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**REPORT TO THE 14TH PARTY CONGRESS**

Accelerating the Reform, the Opening to the Outside World and the Drive for Modernization, so as to Achieve Greater Successes in Building Socialism With Chinese Characteristics

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Comrades,

The 14th National Congress of the Communist Party of China has been convened in a new situation in which our country is accelerating its reform, its opening to the outside world and its drive for modernization. Now, I should like to present a report to the congress on behalf of the 13th Central Committee.

This congress has a historic mission to fulfil. The members of the Party and the people of different nationalities throughout China all have great hopes for it, and our friends in other countries who care about China are also paying close attention to its proceedings. We are convinced that if all deputies work to make it so, this will be a united and successful congress.

Since the Third Plenary Session of the 11th Central Committee, the Party and the people, guided by the theory of building socialism with Chinese characteristics put forward by Comrade Deng Xiaoping, have been working hard to carry out reform. The whole nation has been reinvigorated, and historic changes have taken place across the land. The productive forces have been further emancipated, and the political situation of stability and unity has been steadily consolidated. The 1.1 billion people of China, with their basic needs assured, are moving towards a relatively comfortable standard of living. We have made major progress in developing the economy, improving the people's living standards and increasing the overall strength of the country. China's socialist system has withstood severe tests and shown great vitality in the face of drastic changes in the world situation.

The important talks given by Comrade Deng Xiaoping when he visited the south early this year have been a great encouragement to members of the Party and to the people of all China's nationalities. The cadres and the masses have further emancipated their minds and are full of enthusiasm. Leaders and people are united, and the whole country is seething with activity, giving promise of a wonderful future in which the Chinese nation will have realized its lofty ideals.

The 13th Central Committee has made an overall analysis of the current situation. It has agreed unanimously that domestic conditions are ripe for faster development, that the international environment is favourable for it, and that while the present moment poses challenges, it also presents opportunities for us to accelerate our advance. The tasks of this congress are, under the guidance of Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics, to review the practical experience of the 14 years since the Third Plenary Session of the 11th Central Committee and to formulate a strategic plan for the next period. It is also the task of the congress to mobilize all Party comrades and the people of all nationalities to achieve still greater successes in building socialism with Chinese characteristics by further emancipating their minds and seizing this opportune moment to quicken the pace of the reform, the opening to the outside world and the drive for modernization.

I. General Summary of the Great Practice of the Last 14 Years

In the last 14 years, adhering to the basic line of the Party, we have been building socialism with Chinese characteristics through reform and the opening to the outside world and through the liberation and development of the productive forces. In view of the deep and widespread social changes that have taken place, we can truly say that we have begun a new revolution, the objective of which is to fundamentally change the economic structure that has hampered the development of the productive forces and to establish a new and vigorous socialist economic structure. At the same time, we have been carrying out a corresponding reform of political and other structures, in order to realize the socialist modernization of China.

In the history of our Party, the first generation of central leadership, with Comrade Mao Zedong at the core, led the whole Party and the people of all nationalities first in the long, triumphant struggle to make the new-democratic revolution and then in the effort to establish the basic system of socialism and to liberate and develop the productive forces. The semi-colonial and semi-feudal China of the past, which for over a hundred years had suffered from foreign aggression and bullying, was turned into a new and independent socialist China in which the people were the masters. This revolution, the greatest China had ever seen, ushered in a new era in the history of our country.

The second generation of the central leadership, with Comrade Deng Xiaoping at the core, has led the whole Party and the people of all nationalities in another great revolution, the goal of which is to further liberate and develop the productive forces. This new revolution is designed to turn our underdeveloped socialist country into a prosperous, strong, democratic, culturally advanced and modern socialist country, so as to fully demonstrate the superiority of socialism in China. It is based on our earlier revolutionary victory and on our great achievements in socialist construction, and it is being carried out step by step, in good order, under the leadership of the Party. This revolution is not intended to change the nature of our socialist system but to improve and develop it. It is no minor patching-up of the economic structure but a fundamental restructuring of the economy. The old economic structure has its historical origins and has played an important and positive role. With changing conditions, however, it has come to correspond less and less to the requirements of the modernization programme. The most profound change brought about by the reform in the last 14 years is that many ideological and structural shackles have been shaken off. This has released the initiative of the masses, so that China, with its 1.1 billion people, is now creating a vigorous socialism.

At the present national congress, it is essential to review the great practice of the people under the leadership of the Party over the past 14 years and to draw careful conclusions about the basic theory, the basic line and the strategic policy decisions formulated by the Party in the course of that practice. This is of vital present and long-term importance to the unification of the thinking of all Party members, the application of the Party's basic theory, the adherence to its basic line and the advance of the great cause of building socialism with Chinese characteristics.

We all remember that the toppling of the "gang of four" saved the Party and the country from disaster, but the political, ideological, organizational and economic chaos left over from the "cultural revolution" was still a very serious problem. At that time it was by no means easy to extricate ourselves from the predicament and bring about a new situation. The Third Plenary Session of the 11th Central Committee, held in 1978, and the central leadership formed at that session with Comrade Deng Xiaoping at the core, took up this difficult mission, accomplished the historic change and launched a new era in the development of our socialist cause.

