moligande Adolphe**  
Changchun, China

## Concern for the Old

The article about the elderly in the People's Republic of China (issue No. 43) was excellent. I want to commend your love and care for the elderly: you made them feel happy and useful. I really love old people. Unfortunately, the United States does not have a "proper attitude" towards the elderly. People here dislike grow-

ing old because they do not feel loved. They also feel useless. Many believe they are family burdens.

Thanks for your love, concern and care for the elderly.

**Darlene A. Classen**  
Denver, Co., USA

As I am 57-year-old and retired, I liked your article on China's elderly citizens. However, I will have no income until I reach 65, when I shall begin receiving a social security pension—if I am still alive.

Your magazine frequently refers to the Chinese yuan. However, as most people do not know the exchange rate, this means little. Perhaps you can also state the exchange rate between American dollars and the Chinese yuan.

**Richard Osborn**  
Natrona, Wyoming, USA

*The exchange rate for one dollar is approximately 1.73 yuan. — Ed.*

## The Return of Taiwan to the Motherland

I like your articles and reports very much as well as "Notes From the Editors," especially your policy of reunifying your motherland (the return of Taiwan to the motherland). This has set an example for all parties in our

Bundestag on how to make unswerving efforts and peacefully transform Germany into a united, independent, socialist nation.

**Paul Fritz**  
Neuss, W. Germany

## Statistical Data

I am a university student studying Chinese economic theory and I am pleased that I can make extensive use of information carried in your magazine at our seminars.

Once, just as I needed to calculate the ratio of trade for a seminar, your issue No. 32 arrived with statistics on the national income. The figure I worked out is much higher than that listed in our textbooks. Moreover, I have subsequently learnt that the term "national income" in China is different from that in Japan and other Western countries.

In general, your magazine helps me to understand China's economy.

**Eiji Tsujimura**  
Osaka, Japan

## "Five Stresses"

Your country is launching the "five stresses and four points of beauty" movement. I hope you publish a series of articles on this movement. I am sure it would be appreciated.

**Toshio Sato**  
Yamagata, Japan

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**COVER:** Premier Zhao Ziyang with deputies from Sichuan Province during the NPC session. Photo by Zhang Guiyu

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## POLITICAL

## NPC Session Concludes

**T**HE Fourth Session of the Fifth National People's Congress closed on December 13 in Beijing.

After nearly two weeks' group discussions, the final plenary meeting attended by 3,000-odd deputies adopted resolutions on the reports, motions and draft laws submitted to the session. These included a resolution on Premier Zhao Ziyang's report on the work of the government (for full text of his report, see p. 6), a resolution on a report by Minister of Finance Wang Bingqian, a resolution on postponing the examination of the draft of the revised Constitution, and a resolution on the nationwide voluntary tree-planting campaign.

The session elected Zhu Xuefan, 76, who is Vice-Chairman of the Revolutionary Committee of the Kuomintang and Vice-Chairman of the Standing Committee of the Fifth NPC.

## Ten Principles

A major topic of discussion by the deputies was the 10 principles for future economic construction as set forth in Premier Zhao Ziyang's report.

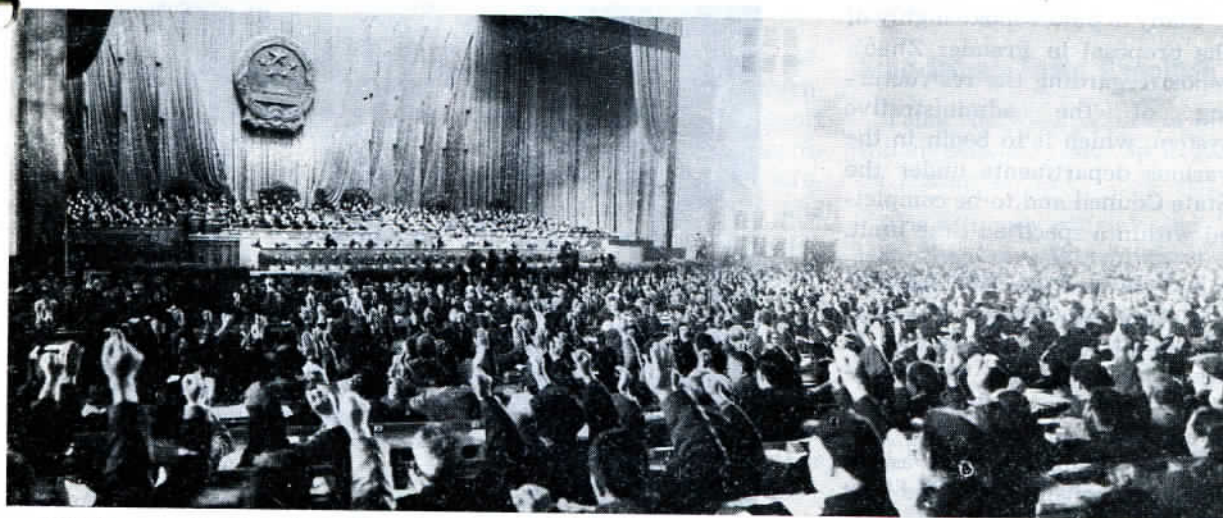
Ma Yaoji, a deputy from Beijing, said that the 10 principles will help solve, both in theory and in practice, a series of important questions in socialist economic construction, and that they give expression to the expositions on questions of economic construction in the Resolution on Certain Questions in the History of Our Party Since the Founding of the People's Republic of China, which was adopted five months ago at the Sixth Plenary Session of the 11th Party Central Committee (see issue No. 27).

Some deputies pointed out that the 10 principles, worked out after years of painstaking studies and probes and on the

basis of past experiences and lessons, aim at remedying the practice of putting undue emphasis on a high rate of development, on heavy industry and on high accumulation without regard to the economic results. They expressed the belief that these principles will open up a new road of socialist construction suited to China's actual conditions.

These principles not only conform with objective laws but will give full scope to the superiority of China's socialist system, said Song Zexing, professor of economics in northeast China's Liaoning University.

Speaking of the current economic situation in China, many deputies acclaimed the three big achievements in 1981: (1) In grain output it was the second peak year since liberation in 1949 despite serious natural disasters; (2) a basic balance between state revenue and expenditure was achieved within one year after two years in the red, with a deficit exceeding 10,000 million yuan each year; and (3) the people's livelihood improved remarkably despite



Deputies unanimously adopt the resolution approving Premier Zhao's report on the work of the government.



natural adversities and financial difficulties.

### Over 2,000 Motions

The deputies submitted 2,318 motions to the session concerning such matters as restructuring the economic system, conserving energy and opening up new energy resources, improving workers' education, enforcing discipline with regard to financial matters, strengthening the leadership over theatrical, film, TV and publishing work, and improving the socialist legal system.

Many of these motions were tabled after careful investigation and study and after canvassing the opinions of those concerned and, therefore, contained concrete measures for improvements. After being examined and discussed by the motions examination committee, they were forwarded to the NPC Standing Committee, the State Council, the Supreme People's Court and the Supreme People's Procuratorate. These units are required to report back to the NPC Standing Committee and relevant deputies on how they have acted upon these motions.

### Organizational Restructuring

Many deputies spoke highly of the proposal in Premier Zhao's report regarding the restructuring of the administrative system, which is to begin in the various departments under the State Council and to be completed within a specified time limit.

A deputy from Heilongjiang, China's northernmost province, expressed his dissatisfaction at the intolerably low work efficiency of the overlapped and overstaffed administrative departments which as often as not shirk responsibilities and get into the rut of red tapism. He said that he and his colleagues

were often at a loss what to do when they received contradicting instructions from different higher leading organs. And when they had to come to Beijing to have certain problems solved, they often had to spend months shuttling between several government departments without getting any result. He stressed that the situation must be changed in order to raise work efficiency and that the restructuring of the administrative organization should proceed from a long-term point of view and aim at achieving better economic results, so that it will become a motive force for economic development. Concrete measures should be taken to ensure stability for a period of time to come.

### Improving the Legal System

The session examined and adopted the reports on the work of the Supreme People's Court and the Supreme People's Procuratorate, the Law Governing Income Taxes for Foreign Enterprises and the Law Governing Economic Contracts. It also adopted, in principle, the draft law of civil procedures and entrusted the NPC Standing Committee with the work of examining it and making nec-

essary amendments before promulgation and implementation on a trial basis. All these are part of the efforts to improve the socialist legal system.

The Law Governing Income Taxes for Foreign Enterprises was drawn up after several amendments were made in the light of practices in foreign countries to suit China's increasingly expanding economic relations with foreign countries. This law covers foreign corporations, enterprises and other economic organizations that have branches operating in China independently or in co-operation with Chinese enterprises and those having no branches in China but deriving income from dividends, interest, lease of property, royalties and/or other sources in this country.

According to this law, income tax will be levied on the income derived from production, business and other sources at a progressive rate ranging from 20 to 40 per cent. A local surtax of 10 per cent of the taxable income will also be levied.

The Law Governing Economic Contracts, which was drawn up to suit the restructured economic system, provides a legal



Doctor Wu Guozhen (left) and Chen Musen, a medical expert. Both are deputies of Taiwan Province.



basis for large numbers of economic contracts signed in the past few years with foreign countries, thereby ensuring smooth, normal economic activities.

### Voluntary Tree Planting

The resolution on a nationwide voluntary tree-planting campaign stipulates that, with the exception of the old, weak, sick and disabled, all citizens in this country, including those from 11 to 18 years old, have the obligation to plant three to five trees every year. Minister of Forestry Yong Wentao said that, beginning from next year, the government will put the emphasis in tree planting on 60 big and medium-sized cities and counties. Special efforts will be put on those big and medium-sized cities which have few trees so as to change their appearance as soon as possible.

In discussing this resolution, many deputies pointed out that tree planting will be of great significance to posterity as China is a country with only a limited forested area. It will also help improve the ecological environment.

## FOREIGN RELATIONS

### First Vice-President Khalil Visits China

General Abdel Magid Hamid Khalil, First Vice-President of the Democratic Republic of the Sudan, Secretary-General of the Sudanese Socialist Union, Minister of Defence and Commander-in-Chief of the People's

Armed Forces, paid a visit to China earlier this month.

Chairman Hu Yaobang, Vice-Chairman Deng Xiaoping and Premier Zhao Ziyang met separately with him. They discussed the development of Party and government relations between China and the Sudan and exchanged views on international issues.

The First Vice-President said that Sudan-China co-operation is established on the basis of correct principles and that the relations between the two Parties and governments have greatly developed in recent years. He added that China is a friend of the third world countries and the strength of China is also that of the people of the third world countries.

Hu Yaobang said during his meeting with Khalil that friendship between the two countries has stood the test of time; thanks to mutual understanding and trust, and that this friendship cannot be undermined by anyone. He expressed the belief that the relations between the two Parties and governments will develop steadily.

Premier Zhao Ziyang reaffirmed that the Chinese Government and people firmly support the Sudan's just cause of opposing foreign interference, safeguarding its national unity and developing its national economy. To strengthen friendship and co-operation with the other third world countries is China's firm and unshakable policy. Premier Zhao pledged China's resolute support for the just struggle of the Palestinian and other Arab people.

On behalf of the Sudanese Government, Khalil invited

Zhao Ziyang to visit Sudan. Zhao accepted the invitation.

Vice-Premier and Minister of National Defence Geng Biao held talks with Khalil. They shared identical or similar views on a number of major international issues.

A loan agreement and a 1982-83 executive plan for cultural co-operation between the two countries were signed in Beijing on December 10.

### Israel's Decision on Golan Heights Condemned

On December 14, the Israeli Knesset (parliament) approved the Begin government's bill to apply Israeli laws in the Golan Heights region. A spokesman of the Chinese Foreign Ministry pointed out on December 15 that it was a serious step taken by Israel to annex the Golan Heights and added that it was "an act of utter defiance of the international community and a gross violation of the UN Charter and the relevant resolutions." The spokesman said that China strongly condemns Israel's decision.

### Sino-Indian Talks Conclude

Talks between Chinese and Indian officials ended in Beijing on December 14.

The Chinese officials led by Han Nianlong, Vice-Minister of Foreign Affairs, and the Indian officials headed by Eric Gon-salves, Secretary of Ministry for External Affairs, took part in the talks.

The two sides had wide-ranging discussions on Sino-Indian relations for five days.

(Continued on p. 39.)



# The Present Economic Situation and the Principles for Future Economic Construction

Report on the Work of the Government delivered at the  
Fourth Session of the Fifth National People's Congress  
On November 30 and December 1, 1981

**Zhao Ziyang**

Premier of the State Council

Fellow Deputies,

Fourteen months have passed since the Third Session of the Fifth National People's Congress in September last year. During this period the government has submitted six reports on its work in both domestic and foreign affairs to the Standing Committee of the National People's Congress. In accordance with the decision of the Standing Committee, the main item on the agenda of the present session is economic work. It is the central task of the State Council and governments at all levels and the question of greatest concern to the people of all our nationalities and to all our fellow deputies.

On behalf of the State Council, I now submit to the present session for discussion and approval a report on the present economic situation, the principles for future economic construction and the prospects for China's economic development.

## I. The Present Economic Situation

In 1981 we have made headway in economic work in the course of consolidating achievements, overcoming difficulties and progressively summing up experience and improving our understanding.

After the Third Session of the Fifth National People's Congress, the State Council made a



further comprehensive analysis of the economic situation and trend and identified some major problems calling for immediate solution. From 1979 on, we substantially increased state expenditures for improving the people's living standards. On the whole, this was the right thing to do, even though the steps we took were a bit too hasty. At the same time, capital construction expenditures were not reduced as much as called for, and administrative expenses kept going up. Hence, total expenditures exceeded revenues. For two consecutive years, 1979 and 1980, there were very large financial deficits, too much currency was put into circulation, and prices rose. Without vigorous counter-measures, there would again have been



a financial deficit of more than 10 billion yuan in 1981. With such a deficit, the improvement in the people's living conditions in the past few years would have been forfeited and the disproportions in our national economy aggravated, there would have been serious confusion in the country's economic life, and it would have been hard to strengthen our political stability and unity.

In view of all this, the State Council convened a plenary session in October 1980, followed in November by a conference to discuss economic work attended by provincial governors, the mayors of the three municipalities directly under the central authority and the chairmen of the autonomous regions. In December 1980 the Central Committee of the Communist Party of China held a working conference which, on the basis of a realistic nationwide appraisal, took a major policy decision for further economic readjustment and for the achievement of greater political stability.

In February 1981, on the proposal of the Central Committee of the Party, the State Council submitted a report on the further readjustment of the national economy to the 17th meeting of the Standing Committee of the National People's Congress. It proposed necessary revisions of the 1981 national economic plan and financial estimates with the aim of achieving a basic balance within 1981 between state revenues and expenditures and between credit receipts and payments and, in the main, stabilizing commodity prices. The Standing Committee of the National People's Congress examined and approved these revisions.

Since the beginning of 1981, governments at all levels have resolutely carried out with marked success a series of emergency measures for further readjusting the national economy. On the basis of our achievements in the past 11 months, I can now confidently report to this session that the 1981 national economic plan will be fulfilled and our objective of stabilizing the national economy will essentially be realized. Despite extensive economic readjustment and despite this year's serious natural calamities, the total output value of agriculture and industry in 1981 will not go down, but, on the contrary, will increase by more than 3 per cent over that of 1980. The overall economic situation is better than anticipated. Our national economy has embarked on the path of steady growth.