Around the time of that session, our Party encouraged and guided a major debate on the proposition that practice is the sole criterion for judging truth. This debate shattered the personality cult and the doctrine of the "two whatevers" [the notion that after the death of Chairman Mao Zedong, whatever policy decisions he had made must be firmly upheld and whatever instructions he had given must be followed unswervingly - Tr.] and reaffirmed the ideological line of emancipating the mind and seeking truth from facts. This represented our rectification of the ideological line.

At the Third Plenary Session of the 11th Central Committee, our Party abandoned the wrong, "Left" principle of "taking class struggle as the key link," which was not appropriate in a socialist society, and shifted the focus of work of the Party and the state onto economic development. This represented our rectification of the political line. At the same time, the Central Committee made a major policy decision: to undertake reform and to open China to the outside world. To counter the wrong ideological trends that had manifested themselves in the preceding period, it stated unequivocally that we must keep to the socialist road and adhere to the people's democratic dictatorship, to leadership by the Communist Party of China and to Marxism-Leninism and Mao Zedong Thought. [These are known as the Four Cardinal Principles. - Tr.] The idea of "one central task, two basic points" began to take shape as the foundation for the Party's basic line in the new period.

The Party emphasized that the only way to ensure the implementation of the correct ideological and political lines was to have a correct organizational line. It recognized that as required at this historic turning point, we had to strengthen the organization of the Party by gradually adjusting and consolidating leadership at different levels. We were to accomplish this by making the ranks of cadres more revolutionary, younger, better educated and more professionally competent, by doing away with de facto life tenure for leading cadres, and by encouraging co-operation between young and old cadres and gradually replacing the old with the young.

The Party also straightened out certain major historical issues of right and wrong. A series of measures were taken to redress individual injustices, and various policies were carried out to strengthen Party unity and mobilize all positive forces. At its Sixth Plenary Session the 11th Central Committee adopted a resolution on certain questions in the history of the Party since the founding of the People's Republic. In that resolution it fundamentally condemned the "cultural revolution" and rejected the theory of "continued revolution under the dictatorship of the proletariat." At the same time, it came out strongly against the wrong ideological tendency to deny the value of Comrade Mao Zedong's work and Mao Zedong Thought altogether, maintained the importance of the role Comrade Mao had played in Chinese history and reaffirmed the value of Mao Zedong Thought as a guide to action. As the domestic situation develops and the international situation changes, the courage and far-sightedness of the Party in adopting this momentous resolution are becoming more and more apparent.

Having rectified the erroneous ideological and political lines, the Party convened its 12th National Congress in 1982. The congress put forward the idea of "integrating the universal truth of Marxism with the concrete practice of China, blazing a path of our own and building socialism with Chinese characteristics" and set the target of quadrupling the gross national product by the end of the century, in two stages. Later, the Party proposed that, in a third stage, socialist modernization should be basically accomplished by the middle of the next century. By setting these great goals, the Party is leading the people of all our nationalities forward into the 21st century.

The dominant feature of the new period is the policy of reform and opening to the outside world, which was initiated at the Third Plenary Session of the 11th Central Committee and which has been carried out in every area ever since the 12th National Party Congress. The reform has surged from the countryside to the cities, from the economic structure to other structures and from the revitalization of the domestic economy to the opening to the outside world.

The strategic decision to start the reform in the rural areas was in conformity with the realities in China. The household contract responsibility system with remuneration linked to output was a great innovation of the Chinese peasants. The Central Committee of the Party respected the wishes of the masses and actively supported the experiment, which in a few years was spread throughout the country. A major problem in the structure of the socialist rural economy was solved by dismantling the people's communes without privatizing ownership of the land and by introducing the household contract responsibility system supplemented by unified management. In this way, the 800 million peasants have gained the power to make their own decisions about production. In addition, we almost entirely did away with the unified purchase of farm products by the state according to fixed quotas and lifted price controls over most of them, thus helping agricultural production break out of its long-term stagnation. The rural economy rapidly became specialized, commercialized and socialized. People in both rural and urban areas have enjoyed tangible benefits from this, and it has given impetus to all our undertakings in reform and economic development. Township enterprises, another great innovation of the Chinese peasants, have expanded enormously. They have created a new outlet for surplus labour on the land, a new way for rural people to become prosperous and to modernize the countryside, and a new means of promoting the reform and development of industry and of the economy as a whole.

In accordance with the new situation in which reform had been introduced first in the countryside, then in the cities and towns, the Third Plenary Session of the 12th Central Committee adopted a resolution on economic restructuring. It declared that our socialist economy was a planned commodity economy based on public ownership and rejected the traditional concept that a planned economy was in direct opposition to a commodity economy. This represented a new development of Marxist theory on political economy and provided a new theoretical guide for overall reform of the economic structure. Later, the Party decided to reform the management systems of science and technology and of education, and it set the objectives and tasks for the reform of the political structure.

The establishment of the four special economic zones of Shenzhen, Zhuhai, Shantou and Xiamen was an important step in opening China to the outside world and a new experiment in utilizing foreign funds, technology and managerial skills to develop the socialist economy. Great achievements have already been scored in these zones. Facts have demonstrated that they are socialist, not capitalist, in nature. Later, more than a dozen coastal cities were opened, as were economic areas in the Yangtze River Delta, the Pearl River Delta and southeastern Fujian and around the perimeter of Bohai Bay. Also, Hainan Island was authorized to become a province and later a special economic zone. The number of areas that have been opened to the rest of the world has been continually increased. The coastal areas, with 200 million inhabitants, have thrived rapidly, giving great impetus to the reform, the opening up and economic development in the country as a whole.

If reform and economic development are to proceed smoothly, they must have powerful ideological and political guarantees. The Party has put forward the strategic principle of "grasping two links at the same time." By this it means that we should pursue the process of reform and opening up and at the same time fight crime, that we should develop the economy and at the same time strengthen democracy and the legal system, that we should achieve material progress and at the same time foster an advanced culture and ideology. In particular, the Sixth Plenary Session of the 12th Central Committee adopted a resolution declaring that our ideology must contribute to socialist modernization, promote the all-round reform and opening up and be based on adherence to the Four Cardinal Principles. The Party also stressed that we must explain to the people the need for continued struggle against bourgeois liberalization throughout the process of socialist modernization.

The 13th National Congress of the Party was convened in 1987. Its historic contributions were to expound in a systematic way the theory of the primary stage of socialism in China and to elaborate the Party's basic line, describing it concisely as "one central task, two basic points." [The central task was economic development; the two basic points were adherence to the Four Cardinal Principles and implementation of reform and the open policy. - Tr.] The congress attached immense significance to the fact that following the Third Plenary Session of the 11th Central Committee a way was found to build socialism with Chinese characteristics. It declared that this was the second historic leap forward in integrating Marxism with Chinese practice, the first having been the new-democratic revolution.

In the five years since the Party's 13th National Congress, we have continued our march along the road to socialism with Chinese characteristics. Under complicated and difficult conditions both at home and abroad, the Party has united and led the people of all our nationalities in an endeavour to surmount difficulties and achieve social and political stability and economic development.

The years from 1984 to 1988 were a period of accelerated expansion for the Chinese economy. In agriculture and industry, in rural areas and cities, in reform and development, progress in one sector reinforced progress in another, and the economy as a whole was raised to a new level. However, during this period of rapid advance some problems arose: in particular, price rises were a little too sharp, and many construction projects were redundant. The Party therefore decided to spend some time improving the economic environment and rectifying the economic order to facilitate reform and development.

In late spring and early summer of 1989, a political disturbance broke out, and the Party and the government, relying on the people, took a clear-cut stand against unrest. They quelled the counter-revolutionary violence in Beijing, defending the power of the socialist state and the fundamental interests of the people and ensuring the continued progress of reform, the opening up and modernization. At the same time, the Central Committee explicitly proclaimed that the Party's basic line and the policy decisions made by the Thirteenth National Congress were correct and that we should not waver in our adherence to them because of this political disturbance.

The Fourth Plenary Session of the Thirteenth Central Committee elected a new central leadership. That leadership adhered to the Party's basic line in all fields of endeavour. It continued to make economic development the central task, while trying to rectify the overemphasis of material progress to the neglect of ideological progress by strengthening ideological and political work and the building of the Party. In the face of dramatic changes in the international situation, the Party remained calm and concentrated its attention on domestic affairs while keeping an eye on developments abroad. It adopted resolutions on a number of subjects: on strengthening clean government, on further improving the economic environment, rectifying the economic order and deepening the reform, on cementing the ties between the Party and the masses, on developing and opening the Pudong Area of Shanghai, on its proposals for the ten-year programme for national economic and social development and the Eighth Five-Year Plan, on improving the large and medium-sized state-owned enterprises and on strengthening agriculture and the Party's work in the rural areas. These major policy decisions made by the Party during a critical period of history were absolutely correct.

Early this year, during an inspection tour of the south, Comrade Deng Xiaoping gave several important talks. He made a penetrating analysis of the current international and domestic situation. He also made a scientific summation of the basic practice and experience of the Party since the Third Plenary Session of the 11th Central Committee, clearing up many important misconceptions that had perplexed us and shackled our thinking over the past few years. He emphasized that the basic line must be followed unswervingly for 100 years. He urged us to further emancipate our minds, to be more daring in reform and opening up, to quicken the pace of economic development and not to lose any favourable opportunity.