Economic stability is manifested, first of all, in the basic balance between state revenues

and expenditures and between credit receipts and payments. Since the winter of 1980-81, through their united and concerted efforts, the State Council and governments at all levels have strengthened centralized leadership, tightened financial and price controls, rigorously curtailed capital construction and administrative expenditures, economized on other spending and explored new sources of revenue so as to ensure the implementation of the 1981 budget. The financial deficit for the year is expected to drop to 2.7 billion yuan, from 17 billion yuan in 1979 and 12.7 billion yuan in 1980. It is no easy matter for any country to eliminate large financial deficits and basically balance its budget in a short time. We have done it relatively smoothly, thanks to the hard work of all our people and the full trust they have shown in the government. This proves the complete correctness of the policy decisions of the Central Committee of the Party and the State Council and the great superiority of our socialist system. On behalf of the Central Committee of the Party and the State Council I express thanks to the people of all nationalities for their trust and support.

With the achievement of a basic balance between revenues and expenditures, commodity prices are stable in the main. The rise in the general price index in 1981 has been smaller than last year's. Prices of daily necessities have been kept stable. However, the prices of some items have risen, especially those of vegetables which went up by quite a bit in some localities. We must try to solve this problem resolutely and conscientiously by increasing production, supplying more and better commodities, tightening price and market control and strictly enforcing price regulations.

The steady development of the Chinese economy depends on an overall increase in agricultural production. Although many regions have suffered serious floods and droughts in 1981, agricultural prospects in the country as a whole are bright. It is estimated that total grain output may approach the 1979 level, which would make 1981 the second peak year since the founding of the People's Republic. A new breakthrough has occurred in cotton production following the previous all-time record of 1980. Output of oil-bearing crops has risen by about 17 per cent following big successive increases in the three previous years. Output of sugar-yielding crops should register an increase of more than 10 per cent over 1980. New successes have been scored in forestry, animal husbandry and fisheries. Enterprises run by communes and



production brigades and teams have continued to make progress; household sideline occupations have grown even faster. A dynamic atmosphere prevails throughout the countryside, with commune members rejoicing over their successes, and agricultural production is on the threshold of vigorous growth. Everyone who has the well-being of the 800 million peasants at heart is rejoiced over this. Our achievements would be inconceivable without the conscientious fulfilment of the principles and policies on rural work put forward by the Party and government since the Third Plenary Session of the 11th Central Committee of the Party in December 1978.

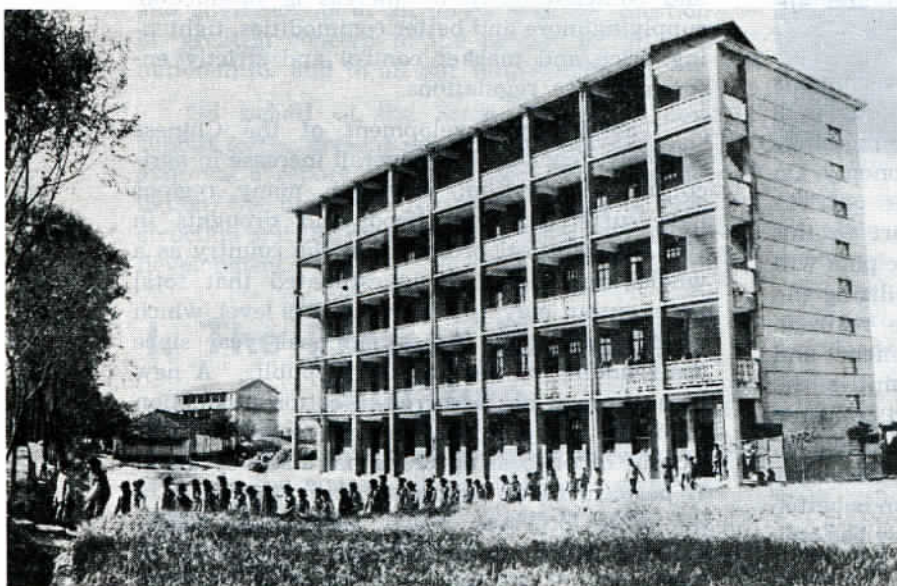
This year, many regions in China suffered from floods or droughts, which were of a gravity rarely known in our history. With unstinted help from the other regions the ensuing difficulties were overcome through the concerted effort of the Party and government cadres, the commanders and fighters of the People's Liberation Army and the broad masses in the affected areas. Production was rapidly resumed, great care was taken of the people's livelihood, and society is in good order. The exceptionally dangerous floods on the upper reaches of the Changjiang (Yangtze River) and Huanghe (Yellow River) were finally brought under control through the heroic efforts of the armymen and people fighting along their banks. The Gezhou Dam water-control project on the Changjiang and the Longyangxia and Liujiaxia hydroelectric power stations along the Huanghe withstood extraordinary flood crests. The Chengdu-Kunming and

Baoji-Chengdu Railways and the Baoji-Tian-shui section of the Longhai Railway, which had been severely damaged by floods and mud-rock flow, were very quickly re-opened to traffic. All these accomplishments won the admiration of people at home and abroad who were deeply concerned about conditions in the afflicted areas. On behalf of the State Council, I wish to warmly greet and express our deep respect to the people and cadres in these areas, and to the PLA commanders and fighters, railway workers and staff who took part in the struggle against natural calamities and in the later relief work.

In light industry, production rose markedly thanks to the principle of stressing the manufacture of goods for everyday consumption and to the adoption of a series of detailed measures. It is estimated that the total output value of textile and other light industries for 1981 will show an increase of 12 per cent over 1980. The output of durable consumer goods such as wrist watches, bicycles, sewing machines, TV sets, washing machines and electric fans has increased by double-digit percentages or in some cases several-fold. Output of such major items as cotton yarn and cloth, chemical fibres, sugar, paper and cigarettes will reach or exceed the planned targets. Light industry and textile products are now available in better designs and quality and in richer variety. The output of medium- and high-grade products has markedly increased, and articles of daily use are available in more varieties. Great changes in our markets as compared with previous years are apparent

to all. Substantial increases in the output of goods for everyday consumption, continuing over several years, have played a major role in meeting the needs of people in town and country, created a thriving market, reinvigorated the economy, enabled all industry to maintain a certain rate of growth and increased financial revenues.

In heavy industry, which is now being readjusted, the year 1981 will witness a decrease of about 5 per cent in output value as compared with 1980. This has resulted from the following circumstances: A number of heavy industrial enterprises have suspended production of grossly overstocked items whose manufacture entails



A new school built by prosperous Huaxi brigade in Jiangsu's Jiangyin County. Now the brigade covers educational expenses for all the brigade's children from nursery to senior middle school.



high energy consumption. These cutbacks are necessary and rational, for they enable us to transfer the energy thus saved to light industry. A considerable number of heavy industrial enterprises, which have long engaged mainly in serving capital construction, have found their production dropping in 1981 as a result of the much curtailed investment in capital construction and the corresponding decrease in orders for equipment and other production goods. This is inevitable in the course of readjusting the service orientation and product mix of heavy industry. Also, some heavy industrial enterprises were switched to the manufacture of other products later than they should have been, thus causing a drop in the production of some items, which could have been avoided. This happened because some comrades were slow to act, failing fully to understand the necessity of readjusting the service orientation and product mix of heavy industry. Efforts are being made to overcome this tendency. In the latter half of 1981, much has been done in heavy industry to change the orientation of its service, to cut back on products in excess supply and to increase the output of items most needed by the people and of export items. Here, initial successes have been achieved so that heavy industrial production began to pick up in the fourth quarter. Besides, geological prospecting has yielded fairly good results in the past year. The departments of railway, water, highway and air transport and of posts and telecommunications are fulfilling their plans satisfactorily, so that the transport of various important materials and of passengers is basically ensured.

The appropriate curtailment of capital construction is an important aspect of this year's work in economic readjustment. The problem of overextension of capital construction is being resolved step by step, and utilization of investment in this field is more rational than before. Total expenditures on capital construction were cut down to 30 billion yuan in February this year when the national plan was being revised. Later, 8 billion yuan were added, of which 3.5 billion have been used in building more housing projects and the remainder in increasing capacity in the production of goods for everyday consumption, in developing the oil industry and the transport services, and in resuming a number of badly needed projects whose equipment and technology are introduced from abroad. The emphasis in capital construction this year has first of all been on textile and other light industries which have an important bearing on

the people's standard of living, and then on energy, building materials and transport and communications. The proportions going to education, science, culture, public health and urban utilities have been raised in varying degrees. The first stage of the Gezhou Dam water-control project which had started several years ago was speeded up, so that the river was open to navigation in June 1981 and the first 170,000-kilowatt generator set went into trial operation and began to generate electricity. The three big chemical fibre plants in Liaoyang, Tianjin and Sichuan have basically been completed and put into commission. Over 90 per cent of the projects scheduled to go into full operation in 1981 can be completed according to plan. This is a rate unknown for many years.

Scientific research is playing an important role, guided as it is by the correct principle of the close integration of research with economic construction. The pace has been quickened and there has been substantial progress in applying the latest results of scientific research, in popularizing new technology and in absorbing imported advanced technology in agriculture, industry, national defence and other fields. In 1980, altogether more than 2,600 major research projects were successful, and there will be still more successes in 1981. About 50 per cent of the results have been applied to production. The popularization of such improved strains as hybrid paddy rice and "Lumian" Cotton Seed No. 1 over large areas has greatly contributed to the increased output of grain and cotton. During 1981 industrial departments have trial-produced or experimented with about 10,000 new products and technologies, half of which have been applied in regular production. Extensive use of new technologies, techniques and materials has steadily raised the technical level of industry. The successful launching of three satellites with one carrier rocket points to a new achievement in our science and technology following the launching of a carrier rocket to a prescribed area in the Pacific last year.

Domestic and foreign trade has expanded. More commodities are now supplied to the home market and consumer demand is being met fairly well. The volume of retail sales for 1981, according to estimates, should register a 9 per cent increase over 1980. To achieve a balance between the supply of commodities and social purchasing power, it was originally planned to release several billion yuan's worth of commodity inventories. But as both purchases and sales have grown considerably, instead of going



down commodity inventories are expected to increase by nearly 10 billion yuan. There has been a fairly big increase both in trade handled by urban and rural collectively owned establishments and in trade run by individuals as a supplement to state-operated and collective commerce. These forms have complemented state-owned stores, restaurants and service trades with respect to the increase in the number of stores, variety of goods, scope of services and business hours, thus providing more conveniences for the people. Further progress has been made in economic and technical exchanges with foreign countries, and the total volume of imports and exports in 1981 will have increased considerably over the previous year. More solid and perceptibly successful work has been done with regard to joint ventures involving Chinese and foreign investment, compensatory trade, the processing of materials for foreign businessmen, and the import of advanced technology and key equipment.

The living standards of the people have continued to improve. With the overall increase in agricultural production, rural income has gone up noticeably following the fairly big rise in the two previous years. There are more and more peasant families, production teams, production brigades, communes and counties whose income has gone up by a big margin. In 1979, there were 1,622 production brigades whose members each received an average of over 300 yuan from the distribution of collective income. The number rose to 5,569 in 1980 and it will be even higher in 1981. Especially gratifying is the fact that production and the people's living standards have gone up considerably, and profound changes have taken place in areas such as western Shandong, eastern Henan, northern Jiangsu and the area north of the Huaihe River where production used to be low because of poor natural conditions. An important indicator of the improvement in peasant living conditions is the large-scale construction of housing in rural areas where, according to incomplete statistics, new houses with about 900 million square metres of floor space have been added in the past three years. In the cities and towns, 4.77 million people were assigned jobs from January to September 1981. It has been decided to raise the pay of primary and middle school teachers, of some medical personnel and of physical culture workers as of October this year. Despite the big reduction in capital construction expenditures, the financing of housing projects for workers and staff has remained at last year's level, and close to 80 million square

metres of new residential space in cities and towns will be completed by the end of 1981. With better planning of auxiliary projects providing water, electricity and public transport, more floor space will be commissioned than last year, resulting in improved urban housing conditions. Bank savings in the urban and rural areas increased by 9.5 billion yuan between January and October 1981, reaching 49.4 billion yuan. This is a striking indication of the improvement in the living standards of the masses of the people as well as of their confidence in the development of the economy.

The above facts amply show that the principles guiding the further readjustment of our economy are correct, our course of development is sound and our achievements are considerable. The task of readjustment is a very challenging one. We had anticipated that troubles of one sort or another might crop up. But progress has been fairly smooth, with no really big troubles at all, and the few troubles that did occur were quickly resolved. Through the current readjustment, we have essentially achieved the aim of stabilizing the overall economic situation and of further consolidating and developing a political situation characterized by stability, unity and liveliness.

The setting forth of the principle of readjusting, restructuring, consolidating and improving the national economy marked a fundamental turn in our economic work under the guidance of the correct line formulated at the Third Plenary Session of the 11th Central Committee of the Party.

Beginning from 1979, we set about readjusting our rural policy to ensure the production teams' power of decision. Many different forms of the system of responsibility for production have been practised in our vast rural areas in the last three years. This system represents a new form of management and distribution for our socialist agriculture in the specific conditions of China's countryside. We have firmly grasped two important links: the establishment and perfecting of the responsibility system and the development of diversified undertakings. Meanwhile, we have made significant increases in the purchasing prices of farm and sideline products and decided to import a certain quantity of food grains every year. All this has been of great help in readjusting crop patterns, developing a diversified rural economy in accordance with actual conditions and rehabilitating the rural areas.



Readjustment in industry is somewhat different from that in agriculture. In industry, the main stress is on readjusting the proportions between its different branches, coupled with the necessary restructuring. As regards the readjustment of the ratio between light and heavy industry, measures have been taken — since the policy decision in late 1980 to further readjust the national economy — to give top priority to the development of light industry in the following spheres: the supply of raw and semi-finished materials and energy; bank loans; tapping potential, and carrying out technical innovations and transformation; capital construction; the use of foreign exchange and imported technology; and transport and communications. In 1981, beginning with key industrial cities, co-operation for specialized functions and through different forms of economic association has been organized for the mass production of certain items, with factories producing brand-name and quality products as the foundation. At the same time, arrangements have been made for such enterprises in the heavy and national defence industries as have the necessary conditions to produce durable consumer goods which meet the needs of the people. All these factors account for the sustained increase in the proportion of the total industrial output value produced by light industry. A bigger section of heavy industry is able to give direct service to light industry and agriculture, thus making the internal structure of our industry as a whole more rational. In the last three years, we have also gradually enhanced the power of decision of enterprises, introduced the system of economic responsibility, carried out the principle of distribution according to work, and striven to bring into play the supplementary role of regulation through the market under the guidance of the state plan. All these initial reforms have helped to invigorate our industrial enterprises, to overcome the widespread phenomenon of egalitarianism with "everybody sharing food from the same big pot," and to develop the initiative of enterprises and of their workers and staff.

Conspicuous changes have also taken place in the distribution of national income. With increased purchasing prices for farm and sideline products and the reduction of tax burdens in some rural areas, state revenue fell by 52 billion yuan from 1979 to 1981 while peasant income increased accordingly. In the same period, the state provided jobs for more than 20 million people in towns and cities, raised the wages and salaries of workers and staff and

applied the bonus system. The consequent increase in state expenditures and reduction in state revenues, taken together, provided a total of 40.5 billion yuan for an increase in the income of workers and staff. The reduction of state revenues in the countryside and the cities thus totalled 92.5 billion yuan, or 54 per cent more than the estimated figure of 60 billion yuan. Moreover, price subsidies from the state for diesel oil and electricity used in agricultural production, farm machines, chemical fertilizer, coal for civilian use, and imported food grains, cotton and sugar amounted to 23.4 billion yuan. Thanks to this series of effective measures for solving some of the problems piled up over the years and improving urban and rural living standards, the share of consumption in the national income went up from 63.5 per cent in 1978 to about 70 per cent in 1981 while the share of accumulation fell from 36.5 to about 30 per cent. It can be said that a marked change for the better has taken place in the serious disproportion between consumption and accumulation left over from the past.