Last March the Political Bureau of the Central Committee held a plenary meeting at which full agreement was reached on these talks given by Comrade Deng Xiaoping. The Political Bureau stated that they would not only serve as an important guide for our current efforts in reform and economic development and for the work of the present congress, but that they would also have far-reaching significance for the entire drive for socialist modernization. Since that meeting, the Central Committee and the State Council have made a series of decisions on ways to accelerate the reform, the opening up and economic development. The talks by Comrade Deng Xiaoping and the plenary meeting of the Political Bureau mark a new stage in China's reform and opening up and in its modernization drive.

Looking back on the road we have traversed in the past 14 years, we can see that there have been failings and mistakes in our work. There are still many difficulties to be overcome and many problems to be solved, and the people still have complaints about certain aspects of our work. But on the whole, it is generally acknowledged in the Party and the country that in these fourteen years we have truly concentrated on socialist modernization, rapidly improving the people's standard of living, bringing about a new situation, and scoring achievements that have attracted world attention. The Party has won the support of the people.

The fundamental reason our Party was able to accomplish so much in fourteen years is that it has persisted in integrating the basic tenets of Marxism with the concrete practice of China and has gradually formulated the theory of building socialism with Chinese characteristics. During the century and a half since the publication of The Communist Manifesto, the victories of the Russian October Revolution, the Chinese revolution and the revolutions in other countries have shown that with the leadership of the proletariat the people can indeed seize political power. Tremendous achievements have been scored, and much has been learned about how to build socialism. Nevertheless, the question still needs further exploration. Indeed, in view of the drastic changes that have taken place internationally in recent years, it calls for profound study.

The Chinese Communist Party has always held that countries must maintain their independence in revolution and development and that the success of socialism in China depends essentially on ourselves, on the Chinese Party's theory and line, and on the united efforts of the Party and the people. The new developments in China and the achievements of socialism over the last 14 years have led us to compare our present with our past and our country with other countries. These comparisons have convinced us that our Party's theory of building socialism with Chinese characteristics is correct and that it corresponds to the interests and needs of the people. In formulating this theory, the Party has for the first time given preliminary but systematic answers to a series of basic questions about how to build, consolidate and develop socialism in a country with a backward economy and culture like China. It has also developed Marxism by introducing new ideas and viewpoints.

The main contents of the theory of building socialism with Chinese characteristics are as follows:

The road to socialism. We must take our own road, not regard books as dogma and not copy the models of other countries. We must take Marxism as a guide to action, make practice the only test for truth, emancipate our minds, seek truth from facts, value the initiative of the masses and build a socialism with Chinese characteristics.

The development of socialism in stages. According to our scientific thesis, China is still in the primary stage of socialism, which will last for at least a hundred years. All principles and policies must be based on this fundamental reality. We must not divorce ourselves from it or try to skip this stage.

The fundamental task of socialism. In essence, the objective of socialism is to liberate and develop the productive forces, to eliminate exploitation and polarization, and ultimately to achieve common prosperity. The principal contradiction in Chinese society in the present stage is the one between the growing material and cultural needs of the people and the backwardness of production. Accordingly, to promote the all-round progress of society, we must give priority to the growth of the productive forces and make economic development our central task. In the final analysis, the criterion for judging the success or failure of our work in various fields is whether it helps develop the productive forces of socialist society, strengthen the overall capacity of the country and improve the people's living standards. Science and technology constitute a primary productive force, and in pursuing economic development we must rely on scientific and technological progress and try to create a more highly skilled workforce.

The motive force of socialist development. Reform is also a revolution, a revolution whose goal is to liberate the productive forces. It is the only way to modernize China. If we cling to outmoded ideas and remain content with the status quo, we shall accomplish nothing. The objective of economic restructuring is to develop a socialist market economy, keeping the public sector as the dominant one and remuneration according to one's work as the principal mode of distribution, supplemented by other sectors and other modes. The objective of political restructuring is mainly to improve the system of people's congresses and the practice of multiparty cooperation and consultation under the leadership of the Communist Party and to develop socialist democracy. In correspondence with the economic and political restructuring, we must build an advanced socialist culture and ideology and develop a citizenry who have high ideals, moral integrity, a better education and a strong sense of discipline.

External conditions for socialist construction. The questions of peace and development are the two top priorities on the international agenda. We must adhere to an independent foreign policy of peace and try to create a favourable international environment for our modernization drive. It is essential for us to open to the outside world. This is indispensable to the reform and to economic development. We should also develop socialism by absorbing and utilizing the advances made by all other countries, including the developed capitalist countries. A closed-door policy can only perpetuate backwardness.

The political guarantee for socialist construction. We must keep to the socialist road and uphold the people's democratic dictatorship, leadership by the Chinese Communist Party and Marxism-Leninism and Mao Zedong Thought. These Four Cardinal Principles are the foundation of the country. It is these principles that will guarantee the sound development of the reform, the process of opening up and the drive for modernization, which will in turn enrich the principles with contemporary content.

The strategic plan for socialist construction. Modernization should be realized in three stages. In this long process we should seize all opportunities to bring about every few years a period of particularly rapid development and good economic results. Poverty is not socialism, but it is impossible for everyone to become prosperous simultaneously. We must allow and encourage some areas and individuals to grow rich first, so that more and more areas and individuals will do so until common prosperity is eventually achieved.

Forces that lead in building socialism and forces that are relied on. The Chinese Communist Party, as the vanguard of the working class, is the force at the core leading the socialist cause forward. It must meet the requirements of the reform, the opening up and the modernization drive by constantly improving itself and strengthening its leadership in different areas of work. The style of work of a party in power and its links with the people are vital to its very existence. We must rely on the workers, peasants and intellectuals, on the unity of the people of various nationalities, and on the broadest possible united front of socialist workers, patriots who support socialism and patriots who desire the reunification of the motherland. The people's armed forces, led by the Party, are the defenders of the socialist motherland and an important force for building socialism.

Reunification of the motherland. We have put forward the creative concept of "one country, two systems" - the proposition that, on the premise that there is only one China, for a long time to come the main part of the country should adhere to the socialist system while Hong Kong, Macao and Taiwan maintain their original capitalist system. In accordance with this principle, we shall work for the peaceful reunification of the motherland.

The theory of building socialism with Chinese characteristics contains many other ideas. As we test it in the course of practice, study new situations and solve new problems, we shall continue to enrich, refine and develop it.

Under the guidance of this theory, our Party has formulated the basic line for the primary stage of socialism: to lead the people of all our nationalities in a united, self-reliant, intensive and pioneering effort to turn China into a prosperous, strong, democratic, culturally advanced and modern socialist country by making economic development our central task while adhering to the Four Cardinal Principles and persevering in reform and the open policy. "One central task, two basic points" is a succinct summarization of this line. To carry it out, our Party has also formulated a set of principles and policies regarding economics, politics, science and technology, education, culture and military and foreign affairs. This line and these principles and policies are likewise to be continually enriched, refined and developed in the course of practice.

The theory of building socialism with Chinese characteristics has taken shape gradually in the current situation in which peace and development are the priorities of the times, and as we have been carrying out reform and the open policy and bringing about socialist modernization. It has been based on a review of the experience gained from our successes and failures in building socialism in China and from those in other countries. It is the product of the integration of the fundamental tenets of Marxism-Leninism with the reality of present-day China and the special features of our times, a continuation and development of Mao Zedong Thought, a crystallization of the collective wisdom of the entire Party membership and the whole Chinese people, and an intellectual treasure belonging to them all.

Comrade Deng Xiaoping is the chief architect of our socialist reform, of the open policy and of the modernization programme. He respects practice and the masses and pays constant attention to the interests and aspirations of the majority of the people. He is adept at generalizing from their experiences and innovations, and he can sense the direction in which things are moving and seize upon favourable opportunities whenever they present themselves. He has carried forward the fine work of our predecessors, and at the same time he has broken with outmoded conventions, displaying his great political courage by blazing a new path to socialism and his great theoretical courage by opening new perspectives for Marxism. He has made historic contributions by formulating the theory of building socialism with Chinese characteristics.

The experiences drawn from practice over the past 14 years can be summed up in one sentence: We must firmly adhere to the Party's basic line, guided by the theory of building socialism with Chinese characteristics. This is the best way to ensure that we shall stand the test of the dangers we may face on the way to our goal.

To adhere to the Party's basic line, we must, first and foremost, persevere in economic development as our central task. Because of both domestic and international factors, even after the establishment of the basic socialist system, class struggle will continue to exist in some areas for a long time and may be intensified under certain circumstances. We must have a clear understanding of this question and handle correctly any problems that may arise. However, class struggle is no longer the principal contradiction in our society, and economic development has become our central task. We must never waver in it, except in case of a large-scale foreign invasion. In years past we sometimes turned aside from economic development, because we did not have a clear understanding of certain international and domestic events. That was a serious mistake. Over the past 14 years, however, we have never been distracted from this central task, despite the major events of one kind or another that have taken place in China and abroad. We should continue to concentrate on it unremittingly in the years to come.

To adhere to the Party's basic line, we must integrate reform and the open policy with the Four Cardinal Principles. It is because we introduced reform and the open policy that socialism with Chinese characteristics is so vigorous today. And it is because reform and the open policy help consolidate and expand socialism that they have been progressing smoothly. The purpose of adhering to the Four Cardinal Principles and persevering in reform and the open policy is to liberate and develop the productive forces to an even greater extent. As we proceed, Party members, leading cadres in particular, must be on the alert for Right tendencies, but also and mainly for "Left" tendencies. Right tendencies are manifested chiefly in negating the Four Cardinal Principles, in pursuing bourgeois liberalization and sometimes in creating political turmoil. "Left" tendencies are manifested chiefly in denying the correctness of the reform and the open policy, maintaining that the main danger of peaceful evolution toward capitalism comes from the economic sphere, and trying to distract us from the central task of economic development by emphasizing the need for class struggle. Right tendencies can be the ruin of socialism, and so can "Left" tendencies.