Although we have scored striking successes in economic readjustment in the past year, it should be noted that the latent dangers in our national economy have not been completely eliminated. The basic balance between revenues and expenditures this year is not yet a stable one, because it has been achieved mainly by curtailing financial outlays. Therefore, more arduous work is needed for a pretty long period to enable us to maintain the basic financial and credit balance, increase the production of consumer goods to match rising purchasing power and keep prices essentially stable, so that the economy can develop harmoniously and the financial and economic situation can take a fundamental turn for the better. Implementing the principle of readjustment, restructuring, consolidation and improvement is a matter of overall importance, bearing directly on the country's long-term interests. Without awareness and conscientiousness on this score, repetition of the mistakes made many times in the past is still possible.

It was at the Second Session of the Fifth National People's Congress held in June 1979, that the State Council proposed the task of readjusting, restructuring, consolidating and improving the economy within three years. Through practice, we have since gained a deeper understanding of this principle. As far as readjustment is concerned, we should not only readjust the proportions between industry and agricul-





A typical scene in the countryside today. A local band performs for a joyous wedding party in Shandong's Wangzhuang brigade, now prosperous but formerly so poor that no woman wanted to marry into it.

ture, between light and heavy industries and between accumulation and consumption; we should also readjust the product mix, the technological makeup, the line-up of enterprises and the organizational structure so as to rationalize the overall structure of our national economy. Therefore, economic readjustment covers a much wider range than we first envisaged. The overall restructuring of the economic management system will take an even longer period. For this reason, the State Council holds that it is necessary to carry on with the principle of readjustment, restructuring, consolidation and improvement for another five years or a little longer, beginning from 1981. This is the way to gain a firm foothold and to lay a solid foundation for sounder development in the future.

Fellow deputies,

The present economic situation in our country is good. Things have been getting better and better quarter by quarter in 1981. Compared with the corresponding periods of 1980, the gross value of industrial output dropped by 0.2 per cent in the first quarter but increased by 1.7 per cent in the second and by 3 per cent in the third, while in October it went up by 10.6 per cent. Our economic prospects for 1982 and, of course, for subsequent years are unquestionably better.

The successes we have achieved in economic construction in the past year are due to the common efforts of all our people under the leadership of the Chinese Communist Party. The

workers, peasants, intellectuals and cadres on the economic front have been very diligent and hard-working. The cadres and masses in the fields of education, science, culture, the mass media, publishing, public health, politics and law, foreign affairs, etc., have brought their initiative and creativeness into full play in their work and scored significant achievements in the drive for socialist modernization centred on economic construction. In sports, good news has kept pouring in this year. Recently the Chinese Women's Volleyball Team won a world championship for the first time. Their victory inspires the people of all our nationalities who are working hard for the modernization programme. On behalf of the State Council, I take this opportunity to extend our sincere greetings to comrades on the above fronts. The Chinese People's Liberation Army has firmly carried out the line, principles and policies laid down by the Central Committee of the Party, strengthened ideological and political work, intensified military training, enhanced its sense of organization and its discipline, safeguarded and taken an active part in socialist construction and continued to play its role of pillar of the people's democratic dictatorship. PLA units and militiamen in the frontier regions and the heroes defending the Koulin and Faka Mountains on the border between China and Viet Nam are on guard every minute against provocations and incursions by the imperialists and hegemonists, thus defending the sacred frontiers of the motherland. Public security and judicial work-



ers throughout the country have made outstanding contributions to the maintenance of public order, the struggle against criminals and the education and remoulding of delinquents. On behalf of the State Council, I would like to take this opportunity to pay high tribute to the PLA commanders and fighters, the militiamen and public security workers.

## II. Principles for Future Economic Construction

In continuing to readjust the national economy, we must strive not only to solve the problem of large financial deficits and to control prices so as to eliminate potential dangers and speedily achieve overall stability in the economic situation; we should, on this basis, also strive to achieve the steady advance and sound growth of the economy. For this purpose, we must thoroughly change the conventional methods evolved over the years under the influence of the "Left" ideology and, proceeding from the actual conditions in China, blaze a new trail characterized by a fairly steady tempo and better economic results, yielding more substantial benefits to the people.

The crux of the problem is to do all we can to get better economic results in areas of production, construction and circulation. We have undergone major twists and turns in our economic construction since the founding of the People's Republic. But on the whole we have obtained notable success. In 1980, as compared with 1952, the year economic recovery was completed, the total output value of industry and agriculture had increased 9.1 times, national income 5.2 times, and industrial fixed assets 27 times, and the average consumption level of the people had increased by 100 per cent. All this fully shows that progress in our economic construction has been fairly rapid under socialism. At the same time, we can see that the increase in our national income in the 32 years has been much less than that in the total value of industrial and agricultural output, and, further, that the people's standard of living has lagged far behind the national income. The results of our economic construction have not been what they should be, and the improvement in the people's living standards has not been commensurate with the labour they have contributed.

There are subjective as well as objective reasons for the unsatisfactory results of China's

economic construction. Our country was very backward economically and culturally before liberation and for long years after liberation, there have been threats or even aggression by alien hostile forces, so we have had to concentrate our financial and material resources on the speedy development of heavy industry in order to lay the foundations for industrialization and strengthen national defence. Owing to prolonged blockade by imperialism and social-imperialism, China has been seriously obstructed from utilizing the advanced technology and managerial experience of foreign countries. Our country has a big and rapidly growing population so that a fair measure of the social wealth created by expanding production has to be consumed by the additional population, which adversely affects the raising of the living standards of the people as a whole. In addition to these objective reasons, long-standing "Left" mistakes in our guidelines for economic construction prevented us in many of our efforts from acting in conformity with objective economic laws. Coupled with the disruption during the decade-long "cultural revolution," this could not but seriously hamper us in giving effect to the superiority of our socialist system, it could not but impede our economic construction and detract from its results. The influence and consequences of the "Left" ideology which formerly guided economic work cannot possibly be eliminated in a short time. To this day, many major targets in our plans, in terms of anticipated economic results, are not only below the level of the economically advanced countries but also below that reached in China in the past. The setup of production, the product mix, the technological makeup, the line-up of enterprises, the organizational structure, the geographical distribution of industries and other economic undertakings, all these features of our country's economy as a whole are far from rational, and there are many defects in our system of economic management. These are the biggest obstacles to the attainment of better economic results. From now on we must tackle all economic problems with better economic results as the fundamental objective, ensuring a more satisfactory sustained development of our economy.

To blaze a new trail in our economic construction for the attainment of better economic results, we must conscientiously implement the 10 principles set out below, which embody the general principle of readjusting, restructuring, consolidating and improving the national econ-



omy, and sum up our experience in the past 32 years, and particularly in the past three years.

**1. Accelerate the development of agriculture by relying on correct policies and on science.** Agriculture is the foundation of the national economy, and all-round development of the rural economy is the key to all-round growth of our whole economy. The state will gradually increase its investment in agriculture but will not be able to increase it by much. The growth of agricultural production and other rural development will therefore continue to rely mainly on correct policies and on science.

Socialist agriculture was established in China long ago, and it has since been consolidated. The broad masses of peasants have an immense reservoir of enthusiasm for socialism. On the one hand, they want to stick to the path of socialist collectivization of agriculture, to public ownership of land and other basic means of production. On the other hand, they demand an end to the overconcentration of power in the managerial system and arbitrary directions in the sphere of production, and to egalitarianism and a number of irrational burdens in the sphere of distribution. In the last three years, we have broken the shackles of "Left" ideology and carried out some necessary readjustments in the relations of production in rural areas by respecting the decision-making power of the production teams and introducing various forms of the system of responsibility for production. This has enhanced the enthusiasm of the peasants in their work and led to better use of the material and technical conditions built up over the years, once again liberating the productive forces in agriculture. We must earnestly study and review the new conditions and problems that have emerged in the course of practice, adhere unwaveringly to the path of socialist collectivization and public ownership of land and other basic means of production, adhere unwaveringly to the system of production responsibility in agriculture, and strive to improve the different types of the responsibility system and our other rural economic policies.

To develop the rural economy, we must, first of all, put existing arable land to more rational use. At the same time, we must take measures, step by step, to utilize properly and fully China's vast expanses of hilly land and mountainous areas, broad grasslands, big and small rivers, numerous lakes and ponds, beaches and territorial waters. In the past, our vision in agricultural production was often limited to existing cultivated land and to grain produc-

tion, which increasingly cramped our efforts. Henceforth we should stress the concept of all-round development, mobilizing the more than 300 million peasants capable of full-time labour to explore new possibilities in production and promote diversified undertakings and household sideline occupations so as to advance production both intensively and extensively. Our policy is to spare no effort in promoting grain production and diversified undertakings. While ensuring the steady development of grain cultivation, we must also ensure an increase in the production of such cash crops as cotton, oil-bearing crops, hemp, silk, tea, sugar-yielding crops, vegetables, tobacco, fruit and medicinal materials and sundry products, as well as other farm and subsidiary products. We must consolidate and expand the bases for producing marketable grain, continue to make a success of the state farms and land reclamation, and strive to increase yields per unit area. While actively expanding the production of cash crops, we must make their geographical distribution more rational. Peasants in suburban districts should engage mainly in vegetable growing, and it is essential to ensure the area sown to vegetables. We should strive to protect the existing grasslands, use them rationally, step up their development, rear as much livestock as possible and at the same time encourage the raising of domestic animals and poultry in the vast countryside, and so significantly develop animal husbandry. In a word, our great motherland has all kinds of inexhaustible resources and it is full of vitality. We can certainly achieve the all-round development of farming, forestry, animal husbandry, sideline occupations and fisheries, provided we emancipate our minds, work realistically, rely on the masses, devise appropriate methods and turn human talents and land and other material resources to good account.

Our country has a vast population but not enough arable land; this contradiction will become more and more acute as the population increases. Our state policy should therefore be to treasure and use every inch of land rationally. We must survey China's agricultural resources and draw up plans for agricultural regionalization and the comprehensive use of land on nationwide, provincial and county levels, as well as for the planned use of land by the communes, production brigades and teams. We must encourage scientific farming. As regards existing farmland, we should gradually accomplish the general improvement and utilization of the alkaline soil in the Huanghe, Huaihe



and Haihe river basins and of the red soil in southern China and, relying mainly on the local people and their experience, apply the achievements of the relevant scientific research of the past two decades. Use of farmland for capital construction, even where it is unavoidable, should be strictly limited. There must be planning in the building of houses in rural areas and unlawful seizure or misuse of farmland is absolutely impermissible.

Water is a major material resource; the way it is exploited and used has a direct bearing on the development not only of agriculture but also of the whole economy. We failed to pay enough attention to this in the past. Now we should do adequate research and conduct sufficient publicity among the masses and cadres so that they understand the importance of preserving, rationally using, saving and developing water resources. Our water resources are distributed very unevenly and are utilized inadequately and irrationally. That is why a serious water shortage is felt in some places where it already severely affects the people's living conditions and industrial and agricultural production. In conjunction with the nationwide improvement of farmland, we must conduct comprehensive surveys of water resources and prospecting for them, and draw up plans for their rational use. We should gradually bring them under unified management, work earnestly for thrift in their use and prevent their pollution. Existing water conservancy works should be well maintained and properly used so as to yield the maximum benefit.

China's afforested area and the percentage of its forest cover are small, there is grievous soil erosion, and the ecological balance is increasingly being impaired. If we fail to find an effective solution to this problem, we shall be committing a historical error whose consequences may afflict future generations. To change the situation, we must take immediate and effective measures to forbid indiscriminate felling, prevent fires, diseases and insect pests in the forests, and launch a national afforestation drive. Present emphasis should be on planting trees on extensive plains and in hilly areas. In rural areas where there is a shortage of firewood, priority should be given to planting fuel trees. In villages, suburban districts and coastal and frontier regions where conditions permit the planting of groves of timber or fruit trees, it is necessary to organize specialized afforestation groups with production teams and brigades or communes as the unit and to put the work

on a permanent basis. Forestry departments should stress the preservation and expansion of existing forest bases, the active reafforestation of denuded lands, and the promotion of the multi-purpose use of forest resources. Meanwhile, efforts should be made to plant trees and grass and conserve water and soil along the upper reaches of the Huanghe, Changjiang and other rivers. The State Council has prepared a Resolution on a Nationwide Campaign for Obligatory Tree Planting, which will be submitted to this session for examination and then promulgated and implemented.

While developing the entire rural economy which embraces crop-farming, forestry, animal husbandry, sideline occupations and fisheries, we must also consider and make arrangements for overall rural development. Transport and communication services, small hydropower stations, methane gas installations, the manufacture of building materials, the building industry, the processing of farm and sideline products, the construction of public amenities in towns and villages, commerce and service trades, bank credit, culture, education, physical culture, public health work—all these can and should be developed in a planned way according to the needs and possibilities. We have immense labour power in the countryside and there is no need to worry about being short of people to do the work. The problem is, firstly, how to get them to do these things willingly and actively, which means that correct policies are needed; and, secondly, how to work efficiently and achieve good results, which calls for the proper application of science and technology. In everything they undertake people in all trades and professions should work out specific policies in the light of their own conditions and apply the relevant science and technology and appropriate methods of management. It is necessary to link the readjustment of the relations of production with the development of the productive forces in the countryside, make rational use of the labour of the hundreds of millions of peasants, carry out farmland capital construction and water conservancy projects, and improve production conditions so as to secure the all-round development of the rural economy and bring greater prosperity to our new socialist countryside.

To blaze a new trail for agriculture so that it will develop with relatively little investment and high economic returns, stress must be laid on research in, and popularization of, agricultural science and technology and on combining



the achievements of modern research in these spheres with China's fine traditions of intensive farming in order to wrest more farm products from nature to meet our needs. Since the founding of the People's Republic, much has been done in research in agricultural science and technology and in their popularization, and with substantial results. The cultivation and popularization of some improved seed strains has often yielded economic returns scores or even hundreds of times the cost of research on them. This has fully demonstrated the power of intellectual investment in scientific research. We hope that the departments concerned will concentrate greater efforts and, within a relatively short time, achieve further notable successes in breeding and popularizing fine seed strains, improving farming methods and crop patterns, changing the composition of chemical fertilizers, applying fertilizer rationally, producing highly efficient farm chemicals low in poisonous residue, and popularizing selected and suitable farm machinery.

For progress in agriculture we rely on correct policies and science. But it is the cadres and scientific and technical personnel in the rural areas who implement the policies and apply the science. With the introduction of various forms of system of responsibility for production, a profound change has taken place in the relations between cadres and scientific and technical personnel on the one hand and the peasant masses on the other, promoting generally closer relations between them. People everywhere respect and are grateful to our rural cadres and scientific and technical personnel working gloriously and arduously in the forefront of agricultural production. We should show particular concern for them politically, vocationally and in their daily life, and take concrete measures to encourage them to continue to do their best.

**2. Give prominence to the development of consumer goods industries and further adjust the service orientation of heavy industry.** With the situation in the countryside constantly improving, agriculture is providing more and more raw materials for light industry, and the cash income of people in both country and town is rising year by year. This gives tremendous impetus to the development of consumer goods industries, whose accelerated development will, through exchange, promote the growth of agriculture, heavy industry and domestic and foreign trade, and better satisfy the demand of the people for a higher standard of living. Con-

currently, it will increase state revenues, stabilize prices and provide more jobs, thus helping consolidate political stability and unity. Vigorous promotion of the production of consumer goods will also help rationalize the whole structure of the economy and properly resolve the contradiction between accumulation and consumption. We must give prominence to the development of consumer goods industries for a long time yet. Therefore we should ensure that their requirements are met with regard to the supply of energy and materials, the allotment of loans and investments, the allocation of scientific and technical personnel, the selection of topics for scientific research and the introduction of foreign technology and equipment.