"Left" ideas have deep roots in the history of our Party. Their exponents sound very revolutionary; they try to intimidate people by pinning political labels on them, as if being more "Left" meant being more revolutionary. Most of the mistakes that were made in the course of building socialism during the 20 years beginning in 1957 were "Left" in nature. It is likewise "Left" tendencies that present the chief obstacle to our efforts to explore a new path for reform and the open policy and to break out of the structures and conventions that hamper the development of the productive forces. Now we are making it clear that we must guard against Right tendencies but also and mainly against "Left" tendencies, in order that all our Party comrades, leading cadres in particular, will learn a profound lesson from the past and apply it to the present realities and to their own thoughts and work. This will help them enhance their political consciousness and their determination to carry out the Party's basic line, to emancipate their minds and to work together for still greater successes in economic development and other undertakings. When there are problems of understanding, differing opinions and mistakes in practical work, we should analyse each of them realistically, and not arbitrarily describe them as "Left" or Right political tendencies.

To adhere to the Party's basic line, we must consolidate and expand political unity and stability. Without political and social stability, any attempt to carry out reform and the open policy and to promote economic development would be out of the question. We must adhere to the Four Cardinal Principles and resolutely eliminate all factors that might lead to unrest or turmoil in China. Conversely, if we do not take economic development as our central task and carry out reform and the open policy, and if we therefore fail to achieve economic growth, any effort to consolidate unity and stability would be out of the question. Only so long as the basic line remains unchanged and there is social and political stability shall we be able to forge ahead steadily.

II. The Major Tasks in the Reform and Economic Development in the 1990s

The key to advancing the building of socialism with Chinese characteristics is to adhere to the Party's basic line, accelerating the reform and the opening to the outside world and concentrating on economic development. At the same time, while making economic development our central task, we should also improve our socialist democracy, legal system, culture and ethics, so as to ensure all-round social progress.

Modern Chinese history and the realities of the present-day world show that so long as a country is economically backward, it will be in a passive position, subject to manipulation by others. Nowadays the competition among the various countries is, in essence, a competition of overall national strength based on economic, scientific and technological strength. A great number of countries and regions, especially our neighbours, are speeding up their development. If we fail to develop our economy rapidly, it will be very difficult for us to consolidate the socialist system and maintain long-term social stability. Whether we can accelerate economic growth is therefore an important question both economically and politically.

The economic target set for the 1990s was to increase the gross national product annually by 6 per cent. However, judging from the situation at home and abroad, it is possible for us to achieve a higher growth rate. According to an initial estimate, we can achieve a growth rate of 8 or 9 per cent, and we should strive to do so. If we work hard to improve the quality of products and to optimize the structure of production and increase economic returns, we should be able to attain that goal. Then, by the end of this century, overall economic performance will have improved, the overall national strength will have been raised to a new level, the output of the basic industrial and agricultural products will have greatly increased and we shall have exceeded the goal of quadrupling the GNP of 1980. The structure of production and the regional distribution of the economy will have become more rational, and scientific and technological levels and managerial skills will have been raised considerably. A large number of key enterprises will have reached or approached advanced world standards. The people will be beginning to lead a relatively comfortable life. We propose that the State Council readjust the Eighth Five-Year Plan in accordance with the estimated higher growth rate and begin drawing up the ninth.

We should seize the present opportunity to accelerate economic development. In areas where conditions permit, we should do our best to achieve a higher rate of growth. We should encourage expanded production by enterprises that can turn out high-quality products, operate efficiently and satisfy the changing needs of markets both at home and abroad. At the same time, we should proceed from actual conditions, keep development within the limits of our capabilities and maintain an overall balance. In our efforts to speed up economic growth, we should avoid the mistakes of the past. We should not rush headlong into action, neglecting economic results, vying with each other in pursuit of a higher growth rate and seeking only increased output value, new construction projects and expanded capital construction. We should do solid work, proceeding boldly but prudently and making concerted efforts to accomplish a few major tasks that will pave the way for faster growth and better economic results in future.

To accelerate economic growth we must further emancipate our minds, speed up the reform and the opening to the rest of the world and not get bogged down in an abstract debate over what is socialist and what is capitalist. To achieve superiority over capitalist countries, socialist countries should not hesitate to adopt from abroad, including from the developed capitalist countries, any advanced methods of operation or management techniques that reflect the general laws governing modern production and the commodity economy. Foreign funds, resources, technology and skilled personnel, along with privately owned enterprises that are a useful supplement to our economy, can and should be put to use for the benefit of socialism. That will not harm socialism but help it, since political power is in the hands of the people, and since we have a strong public sector.

Setting the right objective for the reform of China's economic structure is vital to the success of the drive for socialist modernization. Correct understanding and handling of the relations between planning and market regulation is crucial. According to conventional thinking, a market economy is peculiar to capitalism, and a planned economy is the basic feature of socialism. Since the Third Plenary Session of the 11th Central Committee and with the deepening of the reform, we have gradually freed ourselves from those conventional ideas and acquired a new understanding of this question. This has played an important role in advancing the reform and economic development. The 12th National Congress declared that in a socialist economy planning was primary and market regulation secondary. At the Third Plenary Session of the 12thCentral Committee, the Party stated that a commodity economy was a stage that could not be bypassed in socioeconomic development and that China's socialist economy was a planned commodity economy based on public ownership. The 13th National Congress held that the socialist planned commodity economy should be a system that integrated planning with market regulation. After the Fourth Plenary Session of the 13th Central Committee it said that to facilitate the development of a socialist planned commodity economy, we should establish an economic structure and an operating mechanism that combined planning with the use of market forces.

In the important talks he gave earlier this year, Comrade Deng Xiaoping particularly pointed out that a planned economy was not socialism - there was planning under capitalism too. A market economy was not capitalism - there was market regulation under socialism too. Planning and market regulation, he said, were both means of controlling economic activity. Whether the emphasis was on planning or on market regulation was not the essential distinction between socialism and capitalism. This brilliant thesis has helped free us from the restrictive notion that the planned economy and the market economy belong to basically different social systems, thus bringing about a great breakthrough in our understanding of the relations between planning and market regulation.

With the reform and the open policy introduced in the last dozen years, market forces have functioned more extensively. Control over the prices of most commodities has been relaxed and the extent of mandatory planning considerably reduced, which has given greater scope to market forces in regulating economic activities. Practice in China has proved that where market forces have been given full play, there the economy has been vigorous and has developed in a sound way. To optimize the economic structure, to improve economic performance, to accelerate economic development and to take part in international competition, we must continue to intensify the market forces. Now that we have gained a deeper understanding of them in practice, we should state explicitly that the objective of the reform of the economic structure will be to establish a socialist market economy that will further liberate and expand the productive forces.

By establishing such an economic structure we mean to let market forces, under the macroeconomic control of the state, serve as the basic means of regulating the allocation of resources, to subject economic activity to the law of value and to make it responsive to the changing relations between supply and demand. We should make use of pricing and competition to distribute resources to those enterprises that yield good economic returns. In this way, we shall provide an incentive for enterprises to improve their performance, so that the efficient ones will prosper and the inefficient ones will be eliminated.

Since the market is sensitive to changes in demand, we should use it to make timely readjustment in production, as necessary. Nevertheless, we must be aware that the market has its own weaknesses and negative aspects. Macro-control of the economy by the state is therefore very important, and the way in which it is exercised must be improved. We should work hard to establish an integrated national market, and we should give more rein to market forces. We should guide the growth of the market by economic policies, regulations, planning and necessary administrative means, in accordance with objective laws.

The socialist market economy is a component part of the basic system of socialism. So far as the ownership structure is concerned, for a long time to come we should allow diverse sectors of the economy to develop side by side. The public sector, which includes enterprises owned by the whole people and enterprises owned by collectives, is to remain predominant, with the private sector, which includes individually owned and foreign-owned enterprises, as a supplement. Different sectors of the economy can operate jointly in different ways on a voluntary basis. Enterprises owned by the whole people should play the leading role when they compete with others in the market on an equal footing.

So far as distribution is concerned, remuneration according to one's work will remain the predominant mode, with other modes as a supplement; these too, however, should be fair and based on performance. By using various means of regulation, including the market, we should encourage the advanced and help raise efficiency. We should widen differences in personal income to a reasonable degree, but at the same time we should prevent polarization and gradually bring about common prosperity.

Through macro-control a socialist country is able to integrate people's immediate interests with their long-term interests and the interests of some with the interests of all, exploiting the advantages of both planning and market forces. The state plan is an important means of macro-control. We should renew our concept of planning and improve our methods. When the state makes plans, its main tasks should be to set rational strategic targets for national economic and social development, to forecast economic development, to control total supply and total demand, to readjust the geographical distribution of industries and of the productive forces and to muster the financial and material resources necessary for the construction of important projects - all for the purpose of speeding up economic development by employing all economic levers.

Establishing and improving a socialist market economy will be a long process, because it is a difficult and complex feat of social systems engineering. We must be prepared to make sustained efforts, but at the same time we should work with a sense of urgency. We must keep to the correct orientation, but at the same time we should proceed in the light of actual conditions. During the process of establishing the socialist market economy, the extent to which planning is combined with market regulation and the form the combination takes may vary at different times, in different places and in different sectors of the economy. We should be bold in exploring new ways, dare to experiment and constantly review our experience so as to expedite the replacement of the old structure with the new. The establishment of a socialist market economy involves many spheres of the economic base and the superstructure, and it therefore requires corresponding structural reforms and the readjustment of a series of policies. We must draw up a general plan and carry it out step by step. We are convinced that a market economy established under the socialist system can and should operate better than one under the capitalist system.

To accelerate the reform and opening up and to promote economic development and all-round social progress, we must redouble our efforts to fulfil the following ten major tasks, all of which involve the overall interests.

1. To accelerate economic reform while establishing a socialist market economy.

To establish a socialist market economy we must do the following important and interrelated tasks.