The prospects are bright and the potential immense for the growth of the consumer goods industries. At present, urban and rural people badly need durable consumer goods, textiles, foodstuffs including beverages, building materials for civilian use, chemical products for daily use, stationery and medical supplies. Goods for tourism and other services are also needed. The departments concerned are now mapping out plans for developing these trades. Taking full advantage of our rich natural resources and abundant labour power, we should build more labour-intensive enterprises turning out consumer goods; such enterprises need less investment but yield quicker returns. Giving due consideration to both town and country, to both domestic and foreign markets, and to the special needs of the minority nationalities, a balance must be struck between supply, production and marketing, planning and market surveys and forecasts improved, and blindness in production eliminated. While increasing the output of medium- and high-grade goods, the production of less profitable run-of-the-mill goods and small items liked and needed by the broad masses should on no account be neglected. Stress must be laid on better quality, so as to turn out more readily marketable goods new in design, rich in variety, fine in quality and low in price. There must be no stress on quantity at the expense of quality, and rough and slipshod methods of manufacture should be checked. Shanghai, Tianjin and other old industrial bases should make full use of their advantages and potential in expanding consumer goods industries and try to co-operate with other cities and areas, helping them with their skills and experience in operation and management to boost their production of consumer goods. Localities must ensure the fulfilment of their quotas in purchasing raw materials for the consumer goods in-



dustries and sending them to other areas. In the distribution of raw materials, we must give priority to the needs of the old industrial bases.

Under present conditions, faster growth in the production of consumer goods will promote the expansion of heavy industry and definitely not hinder it. The growth of the former will set more and higher demands on the latter. According to the Marxist theory of reproduction, the more harmonious the relations between the two departments of social production, i.e., the production of the means of production and the production of the means of subsistence, and the faster the exchange and turnover, the more rapid will be the growth of the whole economy. The maintenance of a harmonious development of these two departments is our long-term policy. We should now radically change the long-standing tendency of one-sided emphasis on the development of heavy industry and on making some of its sectors serve new construction projects. Apart from producing certain durable consumer goods, in its future development our heavy industry must attend to the more important task of readjusting its orientation, enlarging its scope, raising the quality of its services and improving its adaptability, so that it can give better service to agriculture and the consumer goods industries, the technical transformation of the economy, exports and the modernization of our national defence. Such is the way forward for our heavy industry. The better and more energetically its orientation and internal structure are readjusted, the greater the scope for its initiative.

Much basic work needs to be done in developing heavy industry. As its production cycle is, in general, relatively long, we must start right now to design and manufacture the equipment that will be required years later by projects in the infrastructure like those in energy and transport. We must pay great attention to preparatory work of all kinds, such as prospecting for energy and mineral resources and designing projects to exploit them; to scientific research, the technical testing and technological designing of major new products; and to the training of competent personnel, technical transformation and renewal of equipment — all these tasks must be accomplished in good time. All workers and staff members in heavy industry departments should exert themselves in such work which is indispensable to our modernization programme.

### **3. Raise the energy utilization ratio and promote the building of the energy industry and**

**transport.** The energy industry and transport are now the weak links in the chain of our economic development. Whether our economy can keep on growing at a comparatively high speed and whether a new expansion will come about depends largely on the proper solution of the problems of energy and transport.

Our policy for solving the energy problem is to lay equal stress on exploiting energy resources and on practising economy in its consumption, while giving priority to saving energy now and in the near future. Our output of energy at present is exceeded only by that of the United States, the Soviet Union and Saudi



Mayor Hu Qili (second from left) of Tianjin visits workers at the city's No. 1 steel plant. They talk with him during the break after turning out a heat of steel.

Arabia, but our national income per unit of energy consumed is much lower than that of many countries and even lower than our own former highest level. China's waste of energy is shocking, but it also indicates a remarkable potential for energy savings. In the last few years, energy conservation and reduced consumption have been effected mainly through readjusting the structure of light and heavy industry, and little has been achieved through improved management and technical transformation. It is imperative to set strict demands in these respects, take most rigorous measures, set stringent energy consumption quotas for different products, shut down those factories which waste too much energy and whose products fail to meet social needs, and also gradually and systematically carry out the technical transformation of backward energy-guzzling production facilities and technologies



in order to ensure success in our task of economizing on oil, coal and power. We must first strive to surpass our own record in national income per unit of energy consumed. Then we must try, gradually, to approach the levels of the world's industrially developed countries.

There are fewer than 10 countries whose annual output of petroleum exceeds 100 million tons, and China is one of them. This output constitutes an immense item of wealth for our country. The rational use of this wealth is essential for securing better economic results for the whole of society. At present, 40 million tons of petroleum are burnt as fuel each year, a large proportion of which should not have been so used. The waste is enormous. The State Council has decided to take the necessary measures in the next 10 years to replace oil consumption by coal consumption, saving petroleum for processing at home or for export, and to use the revenues thus derived for building our energy industry and transport. Our crude oil processing is still at a low level, so that many components which can be used as industrial chemicals have yet to be cracked or separated for optimal utilization. The value China derives from 100 million tons of petroleum is far less than in industrially developed countries, which constitutes another enormous waste. We must go all out to reorganize and transform existing oil refineries and petrochemical enterprises, raise the level of crude oil processing and promote the comprehensive utilization of petrochemicals. This will not only add to China's exports but also help increase the production of such products as chemical fibres, plastics and synthetic rubber, thus providing more consumer goods for the market. In a word, effective utilization of our 100 million tons of petroleum is important for attaining better economic results, increasing revenues and improving the economic situation; all departments and units must pay special attention to this task and make concerted and strenuous efforts to accomplish it.

In the production and exploitation of energy, long-term development as well as immediate needs must be taken into account. China is very rich in coal reserves. In exploiting them we should lay stress on transforming and expanding existing coal mines now and in the near future. New mines to be opened should mainly be small and medium-sized ones, involving smaller investments and a shorter construction cycle and yielding faster results. As for large mines, their construction and commissioning

should be staggered, so that they can turn out more coal sooner. Efforts should be concentrated on extracting coal in Shanxi Province; at the same time appropriate arrangements should be made for mining in the provinces of Henan, Shandong, Anhui, Heilongjiang and Guizhou, and in Inner Mongolia. In production and construction in the power industry, we should strive to build thermal power plants and hydroelectric stations suiting local conditions, with the focus gradually shifting to the construction of hydroelectric stations. Villages with water power resources should try to build small hydroelectric stations so as to relieve the shortage of energy, reduce pollution and cut down the cost of generation. In production and construction in the oil industry, it is necessary to effect the technical transformation of the Daqing and other oilfields, tap their potential and renovate them, try to keep total output at 100 million tons in the next few years and at the same time muster funds for opening up new oilfields. Efforts must be redoubled to make a general survey of petroleum and natural gas resources and to prospect for them and also to increase our reserves so as to create the necessary conditions for future development.

The deputies and people of all our nationalities have shown great concern about the exploration of offshore oil. I am delighted to report that gratifying progress has been made. We have completed a general seismological survey of part of the South China Sea and the southern waters of the Yellow Sea. A number of exploratory wells in the Bohai Sea and the Beibu Gulf have started to produce oil. Our oil industry's prospects are bright. In accordance with the principle of mutual benefit, the government has decided to invite tenders from foreign firms in the near future and, with their co-operation, to step up exploration and open and build up new oilfields as soon as possible. Not long ago, some people asserted that China's oil output would gradually fall so that before long she would become not an exporter but an importer of oil. I can assure you that this definitely will not happen.

The building of the energy industry and transport should go hand in hand, with the latter starting up a bit earlier. Only thus can excavated coal, for instance, be moved out in time. For a number of years the central authorities should give top priority to the needs of transport including the building of harbours, when allocating investments for construction. Railway



sections with low transport capacity and harbours with low handling capacity should be the first to undergo technical transformation. The departments in charge of transport and water conservancy should jointly strive to adjust inland water transport and dredge the channels so as to greatly increase inland water transport potentialities. At the same time, we should make full use of our offshore transport potentialities, mobilize all possible forces to step up highway construction and organize vehicles of every kind to reinforce short-distance transportation. Efforts should be made to hasten the growth of postal and telecommunication services. Every means should be used to adapt transport to the needs of expanded production and construction throughout the economy.

**4. Carry out technical transformation step by step in key units and make the maximum use of existing enterprises.** Not only will technical transformation and the updating of equipment in existing enterprises in industry and transport bring about a change in the present situation of dearth of assignments to heavy industry, ensuring a definite growth rate for our economy and an increase in productive capacity; they will also help raise our industrial techniques to a new level and pave the way and build up reserves for the modernization of our entire economy in the years to come. This is the key to smoother economic development. In the past, we carried on expanded reproduction chiefly by building new factories, which had to be done in the period of laying the foundation for industrialization. Now that China already has several hundred thousand enterprises in industry and transport, we will have to rely chiefly on the technical transformation of existing enterprises and on their initiative for expanded reproduction in the future. The good results obtained by many enterprises in this regard indicate that this course will yield faster results and bigger economic returns and call for smaller investments than the building of new enterprises.

China should follow her own road in the light of her own conditions in the technical transformation of existing enterprises. Our country is rich in manpower but short of funds, and for a considerably long period it must therefore not expect to equip all enterprises with the most advanced technology, nor should it one-sidedly pursue automation. Closely centring around the effort to secure better economic results, our technical transformation should include the following features: (1) economizing

on energy and raw and semi-finished materials, reducing their consumption and lowering production costs; (2) changing the product mix, upgrading and updating products, and improving their properties and quality, so as to meet the needs of markets at home and abroad; and (3) making rational use of resources and raising the level of comprehensive utilization.

The work of technical transformation calls for both overall plans and detailed requirements for different trades. It should first be done well in the industrially developed key cities and a number of key enterprises, and undertaken group after group and at different times. It must not be undertaken without prior study or without consideration for economic results. Nor should there be a general rush into action, with each unit going its own way. Proceeding from their specific conditions, all trades should formulate correct policies with respect to technical equipment and map out overall plans for technical transformation and for the updating of their equipment so as to carry out such transformation and renovation after adequate preparations. The machine-building industry must be transformed and reorganized early; it should endeavour to design and manufacture sophisticated machines and equipment to meet the needs of technical transformation in all trades. Technical transformation plans should be included in the state programme. Transformation projects must be arranged and carried out one by one.

The equipment in a number of our key enterprises is outdated, low in efficiency and high in energy consumption; it should be systematically replaced with more efficient machinery. However, this should be done within our capabilities. Under existing conditions, what most enterprises can accomplish is mainly to add or update a few key installations, improve technology, perfect operating procedures and promote the designing and trial manufacture of new products. It is necessary to arouse the masses of workers and staff members to make rationalization proposals for the renovation of production techniques.

To promote effective technical transformation, in allocating investments for fixed assets we should make unified arrangements for the use of funds for both capital construction and technical transformation. Fairly soon, new policies should be framed for the updating of equipment, which should be in keeping with our conditions and conducive to the growth of our



economy. The depreciation rate for fixed assets should be increased gradually in the light of the differing conditions in each trade or enterprise, so as to appropriately shorten the cycle for updating their equipment. From now on, depreciation funds, funds for expanding production drawn from profits retained by enterprises and relevant funds allocated by departments at a higher level should all be used for technical transformation and the updating of equipment. Both the distribution and use of these funds should be included in the financial and credit plans; they must not be used for the construction of new projects or other purposes. Where conditions permit, some enterprises can make use of a certain amount of foreign investment, combining their technical transformation with the import of technology.

**5. Carry out the all-round consolidation and necessary restructuring of enterprises by groups.** To tap the potential of existing enterprises, secure better economic results and increase state revenues, it is imperative that the all-round consolidation of enterprises be carried out in groups and in a planned way.

In the course of consolidation, special attention must now be given to the following four tasks: (1) strengthening and perfecting the system of economic responsibility, improving the operation and management of enterprises and doing a good job in overall planning, quality control and business accounting; (2) reorganizing work units, arranging production according to a fixed number of workers and fixed quotas, systematically training all workers and staff and firmly overcoming overstaffing and laxity; (3) strengthening work discipline and strictly enforcing regulations concerning rewards and disciplinary sanctions — persons doing good work should be commended and given rewards, but as for serious violators of work discipline who refuse to mend their ways despite repeated admonitions, the enterprise has the right to mete out economic or administrative penalties, or, in the worst cases, to ask them to leave or simply discharge them in accordance with the relevant regulations; and (4) strengthening financial discipline, improving financial and accounting rules and regulations and tightening financial control; in cases of breaches of financial discipline such as fraud, embezzlement, retention of profits which ought to be turned over to the state and evasion of taxes, the persons and the leading cadres concerned should be made to bear the economic and legal responsibility. To carry out the above tasks, special efforts

must be made to reorganize leading bodies by putting an end to laxity, flabbiness, overstaffing and keeping on people who are too old, phenomena which exist in some leading organizations, and by promoting young and middle-aged cadres and technical personnel to leading posts. It is also necessary to strengthen the system under which the factory director assumes full responsibility under the leadership of the Party committee and the system of congresses of workers and staff, and to improve the organization of leadership and control of production technology and management headed by the factory director.

With regard to the consolidation of enterprises, to implement and perfect the system of economic responsibility in a planned and orderly way it is first necessary to define the economic responsibility of the enterprise to the state and of the workers and staff to the enterprise; at the same time the enterprise should be granted a measure of economic authority, and the enterprise and workers and staff should be given due economic benefits, so as to combine responsibility, authority and benefit, bring into play the initiative of the enterprise and of the workers and staff, improve enterprise management, perfect business accounting within the factory and raise production. The enforcement of the system of economic responsibility can effectively solve the grave problem of egalitarianism with "everybody sharing food from the same big pot," which now exists among enterprises and among the workers and staff in individual enterprises; thus both the enterprise and its workers and staff will be motivated to run the enterprise well and tap its potential. This is a key to the successful running of socialist enterprises. We must fully understand the profound, far-reaching significance of this system and, in the course of steadily implementing it, strive to work out different forms of the system to suit the different trades and enterprises. Two things are to be avoided — rushing headlong into mass action and imposing uniformity on all enterprises. When implementing the responsibility system, it is necessary to set advanced average quotas, improve the quality of products, lower costs, accelerate the turnover of circulating funds and turn out readily marketable goods, and arbitrary raising of prices in violation of state discipline should not be allowed. Effective measures must be taken to exercise closer supervision over the enterprise and to formulate regulations and methods for applying them to accounting, wages and salaries, bonuses and welfare. In distributing surplus revenue,



we must uphold the principle that the state should receive the largest share first and that the enterprise should retain a major part of the rest. In no case should the rate of growth of the portion of profits retained by the enterprise exceed the rate of growth either of production or of the overall profit. It is imperative to be firm in stopping dishonest practices that impair the interests of the state and the people. All this, if accompanied by effective ideological and political work, will help the enterprise and its workers and staff to realize clearly where their fundamental interests lie, guiding them in the right direction and heightening their enthusiasm for better operation and management and achieving better economic results.

We should carry out the consolidation of enterprises step by step, taking into account the experiences gained in selected enterprises and their popularization in other enterprises, and try to complete it by groups in two or three years. For the first group, about 300 enterprises of special importance to the national economy are to be selected; it will take six months or a little longer to accomplish their consolidation. After this experience has been summed up, other enterprises will be consolidated, group by group. In principle, the task of consolidation should be carried out under the leadership of the Party organization within the enterprise. To assist in this task, leading comrades in all industrial ministries and departments under the State Council and those in charge of industry in the provinces, municipalities and autonomous regions as well as those in the departments concerned at all levels should head groups of cadres going down to the grassroots units for study and investigation and the summing up of experience. Departments at all levels should draw up plans, organize their implementation and provide better guidance so as to ensure practical results in the process of consolidation. We must guard against just going through the motions and reducing consolidation to a formality. While carrying on the consolidation of enterprises, we must also consolidate and strengthen the work of departments in charge of them.

The consolidation of an enterprise should go hand in hand with its readjustment and restructuring. First of all, with regard to enterprises whose products are in excess supply and of very poor quality and whose consumption of energy and raw and semi-finished materials is too high, or which have incurred losses over the years and cause serious pollution, we should

unhesitatingly apply the policy of shutting them down, or suspending their operation, or amalgamating them with other enterprises, or switching them to the manufacture of other products, on the merits of each case. The state will then be able to allocate its limited amount of energy and raw and semi-finished materials to enterprises which can turn out fine quality products with low consumption rates and better economic results. The number of small iron plants run by prefectures and counties throughout the country has been cut from 466 to 276, and the latter have improved their management. As a result, the coke ratio in iron smelting has fallen from 950 kg to 705 kg per ton, the cost of pig iron from 303 yuan to 243 yuan and the total loss incurred by these plants from 630 million yuan to 100 million yuan. This shows that the proper application of the policy of "shutting down, suspension, amalgamation or switching" is of substantial economic significance. The State Council has already instructed the departments concerned to set appropriate requirements for the operation of factories belonging to different industries and turning out different products, and the minimum requirements for batch production, quality and material consumption. Factories and enterprises that fail to meet these requirements within a certain time limit must either suspend production pending consolidation, or close down. In energy-deficient areas in eastern and northeastern China, strict restrictions must be placed on products whose manufacture consumes a lot of energy, and their production should as far as possible be transferred to areas where energy supply is relatively sufficient so as to help ensure a regional balance between energy supply and demand. All localities and departments concerned should adopt an overall point of view, taking the interests of the whole into consideration and subordinating the interests of the part to those of the whole; they should ensure that state property is protected during the implementation of the policy of "shutting down, suspension, amalgamation or switching," and they should make suitable arrangements for political study, vocational training and labour for the workers and staff in enterprises that suspend production. To conduct the political and vocational training of the workers and staff during the time left open when production is suspended wholly or partly is a way of developing our intellectual resources at very low cost but to very good effect. Now that the workers and staff in enterprises operating at full capacity are devoting whatever time is available to study, it is all the more incum-



bent upon those in the enterprises operating very much under capacity, and especially in enterprises that shut down or suspend operations, to make use of the valuable time gained for study. Such study will, in fact, expand our production potential and pave the way for future development.

**6. Raise more construction funds and use them thriftily through improved methods of acquisition, accumulation and spending.** Financial difficulties and lack of funds are a serious problem in our present task of economic construction. The fundamental solution is to adopt correct policies which will arouse the initiative of all the workers and staff, all enterprises and all local authorities so that they will work hard to increase production, practise economy, oppose waste and achieve better economic results. This is the correct way to "make a fortune," so to speak. Great possibilities for increasing revenue and cutting expenditure remain to be tapped in the various spheres of the economy. On the current scale of production, if all industrial enterprises cut down the cost production by 1 per cent, they can add 2 billion yuan to the state's annual revenues. Our circulating funds have far surpassed what is needed. Faster turnover—reducing it by say 2-3 per cent—will mean the saving of 7 to 10 billion yuan. The building cycles for many large and medium-sized projects are rather long; efforts to shorten them will considerably reduce expenditures on builders' wages, and earlier completion and commissioning will enable these projects to provide the state with more profits and taxes. If only we try hard, we can surely translate the objective possibilities for increasing revenues and reducing expenditures into realities. It will thus become possible not only to maintain a basic balance between revenues and expenditures but also to raise more funds for production and construction.

The first task of all economic departments is to try by every means to increase production and revenue and add to the wealth of society. This is the basis for the solution of our financial problems. With growing production and more social wealth, the state will have abundant financial resources. The financial departments should do their best to help the economic departments to increase production and income, and at the same time efficiently perform their supervisory functions by ensuring the rational use of funds and preventing waste. The economic departments for their part should closely cooperate with the financial departments in the

effective accumulation and use of funds. In addition to collecting taxes and profits from various production units that should be collected, governments at all levels should find more ways and try harder to aid and develop production so as to increase revenue. We must not, on account of financial difficulties, abandon reforms that not only help release the initiative of local authorities, enterprises and workers and staff members but also contribute to the overall interest. Otherwise we will block the channels for increasing production and revenue and thus aggravate problems of finance.

With the widespread increase in income, appropriate measures should be taken in finance, taxation and other respects to ensure a basic balance between revenues and expenditures. Taxation and customs must be strengthened, taxes should be restored on certain items and imposed on others, the state monopoly on sales of tobacco and alcoholic drinks should be maintained and every form of tax evasion checked, so that the state can collect all funds that should be collected and concentrate all funds that should be concentrated. Besides, it is necessary to use a determinate part of the deposits of local authorities, enterprises and individuals as funds for construction and to do this through bank credit in a planned way. We can thus not only turn a considerable proportion of idle funds and consumption funds into construction funds but also partly mitigate the contradiction between growing purchasing power and the supply of commodities, thus reducing pressure on the market. This will benefit both the depositors and the state. The method of replacing financial allocations for many capital construction projects by bank loans has proved fruitful, and its application should be actively extended. Other measures such as issuing bonds and conducting insurance and trust operations may be adopted to raise funds. At the same time, we should keep fund raising under control and guard against credit inflation. The role of banks in the accumulation, transfer and unified control of credit funds should be strengthened.

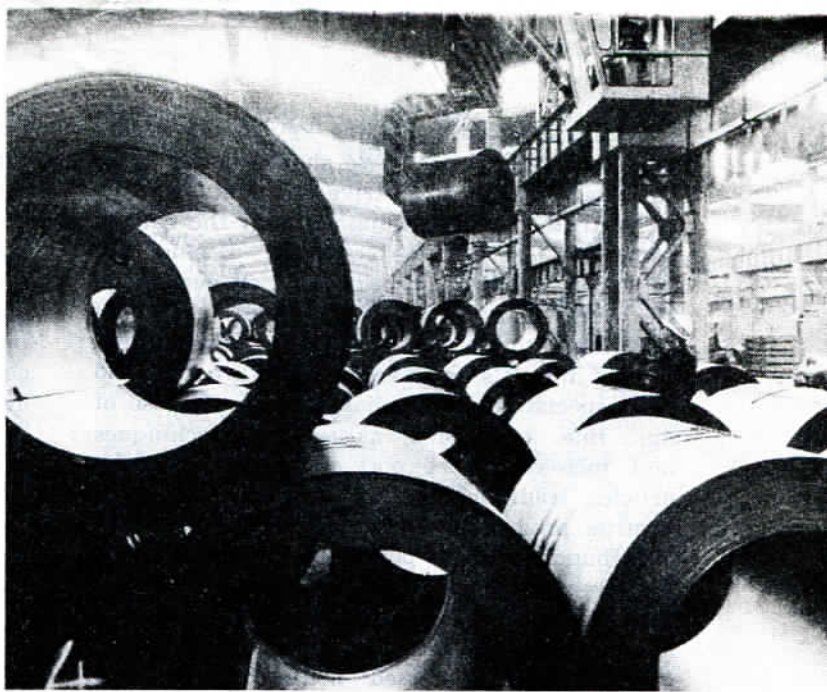
With the growing briskness of the economy and the greater financial powers of the local authorities and enterprises, more and more extra-budgetary funds have become available. At present, they are equal to half our budgetary revenues and so can play a very important role when combined with budgetary funds and used rationally according to plan and under overall arrangements. Many projects can be financed by extra-budgetary funds, which means reduc-



ing the state's burdens. From now on, the central authorities should gradually diminish the scope of their financial investments and concentrate them on energy, transport and new industries. Projects involving short investment cycles and yielding fairly large profits as well as urban construction projects should be financed as far as possible by local authorities or by enterprises. At the same time, measures to strengthen financial supervision should be taken and strict discipline enforced. Effective protection should be given to the legitimate interests of enterprises, departments and local authorities, while strictly preventing them from making unlawful gains.

In short, it is possible to overcome our financial difficulties and there are enormous potentialities for increasing production and economizing on expenditures. Everything depends on our own efforts. Take the city of Fushun, which is mainly engaged in heavy industry. Owing to economic readjustment, many of its enterprises are very short of orders this year and their output has dropped. From the conventional point of view, this should have led to a fall in their profits and income, and nothing would have been more "natural." But the comrades in Fushun's financial and economic departments took a different view. Mobilizing the masses in every possible way to tap potential, they worked out and successfully implemented 30 measures to prevent a reduction in income despite lowered production. A fair number of enterprises elsewhere have also succeeded in increasing both production and income, or in cutting down expenditures and increasing income. All comrades in our financial and economic departments should follow the example of Fushun, study the new conditions and problems confronting them and explore new ways to solve financial problems. People in all trades, from top to bottom, must perfect ways to acquire, accumulate and use funds. If they stick to conventional ways of doing things, they will see their path "barred by hills and streams," but if they use new methods in the light of the new circumstances, they will find themselves on a path "shaded by willows and radiant with flowers," as the saying goes.

**7. Persist in an open-door policy and enhance our capacity for self-reliant action.** No longer subjected to blockades, China has established economic and trade contacts with 174



The 1.7-metre rolling mill of the Wuhan Iron and Steel Company has been commissioned. The company's cold rolling mill produces 25 kinds of sheet steel, including one as thin as newsprint.

countries and regions. This is a very favourable condition for our modernization programme. Expansion of exchange is a basic feature of large-scale socialized production, and it has extended from internal trade in China to trade with the world at large. By linking our country with the world market, expanding foreign trade, importing advanced technology, utilizing foreign capital and entering into different forms of international economic and technological co-operation, we can use our strong points to make up for our weak points through international exchange on the basis of equality and mutual benefit. Far from impairing our capacity for self-reliant action, this will only serve to enhance it. In economic work, we must abandon once for all the idea of self-sufficiency, which is a characteristic of the natural economy. All ideas and actions based on keeping our door closed to the outside world and sticking to conventions are wrong, and so are ideas and actions based on relying solely on other countries and having blind faith in them.

As we still lack experience in pursuing an open-door policy and carrying out economic and technological exchanges with other countries, we must really strive to learn. We should use our domestic resources in the first place and international resources in the second; we should develop our domestic market in the first place and our role in the world market in the second; and we should master two skills, that of domestic economic management and that of foreign trade and economic exchange.



Greater exports are the key to the expansion of foreign trade. We should boldly enter the world market and strive to maintain a rate of increase of exports higher than the rate of growth of the Chinese economy. Basing ourselves on our own conditions and on demand in the world market, we should make full use of our rich natural resources and increase the export of minerals, farm and sideline products and local specialities. We should make full use of our fine traditional skills and techniques and increase the export of arts and crafts articles, traditional textiles and other light industrial products. We should make full use of our abundant labour power to process materials for foreign businessmen. And we should make full use of our existing industrial bases and increase our exports of mechanical and electrical products and processed nonferrous or rare metals. In the case of some products, imports may be utilized to serve the expansion of exports. Putting China's products to the test of competition in the world market will spur us to improve management, increase variety, raise quality, lower production costs and achieve better economic results.

Over the last few years there have been successes as well as failures in our imports of technology and equipment, and a summing-up is called for. We should oppose indecision and excessive caution on the one hand, and credulity and making hasty promises on the other. From now on, China should mainly import technology and single machines or key equipment which cannot be produced domestically. We should not import complete sets of equipment every time and must avoid duplicating imports. We should not import equipment without know-how or fail to assimilate the imported technology and to popularize what we have learnt from it.

To speed up our economic construction, it is definitely necessary to utilize as much foreign capital as possible, and first of all to utilize low interest loans and loans offered on relatively favourable terms. Here we must guard against rashness, make meticulous feasibility studies and bear economic results in mind. In the final analysis, the amount of foreign capital we can utilize is not determined by our subjective desires but by what we can do at home, that is, mainly by our ability to repay, to provide the necessary accessories and to assimilate advanced technology. The long-term loans at low interest that may be available in the near future should be used chiefly on such infrastructural projects as the development of energy and

transport. Small and medium-sized enterprises turning out products much in demand on the domestic and world markets should have more access to foreign capital and to imported technology. They are very numerous, and most of them will be able speedily to raise the quantity and quality of their products if only they can import some appropriate key techniques and equipment without spending too much. Moreover, they can repay the money fairly quickly. Such use of foreign capital is favourable to the growth of production in China.

Ours is a sovereign socialist state. In accordance with the principle of equality and mutual benefit, foreigners are welcome to invest in China and launch joint ventures in opening up mines and running factories or other undertakings, but they must respect China's sovereignty and abide by her laws, policies and decrees. We have set up experimental special economic zones in Shenzhen, Zhuhai and Shantou in Guangdong Province and Xiamen in Fujian Province; our experience in this sphere should be summed up in good time. These zones should boldly introduce advanced technology and methods of management from abroad and make use of foreign capital. Our aim is to promote China's socialist modernization; we should adhere to the characteristics of the socialist system in our work in the special zones, and the workers, staff and other inhabitants should be imbued with socialist morality.

To expand economic and technological exchanges with foreign countries, we must make full use of the coastal areas, and especially the coastal cities. Shanghai, Tianjin, Guangzhou, Dalian, Qingdao, Fuzhou and Xiamen among other cities, should make a bigger contribution in this regard. We should lose no time in using different ways to train large numbers of specialists, technical personnel and sales agents for our foreign trade and other external economic affairs. They should become familiar with the world market and with economic and technological developments abroad, and so constitute an effective network of information on world business and a marketing network which provides, among other things, servicing for the articles sold. We should continue to gradually reform the existing system of managing our foreign trade and other foreign economic relations, persisting in overall arrangements by the state and unified action in dealing with other countries and at the same time arousing the initiative of the local authorities, departments and enterprises.



In short, it is our firm principle to follow an open-door policy and further economic and technological exchanges with other countries. We need international co-operation in our drive for modernization. Far-sighted personages in political and economic circles abroad understand the enormous potentialities of the Chinese market and its far-reaching significance for the steady development of the world economy. We should take stock of the current situation and work hard to expand and strengthen our contacts and co-operation with all those willing to have economic and technological exchanges with us on the basis of mutual benefit.

**8. Actively and steadily reform our economic system and realize the initiative of all concerned to the full.** The chief weaknesses of our previous economic structure were over-concentration of power and failure to separate the functions of the government from those of the enterprises in matters of management; another weakness was egalitarianism in distribution, with "everybody sharing food from the same big pot." In recent years, we have introduced certain reforms in agriculture, industry, finance and trade affecting the forms of ownership, planning, management and distribution. These reforms, carried out in accordance with the requirement that they serve, promote and conform with economic readjustment, have been markedly successful in mobilizing the enthusiasm of all concerned, reinvigorating the economy and advancing production. Nevertheless, they are still partial and exploratory in nature, and our work here has suffered from certain incongruities and from lack of co-ordination. The task before us is to sum up our experience in these reforms and, after careful investigation and study and repeated scientific confirmations, to draw up as soon as possible an overall plan for restructuring the economy and carry it out step by step.

The state economy and the collective economy are the basic forms of the Chinese economy. The individual economy of working people, operating within certain prescribed limits, is a necessary complement to the public economy. The vigorous development of socialist commodity production and commodity exchange in China is a necessity. The basic orientation of the structural reform of our economy should be as follows: while upholding the planned socialist economy, give scope to the supplementary role of regulation through the market and fully take into account and utilize

the law of value when working out state plans; strengthen unified leadership by the state over economic activities of overall importance to the economy and the people's living standards, give different enterprises different degrees of decision-making power in their economic activities and at the same time extend the democratic rights of the workers and staff in the management of their enterprise; and change over from economic management relying solely on administrative measures to management combining economic with administrative measures and utilizing laws and regulations as well as economic levers in running the economy. In keeping with this basic orientation, we advance the following tentative ideas regarding the reform of our economic system: Gradually separate the functions of government from those of the enterprises, which should be given greater power of decision so as to make them relatively independent socialist economic units; break down the strong barriers between different localities and departments and, in accordance with the needs of co-ordination among specialized departments and of production, develop economic integration in various forms to organize the enterprises more rationally and, concurrently, establish trade associations to serve them; change over from the closed commodity circulation system with few channels but too many levels of management to an open and many-channelled system with as few levels as possible; and establish different kinds of economic centres and rationally managed economic networks by relying on big and medium-sized cities. In co-ordination with these measures, a series of reforms should be initiated in planning, statistics, finance, taxation, pricing, banking, commerce, distribution of material resources, foreign trade, labour use and the wage system.

A key problem in the reforms is the correct understanding and handling of the relations between planned economy on the one hand and regulation through the market on the other. As far back as 1956, after the basic completion of the socialist transformation of the private ownership of the means of production, Comrade Chen Yun said: "Planned production constitutes the bulk of our industrial and agricultural production, and it is complemented by free production conducted according to varied market conditions and within the limits allowed by the state plan." Comrade Chen Yun's comment is still of immediate significance in guiding our current reforms. We are of the opinion that different methods of management can be adopted for dif-



ferent enterprises in accordance with their importance to the national economy and the people's living standards, their different forms of ownership and the different roles, varieties and specifications of their products. Generally speaking, there are four types of enterprises and products: first type — production is organized under state plans which are mandatory in nature. This concerns enterprises in the key branches of the economy or products vital to the economy and the people's living standards; their output value constitutes the greater part of the total output value of industry and agriculture, but the variety of their products is not large. Second type — production is organized according to changing market conditions and within the limits permitted by the state plan; this covers miscellaneous small commodities turned out separately by numerous small enterprises or individual producers, for which it is inconvenient or impossible to enforce unified planning and management. The output value of this category accounts for only a fraction of the total output value of industry and agriculture. There are two other types between these two. In one, the major part of production comes under state planning with the rest organized by the enterprises' own decisions; on the whole, this type is generally similar to the first, but with certain differences. In the other, a principal part of production is organized by the enterprises according to changing market conditions, with the remainder coming under state planning; this type is very much like the second, though there are also certain differences between them. This entire system of management differs from our previous system of rigid control and differs still more from the capitalist market economy. Combining unified and centralized leadership of the state with the enterprises' initiative, it ensures flexible control and orderly and lively activity with better economic results and enables us to organize and develop production according to the needs of society.

Through the structural reform of the economy it is necessary to make better use of pricing, taxation and credit as economic levers, to curtail the production of goods in excessive supply and increase the production of those in short supply, to advance the reorganization of industry, readjust the levels of profit for the enterprises, impel them to improve operations and management and increase state revenue. Moreover, it is imperative to intensify work on economic legislation and give play to the guid-

ing and supervisory roles of industrial and commercial administrations, statistics, finance, banking, etc., so that the economic activities of the enterprises will contribute to the development of the economy as a whole.

As a significant change in the system and methods of economic management, the structural reform of the economy involves a major readjustment of the economic rights and interests of the relevant parties. Both in theory and in practice, it involves many problems calling for study and solution. As we lack experience here, we should take an active attitude but steady steps. Every reform needs to be preceded by sober investigation and study, feasibility analysis and well-conceived planning, and should be popularized step by step through experiment. We should continue our probing and sum up our experience from time to time so as to advance steadily in the accomplishment of this important historical mission.

**9. Raise the scientific and cultural level of all working people, and organize strong forces to tackle key scientific research projects.** We must train large numbers of specialists of all grades in all lines and large numbers of competent workers for our modernization programme. This is of paramount importance. China is still rather backward in education and science, whose development thus lags behind that of the various sectors of the economy. Unless we solve this problem, we shall fail in our drive for modernization.

Our basic policy in education is clear-cut: it aims to enable those who receive an education to develop morally, intellectually and physically and become workers with both socialist consciousness and culture and become both red and expert, and to persist in the integration of mental with manual labour and of the intellectuals with the workers and peasants. The immediate task is to go a step further in implementing this policy in the light of the specific conditions of our modernization programme. Higher education must be vigorously and steadily expanded, while paying special attention to raising its quality. On the basis of painstaking investigation and study, necessary readjustments and reforms should be made with regard to the specialities offered, the system of leadership, teaching methods and the content of instruction. In addition to regular universities and colleges, spare-time, television and correspondence universities should be actively developed so as to encourage people to become educated by teaching themselves. In



secondary education, the situation in which vocational schools are markedly outnumbered by general schools must be gradually changed, specialized secondary schools be increased, and large numbers of skilled workers and intermediate specialized personnel be trained to facilitate employment and raise the cultural, technical, political and ideological levels of workers and staff. At the same time, we must pay attention to the physical and mental health of the students as well as to their scholastic progress and move away from the one-sided drive to get bigger percentages of students into higher education. Recently our fellow deputy Ye Shengtao wrote an article entitled "I Appeal," criticizing the secondary schools and some of the primary schools too for their current error of unduly stressing increased rates of admission into higher schools. Sincere and to the point, the article speaks the mind of the students, their parents and teachers and other sections of the people. We hope that all those concerned will pay due attention to this problem and solve it. In primary education, too, measures should be taken to lighten the burden of the pupils so as to ensure their sound development — physical, intellectual and moral. Schools, families and society should co-ordinate their efforts in the ideological and political education of the students. Schools at all levels must stress the teaching of Chinese history and geography, which forms a significant part of the students' education in patriotism. They should also conduct education in legal matters and arrange relevant courses. Moreover, we must train large numbers of competent teachers for pre-school education, so that more pre-school children will be able to enter kindergartens and receive education suited to their physical and mental characteristics.

We must conscientiously carry out the Decision on Strengthening Education Among Workers and Staff adopted by the Central Committee of the Party and the State Council, and do it more effectively. Here I would like to speak about the education of peasants in particular. This is an important and difficult task which should be put on the agenda right away. Governments at all levels should accomplish it successfully. Evening schools, winter classes and other forms of schooling traditionally welcomed by the peasants should be popularized, but they cannot take the place of regular primary and middle schools. Having recognized the importance of acquiring scientific and general knowledge, the peasants are now keen

on such studies, but at the same time some are reluctant to send their children to school because they need them in auxiliary labour. Governments at all levels should try to persuade the peasants to handle the relations between their immediate and long-term interests properly, subordinating the former to the latter.

Our basic policy for scientific and technological development is equally clear-cut. Science and technology, with their numerous branches, should serve all aspects of human life. There must be no weakening of basic research, but the stress in the development of science and technology as a whole should be on serving economic construction and, in particular, on the solution of key problems in the economy involving major economic benefits. Our present task is to employ science and technology more efficiently so that they will be a powerful productive force, a great stimulus to economic development.

To place science and technology fully at the service of the economy, it is now most necessary to apply and spread the results we have obtained in scientific and technological research. In recent years, we have accomplished much in such research and also imported a good deal of advanced technology. Drawing on these assets and making wider use of them can yield enormous results if we do it in time. We should strive to apply the results of scientific and technological research in laboratories to production, apply those gained in the national defence industry to production for both defence and civilian purposes, and apply those gained in the coastal areas to production in the hinterland, as well as assimilate foreign experience for use in China. In the past year or so, several research and designing institutions have organized various forms of association with production units and worked out new methods and systems, such as the contracting system, compensated transfers of technology, technical services, output-related responsibility in agro-technical service, and advisory agro-technical contracts. All this has helped research and designing institutions to be directly oriented towards production and to cater to the needs of increasing production; at the same time, it has provided a motive for the popularization of science and technology. It is thus highly beneficial to the development of the economy and of science and technology themselves.

Generally speaking, our science and technology are still rather backward, but they are by no means backward in every respect. For



in certain fields we have already attained a fairly high level and a considerable scale in terms of size of research staff, experimental facilities, and results of research. We should in no case underestimate ourselves. To meet the fairly long-term needs of our developing economy, it is now necessary to set before all leading scientific and technological departments, all research institutions and all scientific and technological personnel the task of tackling key problems in science and technology by pooling their efforts and strengthening their co-operation. After repeated studies and confirmation by the departments and specialists concerned, we will select a number of research projects of major national economic significance and organize the efforts of all concerned to effect a breakthrough. These projects include techniques for increasing farm yields such as seed and soil improvement, water and soil conservation, plant protection and manufacture of new varieties of farm chemicals; techniques of processing and storing foodstuff, and of keeping it fresh for a long time; finishing techniques for textiles; techniques for the conservation and better utilization of energy; techniques for the multi-purpose use of coal and petroleum, techniques for the comprehensive exploitation and utilization of nonferrous metals; and research on new materials, new technologies, new equipment and new products which are of key importance to China's economic growth. Work on the above projects is important and necessary for the accelerated development of our national economy. We hope that all concerned will give it adequate attention. Our achievements in science and technology are already at the point where we can conquer a number of difficult problems. We are convinced that our scientific and technological personnel have both the will and the ability to make a breakthrough in these major projects.

**10. Proceed from the concept of everything for the people and make overall arrangements for production, construction and the people's livelihood.** The fundamental purpose of socialist revolution and construction is continuously to raise the productive forces in order to meet the growing material and cultural needs of the people step by step. In the final analysis, our economic construction is aimed at resolving the contradiction between the growing material and cultural needs of the people and our still backward productive forces.

For a rather long period in the past, we one-sidedly stressed capital construction to the

neglect of improvements in the people's standard of living. And in capital construction, we one-sidedly stressed expanding heavy industry to the neglect of the consumer goods industry, housing and urban public utilities. This led to poor economic results, and the people's standard of living could not be improved to the extent that it should have been. Beginning from the Third Plenary Session of the 11th Central Committee of the Party held in December 1978, we have further summed up our experience, resolutely corrected this deviation and have done our best to improve the people's standard of living, significantly raising the real income and the level of consumption of the overwhelming majority of the people in town and country. The state will continue to make appropriate readjustments in the relationship between the economic interests of the state, the collective and the individual, eliminate irrationalities in the wage and bonus system, and build more houses for workers and staff and more urban public utilities, schools and hospitals. To give top priority to the people's interests and, first and foremost, to satisfy their basic everyday needs in handling the relationship between production and construction and the living conditions of the people—henceforth this is the principle to which we must firmly adhere.

However, improvement in the people's standard of living must be based on the growth of production. As production can only grow gradually, the standard of living can likewise only be improved gradually, and we cannot go too fast. Both theory and practice have proved that improvements in the people's standard of living cannot run ahead of the growth of production and the increase in labour productivity, that the increase in the people's purchasing power must be commensurate with that in the supply of consumer goods and that the portion of the national income going for accumulation must increase at a certain rate and proportion. All these are objective economic laws. If they are violated, if attention is paid only to improving the people's livelihood today and not to production and construction and if we are too demanding or hasty in our expectations of a higher standard of living, the long-term fundamental interests of the country and people are bound to suffer. The present practice of handing out bonuses indiscriminately must be sternly checked. Investigations must be made to establish the responsibility of those engaged in such unlawful practices as seeking self-interest at the public expense and damaging the inter-



ests of the state to benefit one's own unit. Leading cadres in some enterprises and other units damage the interests of the state in various ways in order to accommodate to the demands of certain individuals who give no heed to the overall public interest. This is absolutely impermissible.

To ensure the gradual raising of the people's standard of living, we must unswervingly persist in our effort to control population growth. There are two possibilities here: either to control population growth strictly and effectively so that the living standards of the entire people can improve step by step and national construction can expand year by year, or to fail to enforce strict and effective control, allowing the population to grow substantially, in which case the people's standard of living cannot be raised and economic, cultural and defence construction cannot be carried out successfully. Either one or the other. Rigorous enforcement of family planning and strict control of population growth is a long-term strategic task. The stress in family planning should be on the rural areas which have more than 80 per cent of the population. Since the introduction of various forms of the responsibility system for agricultural production, the existing measures for control over population growth have not been able to cope with the new situation, and an upturn in the birth rate has been reported in some places. We must not allow this situation to develop unchecked. Governments at all levels must strengthen their leadership over family planning work, steadily raise the consciousness of the masses with regard to it through painstaking and meticulous publicity and education, and constantly promote scientific research to improve family planning techniques. The measures taken in many areas to reward couples who limit themselves to a single child and to restrict the practice of having two or more children, should be continued. Meanwhile, all acts violating law and discipline in the enforcement of such measures must be firmly opposed and prevented. It is our policy to control population growth while raising the quality of the population. For the interests of the people and the future of the nation, we call on people throughout the country to strive unremittingly to achieve the goal of keeping China's population within 1,200 million by the end of this century.

Fellow deputies,

Ours is a unified multinational country. Our 10 principles for economic construction are,

in general, all applicable to the minority nationality areas. But they should be implemented with due consideration to specific local characteristics and conditions. Since the liberation of the entire country, much progress has been made in agriculture, animal husbandry, industry, transport, education, science, culture and public health service in the minority nationality areas, where the material and cultural life of the people has sharply improved. In particular, we reaffirmed last year that the right of the minority nationalities to regional autonomy must be respected and that the national autonomous areas should be allowed to adopt specific policies suited to their economic conditions and national characteristics. This policy has led to favourable results in the economic development of the minority nationality areas and should be persevered in. The state should render the necessary financial, material and technical aid to these areas in order to help the minority nationalities increase production, achieve prosperity, raise their cultural level and enjoy a higher standard of living. It has been the consistent policy of our Party and government to carry out among the people and cadres of all nationalities repeated and earnest education in our nationality policy, develop and improve socialist relations between the various nationalities, promote their unity and mutual assistance, treat them all as equals, and help develop the economy and culture in the minority areas. This policy must be unwaveringly implemented at all times and under all circumstances.

The 10 principles for economic construction proposed by the State Council touch on a wide range of questions. What I would like to stress is that only today and not before has it become at all possible to put them forward fairly concretely and systematically, because before we lacked the necessary practice and because the various problems arising from the development of our economy and their interrelations had not yet revealed themselves as clearly as now, and as a consequence people could not then gain the necessary understanding and arrive at the necessary judgments and conclusions. Not long ago, the Central Committee of the Party accomplished the historic task of making an overall assessment of the Party's history since the founding of the People's Republic. This has enabled us to make a better review of our successes and failures in economic construction, re-evaluate our gains and losses and put forward the principles and policies which I have discussed above. The Resolution on Certain Questions in the History of Our Party Since the Founding of the



People's Republic of China made a scientific analysis of Mao Zedong Thought and clearly separated it from Comrade Mao Zedong's mistakes in his later years, thus re-establishing the true nature of Mao Zedong Thought. The theories of Mao Zedong Thought concerning socialist construction and the stand, viewpoint and method running through the whole of Mao Zedong Thought have consequently become more powerful instruments than ever for studying our country's economic problems. Our fellow deputies can see that the principles for economic construction proposed by the State Council are guided by Mao Zedong Thought, which integrates the universal truth of Marxism-Leninism with the concrete practice of China's revolution and construction. It is from Mao Zedong Thought that they derive their basic spirit and ideas. After these 10 principles have been discussed, amended and adopted at this session, they will be repeatedly tested in practice in all fields so that they can be continually supplemented and revised and become better suited to the realities of our country.

### III. Prospects for China's Economic Development

While endeavouring to accomplish the economic tasks before it, the State Council is still drafting the Sixth Five-Year Plan for the development of the national economy. This plan will have a significant change in both its guiding ideas and its concrete arrangements, so that it will fully embody the prerequisites for the further carrying out of the policy of readjustment, restructuring, consolidation and improvement of the economy, provide a new approach to national economic development and also embody the 10 principles expounded above, and especially their central idea of achieving better economic results. We began studying the plan's basic outlines and principal targets last year. But as we were pre-occupied with further economic readjustments and wished to work out the plan more carefully, we have not yet completed the draft. The State Council will submit the draft plan when it is ready to the National People's Congress for examination and approval. In this report, I can only deal with some of the salient points of the plan now being drawn up.

The primary goal of the Sixth Five-Year Plan is to strive for a fundamental improvement in China's economic and financial situation. In

the course of the plan, the rate of growth of the national income should equal or approach the rate of growth of the total output value of industry and agriculture. And with regard to the distribution of the national income, the ratio of the accumulation fund should be reasonably reduced while that of the consumption fund should be appropriately increased in order to raise the people's standard of living. During the plan period, our main efforts should be concentrated on readjusting the economic structure, consolidating existing enterprises and carrying out the technical transformation of key enterprises. We will thus accumulate the strength and lay a more solid foundation for the further technical transformation of existing industry and transport during the Seventh Five-Year Plan.

We need five years or more to make further readjustments not only in the relationships between the different sectors of the national economy and within the individual sectors, but also in the setup of production, the product mix, the technological makeup, the line-up of enterprises, and the organizational structure, so as to gradually rationalize them along with the gradual, overall reform of the various forms of the system of economic management. The tasks of readjustment, restructuring, consolidation and improvement of the economy will be extremely strenuous in the plan period, and such parts of the infrastructure as energy and transport will still be in the process of renovation and construction. Therefore it will be impossible for our economy to grow very rapidly during the Sixth Five-Year Plan. Of course this does not mean that we will not strive for a suitable rate of growth. But it must be a steady and realistic rate, which we can attain if we try. In other words, it must guarantee better economic results and enable the economy to accumulate strength, so laying a solid foundation for future development.

If in the plan period we can lay this solid foundation, eliminate existing defects in the economy and establish proper ratios between its sectors and harmonious relations between all its parts, we shall be able to accelerate the development of the economy on the new foundation, a development which will gather more and more momentum. We can then expect more rapid development during the Seventh Five-Year Plan, and still more rapid development in the following decade. That is to say, we shall most probably enter a new period of economic renewal in the last decade of the century. After



this period of renewal begins, our economy should not only develop at a good rate, but also yield impressive practical results. The standard of living of our people should rise considerably and our education, science, technology, culture and national defence should reach a new level. Under the correct leadership of the Chinese Communist Party, we must mobilize and organize all our people to try to double and redouble China's total industrial and agricultural output value in 20 years through enhanced enthusiasm, concerted effort, arduous struggle and thrift in order to raise the level of consumption and enable the people to achieve a relatively comfortable standard of living. By that time, our economy should be in a position to take off from a new starting point, from which it will be able to advance more swiftly and catch up with the economically more developed countries.

There are good grounds for the optimistic view we have expressed on the prospects for our country's economic development.

We have already shifted the focus of all our work to socialist modernization and will unshakably persist in this orientation. The guideline for our economic work has been rectified. We have accumulated a valuable store of experience in construction, which will be further enriched and expanded in practice. We have built up a fairly extensive material and technical base which will play a bigger and bigger role. Moreover, present international conditions are favourable for our economic construc-

tion. Of course, there are also a number of adverse conditions which will inevitably affect and hinder our economic development. But, after all, they are only temporary and can be overcome, while the favourable factors are basic and enduring.

Ours is a developing country. Our rich resources are far from being well exploited and utilized. Our economic level is still rather low, and managerial, scientific and technological levels are still backward. These are undoubtedly weaknesses we should face up to. Nevertheless, these very weaknesses reveal our country's vast potential. Not only do we have our own positive and negative experience to draw on, we can also refer to and employ the advanced technological and managerial experience of other countries. There is no need to start from scratch in everything and risk following others' detours. Therefore, provided we have the correct approach, from a long-term point of view our economy will develop at a fairly quick pace.

Ours is not only a developing country, it is also a socialist country. We have achieved the public ownership of the means of production and abolished the system of exploitation of man by man. That portion of the social wealth formerly appropriated by the exploiters has reverted wholly to the people, and the growth and distribution of the entire social wealth can therefore be effected rationally and in a planned way. In this lies the fundamental superiority of

A new highway suspension bridge extends over the Huanghe River at Jinan. A solely Chinese project, it is 2,022.8 metres long with a span of 220 metres, the longest span in Asia.





the socialist system. Because of long-standing "Left" errors in the guideline for our economic work in the past and of certain defects in economic management, neither the intrinsic superiority of the socialist system nor the initiative and creativeness of the workers, peasants and intellectuals have been given full scope. The overall restructuring of the economy, the application of the system of responsibility in agricultural production, the system of economic responsibility in industry and other measures will play an important role in fully realizing the intrinsic superiority of our socialist system and in further liberating the productive forces.

With regard to the prospects for our economic development, we have to guard against two erroneous tendencies. One is pessimism about the modernization programme, stemming from failure to see the favourable conditions and consequent lack of confidence in the future. The other is the unrealistic expectation of quick results stemming from failure to see existing difficulties and the extreme arduousness and complexity of our tasks. Strategically, we must think in terms of a long period of time for construction. We must seek truth from facts, emphasize practical results, act according to our capacity and work with all our energy in order gradually and systematically to attain the magnificent goal of modernizing our agriculture, industry, national defence and science and technology.

Fellow deputies,

Next year, 1982, will be the second year of the Sixth Five-Year Plan and also the second year in the further readjustment of the economy. In order to realize our bright prospects in economic development, we must go all out and work conscientiously to achieve successes in our present work. Next year's main economic tasks are to consolidate our achievements in stabilizing the economy, continue to maintain the basic balance between revenues and expenditures in finance and credit and the basic stability of prices, and strive for better economic results, which will allow the national economy to develop a little faster than this year. The plan set for 1982 requires us to increase total agricultural and industrial output value by 4 per cent instead of by 3 per cent as expected for this year and to strive to surpass this rate while implementing the plan. Also planned is an increase in the national income of about 4 per cent as compared with this year. This requires another substantial expansion in agricul-

ture and the textile and other light industries in 1982, and in addition an increase in heavy industrial production as opposed to the decrease in 1981. With regard to the distribution of the national income, our target is to increase consumption by 5.7 per cent and the total volume of retail sales by 8 per cent, while accumulation is to increase by 3.2 per cent and direct investments under the state budget by 5.7 per cent. Expenditures for education, science, culture, public health and physical culture should increase by 5.9 per cent. The collectively owned sector and the necessary individual economy of working people should be actively promoted, and various means should be adopted to provide proper employment for persons in urban areas who are waiting for jobs. The standard of living of both the urban and rural people should continue to improve. Strenuous efforts must be made to carry out the all-round consolidation of enterprises next year. Those which turn out low-quality products with high energy consumption or have long been operating at a loss must be shut down, or suspend operation, or be amalgamated with other enterprises or switch to the manufacture of other products. In order to fulfil the 1982 plan, we should do our utmost to gain better economic results and strive for noteworthy achievements in all fields, such as agricultural and industrial production, transport, capital construction, commodity circulation, finance and banking. The Draft Outline of the 1982 Plan for Economic and Social Development has been submitted to the session for discussion. I would like to suggest that the session approve it in principle. After revising it in accordance with the opinions of the deputies, the State Council will submit it to the Standing Committee of the National People's Congress for examination and approval.

Fellow deputies,

In the work of socialist modernization, we must strive for a high level of both material and cultural development. The two are inseparable. Only by so doing can we ensure the sustained growth of the national economy and the socialist orientation of material development.

Cultural development covers a wide area, but it must have as its main content the following two aspects: one is the scope and level of development of education, science, culture, art, public health and physical culture. This is an indicator of a society's level and degree of civilization. Every society develops this aspect of cultural life to suit its needs, but the socialist



system demands its wider and faster development. We must tap our intellectual resources and increase intellectual investment so that a correspondence is achieved between such investment and investment in production and construction, and the requirements of economic development are consequently met. The other aspect is the orientation and level of the political, ideological and moral development of society. This is determined by the nature of the social system and, in turn, strongly reacts on the latter. Owing to complex historical and practical reasons, this problem is becoming more and more pronounced and requires immediate solution. Through effective publicity and education, political and ideological work, and work in other fields, and through promoting socialist democracy and perfecting the socialist legal system, we must enable more and more members of society to cherish the socialist and communist ideology, morality and attitude towards labour, to cultivate noble thoughts and feelings, a fine life style and aesthetic standard, a conscious law-abiding spirit and a high sense of organization and discipline, to persist in the principle of subordinating personal and partial interests to those of the whole and subordinating immediate to long-term interests, of doing everything for socialist modernization and the socialist motherland, and to develop the lofty spirit of patriotism and internationalism. In handling relations among the people, including relations between the people of different nationalities, between workers, peasants and intellectuals, between cadres and the masses, between soldiers and civilians, between the advanced and less advanced, between the well-off and those in more difficult circumstances as well as between the different participants in economic life — the buyer and the seller, those who serve and those who receive services, the producer and the consumer — all the members of our society should be able to respect, show concern for, unite with and help each other. They must be able to take into account the interests of the whole, observe principles, act fairly and honestly, do a good job at their posts, and serve the people and be responsible to them. In their relations with foreigners, they must be neither overbearing nor servile. In handling the relations between the ideal and the reality, they must have firm confidence in the gradual improvement of the socialist system and the certain realization of communist society in all its splendour following the development and maturity of socialist society. And to realize this ideal, they must be able at the same time to make persistent, down-

to-earth efforts and adopt a correct attitude towards difficulties and the negative features of real life, neither cherishing naive illusions, nor feeling pessimistic or disillusioned in any circumstances. The development of this ideological side of cultural life is a hallmark of our socialist society as distinguished from capitalist society and other exploitative societies of the past. It is an important social, political and ideological condition for ensuring the future of our socialist economy and socialist society and represents the common aspiration and strong desire of all upright and politically conscious citizens. We have scored remarkable achievements in raising the level of our cultural life in the past year. The emergence of large numbers of advanced workers, pace-setters in the new Long March, March 8 red banner winners and other heroes and model workers on all fronts bears living testimony to this.

As you all know, Comrade Deng Xiaoping pointed out in a talk last July that trend towards bourgeois liberalization, a departure from the principles of leadership by the Communist Party and of taking the socialist road, has developed on the ideological front, and that it must be resolutely brought to an end. In his speech at the rally in commemoration of the centenary of Lu Xun's birthday last September, Comrade Hu Yaobang emphasized that, in addition to the erroneous ideas of liberalization among some people on the ideological front there are also negative factors of different kinds in our work and among our cadres, Party members and government functionaries on other fronts. In our economic life, we must continue to advocate a high ethical and cultural standard under socialism and unfold the movement of "five stresses and four points of beauty\*," resist and overcome the corrosive influence of exploiting class ideologies and other ideologies running counter to the socialist system, such as capitalist ideology, the survivals of feudal ideology, anarchism, ultra-individualism and bureaucratism, and oppose and crack down on unlawful or criminal activities undermining our socialist economy and socialist cause.

China was a semi-feudal and semi-colonial society for more than a century. Capitalist and

\* The five stresses are: stress on decorum, manners, hygiene, discipline and morals. The four points of beauty are: beauty of the mind, language, behaviour and the environment.



slavish colonial ideology have not yet been eradicated from the minds of a part of the people. In recent years, our international contacts have sharply increased. As a result of corrosion by the corrupt ideology and life style of the foreign bourgeoisie, instances of abandonment of our national dignity have recurred in some places. This state of affairs merits our earnest attention. On the eve of nationwide victory in our revolution, Comrade Mao Zedong gave a timely warning against the bourgeoisie's "sugar-coated bullets." Now we are facing a similar situation. It is necessary to remind our government functionaries at all levels, and particularly those engaged in economic work, of the necessity of maintaining a firm stand and keeping a level head so as not to be corrupted by the decadent capitalist ideology and way of life. It is of particular importance to strengthen the work of educating the young people so that they will be better able to resist various types of erroneous ideas.

Owing to the severe damage to our fine traditions inflicted by the 10 years of internal disorder and to the resurgence of certain old habits and ideas left over from the old society, there has been a recent increase in such obnoxious practices as giving lavish dinner parties and presents, trying to establish underhand connections for the sake of personal gain, demanding commissions, securing advantages through pull or influence and going in for extravagance and waste. A few economic units, economic administrative organs and their leading cadres not only turn a blind eye to such practices but even go along with them. The corrosive influence of these practices on our cadres and functionaries has been grave, causing great dissatisfaction among the masses. This problem merits the serious attention of leading organs at all levels and of all our cadres. Effective measures must be adopted to plug all loopholes and check unhealthy tendencies in our economic work.

Owing to the inadequacies in our laws and regulations covering the administrative and economic fields as well as in our management system, many weak links still exist. Furthermore, the leadership in some areas, departments or units is lax and flabby. Objectively this provides the few law-breakers and violators of discipline with openings and opportunities to carry out activities undermining the socialist economy. At present, such criminal activities as graft, embezzlement, speculation, profiteering, smuggling and tax evasion are rife in some areas. There have even been instances of open plunder of

state-owned goods and materials and appropriation of other state property. What is particularly serious is that some economic units and some government functionaries connive at, shield or even directly participate in these activities, thus gravely corrupting our state organs and cadre ranks.

These phenomena must be dealt with sternly and correctly according to the merits of each case. Mistakes in the ideological sphere must be overcome through criticism and self-criticism and through political and ideological education. Those who have made serious mistakes in violation of administrative regulations and refuse to mend their ways must be disciplined. Those who have violated criminal law must be dealt with according to law, and cases of a grave nature must be dealt with severely. Heavy punishment must be meted out to all government functionaries who take part in criminal activities, and no criminality is to be tolerated. In recent years, our country has been quite active in the sphere of economic legislation and jurisdiction. A good many laws and regulations pertaining to the economy are being drafted. Economic courts have been established at most levels. Our efforts in this area still need to be greatly reinforced. Some units are unwilling to submit criminal cases in the economic field to the judicial organs, because they think that it is against their interests to do so. This is not only harmful to normal economic activities and hinders an effective crackdown on criminals but also goes directly against socialist legality. This state of affairs must therefore be changed quickly and resolutely. While learning to make use of other measures, the leading members in all government offices and economic organizations must acquire a better mastery of legal measures to maintain economic order. Besides the economic departments, all public security units, procuratorial organs, law courts, industrial and commercial administrations, customs offices and tax bureaus must co-ordinate their efforts to deal timely and heavy blows at criminals in the economic field in accordance with the laws and regulations of the state.

It must be pointed out that such criminals constitute only a tiny minority in our society. Over the past year, our governments at all levels and the broad masses have waged determined struggles against them. Naturally, after they have been punished, new ones are likely to emerge. No matter when, where and in what form they may appear, we should neither relax our vigilance against them nor let them go free.





Zhao Min (middle), director of the Shanghai No. 21 Chemical Fibre Mill, consulting technicians.

With the close co-operation of our governments at all levels, our judicial organs and our entire people, we will certainly be strong and resourceful enough to struggle against the various kinds of criminals and against the unhealthy tendencies in the economic field, so as to ensure that our socialist material development will not be impaired, and to promote the daily progress of our cultural level under socialism. We must be confident that with the development of our socialist economy, the improvement of our socialist legal system and the enhancement of our cultural level, there will be far less scope for criminal activities, and criminals will find themselves tightly encircled by the people. Socialist China will never become a paradise for a handful of saboteurs and adventurers. Such days are gone for ever. Our socialist cause, our material and particularly our cultural level will advance steadily in our struggle against them.

The existing bureaucratic tendencies in our political life and economic administration are an important obstacle to our new approach to economic development and the realization of our modernization programme. At the Third Session of the Fifth National People's Congress in September 1980, the problem of eliminating bureaucracy was discussed, its causes and its various manifestations in our present administrative system were analysed and solutions were proposed. Over the past year or so, many successes have been achieved in combating the malady of bureaucracy, especially in improv-

ing the relationship between the cadres and the masses, and there have been quite a few refreshing instances of a new style of work among the cadres. But, on the whole, the results are still not particularly satisfactory. More recently, acting on the suggestion of the Central Committee of the Party, the State Council has repeatedly studied and discussed the problem of eliminating bureaucracy. To ensure effective leadership for the modernization programme, the State Council is determined to adopt firm measures to alter the intolerably low efficiency resulting from overlapping and overstaffed administrations with their multi-tiered departments crammed full of superfluous personnel and deputy and nominal chiefs who engage in endless haggling and shifts of responsibility. The State Council has therefore adopted a decision to restructure the administration, beginning with the departments under the State Council itself, and to ensure accomplishment within a specified time limit. The restructuring of the government departments will give a powerful impetus to the enthusiasm of our cadres, to the further improvement of our work style and methods of leadership and to the readjustment and restructuring of the whole economy. Leading cadres and all functionaries of departments under the State Council should set an example to local governments at all levels in performing the task of simplifying administration and raising working efficiency. During the restructuring, there will be relatively important reductions in or mergings of State Council departments, accompanied by all possible cuts in staff and fairly big changes in lead-



ership. I would like to suggest here that the National People's Congress authorize its Standing Committee to examine and approve the restructuring plan upon its submission.

While simplifying our government structure, we should also clearly define by administrative statutes the responsibilities and the limits on the powers of the departments of the State Council and the local governments at all levels and also the powers and duties devolving on them and their functionaries. Strict rules for assessing, rewarding and penalizing functionaries should be established. The habit of shirking responsibility and taking a dilatory and irresponsible attitude towards work must be resolutely rectified, and so must the bureaucratic style of work which piles up red tape without solving actual problems. In the process of simplifying our administration, we should systematically promote to leading posts at different levels outstanding young and middle-aged cadres with practical experience and a talent for leadership who are qualified ideologically, politically and professionally, so that the ranks of our leading functionaries will become revolutionized, better educated, professionally more competent and younger.

From time to time, leading cadres of the departments under the State Council and of governments at all levels should go deep among the masses, get a deeper understanding of the realities of life, make investigations and studies, and help solve actual problems at lower levels and in grass-roots units. Beginning in January next year leading comrades from the economic departments under the State Council and those in charge of economic work in the provinces, municipalities and autonomous regions will head large numbers of cadres from both central and local authorities and go down to the enterprises and help them with their all-round consolidation. Cadres at all levels, and particularly the higher leaders, must set an example in restoring and carrying forward the fine traditions of sharing weal and woe with the masses and of plain living and hard struggle which were characteristic of the period of the revolutionary wars and the early years of the People's Republic, and they must make new contributions to socialist modernization.

Fellow deputies,

Our economic construction needs close co-operation, encouragement and support from the

different fronts. We must adhere to the four fundamental principles, continue to develop the political situation of stability, unity and liveliness and strive to reinforce the great unity of the whole Chinese people. The united front has always been a "magic weapon" in our revolution and it will guarantee the success of our socialist modernization. The democratic parties, the democratic personages without party affiliation and patriots in all circles have a tradition of long-term co-operation with the Communist Party in the course of our revolution and construction. Our compatriots in Taiwan, Xianggang (Hongkong) and Aomen (Macao) and Chinese citizens overseas have always been concerned with the construction, growing strength and unification of the motherland, thus manifesting their deep patriotism. We must conscientiously strengthen the re-education of the Party and government cadres at all levels in the policy of the united front, so that they will fully respect and pay serious attention to the suggestions advanced by personages from all circles, enable the latter to play an ample role at their respective posts and thus further consolidate and expand the patriotic united front. Acting in accordance with the policies and principles proclaimed by Ye Jianying, Chairman of the Standing Committee of the National People's Congress, and the spirit of Comrade Hu Yaobang's speech at the meeting in commemoration of the 70th anniversary of the 1911 Revolution, we should exert ourselves in every field of work so as to promote the unification of our country at an early date, an aspiration cherished by the entire people, including the people in Taiwan. The commanders and fighters of the People's Liberation Army must heighten their state of preparedness against war, step up military and political training and make new contributions in consolidating our national defence and safeguarding socialist construction. We must continue to carry out the diplomatic lines and policies laid down for us by Comrades Mao Zedong and Zhou Enlai, lines and policies which oppose hegemonism, safeguard world peace, support the just struggles of the people of various countries and promote the cause of human progress. Under the leadership of the Communist Party of China, let us hold aloft the banner of Marxism-Leninism and Mao Zedong Thought and march forward valiantly along the road to a modern and powerful, highly democratic and culturally advanced socialist China! □



**United Nations****Selection of UN Secretary-General**

**T**HE United Nations Security Council has ended its prolonged deadlock by unanimously recommending Peruvian Javier Perez de Cuellar as UN Secretary-General.

Beginning October 27, the Security Council conducted 16 ballots for the two initial candidates, Secretary-General Kurt Waldheim and Tanzanian Foreign Minister Ahmed Salim. China consistently supported Salim and vetoed Waldheim, but the United States, with Soviet support, repeatedly vetoed Salim and voted for Waldheim. The struggle attracted major attention in the United Nations and other sections of the world.

**New Candidates**

After numerous consultations with the countries concerned, Kurt Waldheim requested on December 3 that his name be withdrawn from further Security Council ballots for the post of Secretary-General. On December 8 Salim announced that he had asked the President of the Security Council to set aside his name from subsequent ballots for the post.

The Security Council announced nine new candidates on December 9, each one from a third world country. On December 11 the Security Council held a secret meeting and suggested Javier Perez de Cuellar.

**Major Change**

The election of the new UN Secretary-General underscores

major changes in the world situation. Since the founding of the United Nations in 1945, three of the four Secretaries-General have been Europeans, one Asian. For a long period, the United Nations has been controlled and manipulated by one or two superpowers and has not been responsive to the interests of small and medium-sized countries. Two-thirds of the 157 UN member countries are Asian, African and Latin American. They have been demanding greater equality and more influence for quite some time. They stood steadfastly together during the tense

rounds of the election and Cuellar's election is their victory.

China belongs to the third world and China's representative in the United Nations resolutely supported the third world's candidate. This does not mean that China is prejudiced against Waldheim. Rather, China believes that the time has come for a representative of the third world to be elected to the post of Secretary-General.

The present world situation presents the United Nations with many questions and problems. We expect the new UN Secretary-General to contribute to that organization's efforts to find solutions and serve the cause of world peace.

—Ren Yan

**Latin American Economic Relations  
With the United States**

**T**HE first consultative ministerial meeting of the Latin American Economic System (SELA) was held in Panama City on November 30 and December 1 to discuss economic relations with the United States.

After the meeting, the representatives adopted the Panama Declaration. They also agreed to seek accord on "principles and actions" for a common Latin American negotiating strategy. The meeting demonstrated the determination of Latin American countries to safeguard their national rights and interests.

**Progress**

The SELA was formally established in October 1975 under

the sponsorship of former Mexican President Luis Echeverria and former Venezuelan President Carlos Andres Perez. Representatives from 23 Latin American countries attended the Panama City meeting and signed the famous Panama convention, which asserted that "the Latin American Economic System is a permanent regional organization of consultation, coordination, and joint economic and social promotion." The fundamental objectives are: "Promote intraregional co-operation for accelerating the economic and social development of its members and promote a system of consultation and co-ordination for the adoption of common positions and strategies on economic and social problems in



## Indonesian Authorities Take a Step To Create "Two Chinas"

Sun Yun-suan, "president of the executive *yuan*" in Taiwan, paid a "secret visit" to Indonesia on December 7-11 at the invitation of the Indonesian Government. This step taken by the Indonesian authorities in an attempt to create "two Chinas" is a grave development.

According to Western news reports, the Indonesian authorities treated Sun Yun-suan as a "head of government." Indonesian President Suharto, Defence Minister Mohammad Jusuf, Foreign Minister Mochtar Kusumaatmadja and other Indonesian ministerial-level officials held talks with Sun. Well-informed sources in Jakarta said after the talks between Sun and Suharto that both sides were "satisfied with the results."

The two sides reportedly held discussions on questions relating to political, military and economic relations. A UPI report from Taipei said Sun's secret mission was "apparently designed to bolster military ties between Taipei and Jakarta." The report said that many of the 15 Taiwan "officials" accompanying Sun during the visit were "generals."

UPI quoted sources of the Taiwan authorities as saying "supplies of Taiwan-made weapons and training of Indonesian soldiers" were two of the main subjects discussed in Jakarta.

Western news reports also pointed out that the visit was of "economic significance" and signalled Indonesia's interest in expanding trade relations with Taiwan.

A Taiwan newspaper described the aim of the visit as "enhancing substantial relations between the two sides."

Since the Indonesian authorities withheld information about the visit, newspapers in Jakarta did not carry reports about it. However, when pressed by foreign reporters, a senior member of the Indonesian authorities admitted: "You can say that he is having a vacation in Indonesia."

The Indonesian authorities obviously are adopting dual tactics in their relations with China. While they profess to "recognize one China only" and say "it is only a matter of time" before Indonesia and China normalize their diplomatic relations, they are at the same time strengthening relations with Taiwan in many fields. Even Western news agencies report that Sun's visit to Indonesia has dimmed prospects of an early restoration of diplomatic relations between China and Indonesia.

international organizations or at international meetings, as well as before other countries or groups of countries."

Since its establishment, the SELA has promoted regional economic co-operation and the formation of a new international economic order. Its permanent secretariat is based in Caracas, capital of Venezuela. Its action committees located in Mexico, Panama, Ecuador, Peru and Uruguay promote Latin America's economic interests and well-being. The SELA also

maintains ties with other organizations in Latin America and co-ordinates actions with them in order to promote regional integration. SELA membership has increased from 23 to 27. Each of the major Latin American countries has joined.

### A Common Strategy

The recent SELA meeting was held not long after the North-South summit in Cancun. The participants agreed to adopt a common strategy towards is-

suces of vital interest. This represents a step forward in the fight against superpower monopoly and exploitation. The declaration adopted at the meeting said that the common approach worked out by Latin America regarding its economic relations with other countries, especially the United States, is a component part of the strategy devised by the developing countries for negotiating North-South relations.

Economic exchanges between Latin America and the United States have been turbulent for many years. The Latin American countries have frequently been subjected to unequal treatment and cruel exploitation. During the past 10 years, however, Latin America's rate of economic growth has surpassed that of the United States. Although the US gross national product in 1964 was 6.3 times than that of the Latin American countries; it decreased to 4.3 in 1978. As a result of economic growth, the Latin American countries have strengthened their negotiating position and reduced their reliance on the United States. Nevertheless, the United States is still the biggest buyer and seller in Latin America and also its biggest investor. In recent years the United States has adopted protectionist measures in order to stave off economic depression. It has raised tariffs and used non-tariff barriers to limit Latin American imports while using multinational companies to sell products in the region. Latin America's trade deficit with the US is 15 billion dollars. Because the United States controls the market for the agricultural

CORRECTION: In our last issue, the term "humanitarianism" used in the article "Marxism and Humanitarianism" should read humanism.



products and primary products, Latin American exporting countries are suffering heavy losses. Such unequal economic relations, as the Panama Declaration pointed out, are advantageous to the United States and detrimental to economic and social development in Latin America.

The consultative ministerial meeting of SELA reaffirmed the organization's commitment to change unequal economic relations with the United States by adopting a unified negotiating strategy. This has drawn attention from all.

— Li Zhiming and Yao Chuntao

## South Africa's Fourth "Independent" Bantustan

THE South African government recently proclaimed the "independence" of Ciskei. This is the fourth pseudo-independent homeland in this area, the three others are Transkei, Venda and Bophutatswana. The international community is withholding recognition of Ciskei, the same response accorded its three predecessors.

**Extensions of Apartheid.** Ciskei, along with the other three black "homelands" created by South African authorities during the past five years, is an extension of the government's policy of separate racial development. The "homelands" policy's primary objective is to drive the South Africa's blacks out of the cities to reserves where the land is lean and unproductive.

According to the racist "consolidation" plan pursued by the South African authorities, the nation's most fertile land, mines, industrial areas and townships, which produce employment and other benefits, all belong to the "whites." Blacks residing in the "homelands" are also scheduled to be stripped of South African citizenship. This means that they will lose the right to seek liberation through constitutional means.

The black people living in the barren "homelands," are experiencing difficulty feeding themselves. Most of the adult males have to commute to the urban areas of South Africa and seek employment as "foreign workers." Many suffer cruel oppression and exploitation.

**The Black Struggle Continues.** The struggle which black South Africans are waging against their racist government has gained momentum since Zimbabwe's independence in 1980. They have adopted the slogan "down with the Botha government" and begun to demand majority rule. These actions have heightened tensions among white South Africans. There have been many fierce clashes between "enlightened" and "conservative" groups. The government has responded by implementing minor changes in its apartheid policies. Blacks are now permitted to enter some previously restricted public places. They are also being permitted to engage in limited "self-administration" in some towns. But the Botha government is continuing to set up allegedly independent black "homelands."

Pretoria's racist authorities are actually increasing their suppression of blacks and other coloured people in South Africa. They are also seeking ways to weaken the South African people's liberation struggle, deceive world opinion and prolong the life of their racist regime. They are, however, doomed.

— Zhong Tai

(Continued from p. 5.)

The two sides made full explanations of their respective positions regarding the boundary question. This has enhanced mutual understanding and is conducive to a solution of the issue in the future.

The two sides discussed cul-

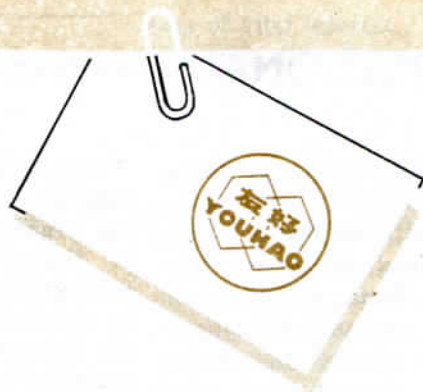
tural exchanges and scientific and technical co-operation. Tentative programmes were worked out and the possibility of trade and economic co-operation was also discussed.

The talks proceeded in a friendly atmosphere and the attitude of both sides was

positive. This is in keeping with the aspirations of the foreign ministers of the two countries during their talks in New Delhi last June and will promote the development of relations between the two countries. The two sides agreed to maintain contacts in the future.



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