First, we must change the way in which state-owned enterprises operate, especially the large and medium-sized ones, and push them into the market so as to increase their vitality and efficiency. This is the key to establishing a socialist market economy, consolidating the socialist system and demonstrating its superiority. By straightening out the relations between ownership and management of enterprises, separating the functions of the government from those of enterprises and granting the latter more autonomy, we should turn them into legal entities responsible for their own decisions about their operation and expansion and for their own profits and losses. They should become the most competitive enterprises and take responsibility for preserving and increasing the value of the state assets. The contract system currently in force should be further improved. The shareholding system will help promote the separation of the functions of the government from those of enterprises, the change in the way enterprises operate and the accumulation of social capital. We should therefore try it out in selected enterprises, reviewing our experience regularly and formulating laws and regulations to ensure that the system develops in a sound and orderly manner. Where conditions permit, enterprises should be encouraged to join or amalgamate into enterprise groups. Some small state-owned enterprises may be leased or sold to collectives or individuals.

Second, we must accelerate the establishment of the market system. We should continue our efforts to develop commodity markets, especially for capital goods, and build up financial markets, including markets for bonds, stocks and other negotiable securities, and markets for technology, labour, information and real estate, so as to form an integrated national market system open to all. At the same time, we should strengthen market rules and regulations, dismantle the barriers between regions, prohibit embargoes and prevent the formation of monopolies, so as to promote competition on an equal footing. Reform of the pricing system is the key to the building of markets and the restructuring of the economy. It is therefore necessary to proceed more rapidly with that reform, in accordance with the tolerance of the different sectors of society, straightening out price relations and establishing a system in which most prices are determined by market forces.

Third, we must deepen the reform of the system of distribution and the system of social security. We should smooth the relations of distribution between the state and enterprises and between the central and local authorities, taking into consideration the interests of the state, of collectives and of individuals. We have to introduce gradually a system whereby enterprises pay tax plus a percentage of profits and a system whereby tax revenues are shared by central and local authorities. We should speed up the reform of the wage system, with the aim of gradually introducing different systems that are suitable for enterprises, institutions and government organs respectively, as well as a mechanism for normal increase of wages. We should also speed up the establishment of a system of social security covering unemployment, the aged and health and the reform of the housing system in cities and towns.

Fourth, we must accelerate the change in the functions of government. This is of major importance if we are to keep the superstructure in line with the economic base and to promote economic development. Unless we make substantial progress in this respect, it will be hard for us to advance the programme of reform and to establish a socialist market economy. The fundamental way to effect this change is to separate the functions of the government from those of enterprises. Governments at all levels should refrain from intervening in areas where the state has decreed that functions and powers belong to enterprises. Neither central nor local government departments may exercise powers that have been assigned to enterprises. The functions of the government are to make overall plans, to see that policies are carried out correctly, to offer guidance by supplying information, to organize and coordinate, to provide services and to inspect and supervise. Further efforts should be made to reform the management systems of the specialized departments in charge of planning, investment, finance, banking and so on and to tighten auditing and economic supervision. We should improve the systems and methods of scientific macro-management of the economy and divide the responsibilities for it rationally among the central authorities, provinces, autonomous regions and municipalities directly under the central government, giving full play to the initiative of each.

2. To open wider to the outside world and make more and better use of foreign funds, resources, technology and management expertise.

The number of areas and regions open to other countries needs to be increased. Exchanges can take place in all domains, at different levels and through many channels. Continued efforts should be made to improve the management of the special economic zones, the open coastal cities and the open coastal economic development areas. We must open more areas along the borders and in the interior provinces and autonomous regions. We should also open more cities along the Yangtze River, while concentrating on the development and opening of the Pudong Area of Shanghai. We want to make Shanghai one of the international economic, financial and trade centres as soon as possible and to bring about a new leap in economic development in the Yangtze River Delta and the whole Yangtze River basin. We should accelerate the opening and development of Guangdong, Fujian, Hainan and the rim of Bohai Bay, enabling Guangdong and other areas where conditions are ripe to basically achieve the goal of modernization in 20 years.

We should open up more areas to foreign investment. We should continue to improve the investment environment and provide better conditions for foreign businessmen to invest and do business in China, and we should give them full legal protection. We should attract foreign investment in accordance with the national industrial policy, channeling it into infrastructural facilities, basic industries, enterprises that need to be technically transformed or that are capital- or technology-intensive and also, in a certain measure, into banking, commerce, tourism, real estate and other domains. We should ensure rational distribution and better management of the economic and technological development zones and the development zones for industries using high and new technology.

We should open up more international markets, diversify our trading partners and develop an export-oriented economy. We should expand export trade, change the export product mix and export high grade commodities of good quality. At the same time, we should increase imports in an appropriate amount and make use of more foreign resources and advanced technology. We should deepen the reform of the system for managing foreign trade and establish, as soon as possible, a new system that is in keeping with the development of the socialist market economy and conforms to international norms. We should grant to enterprises and to science and technology research institutes the power to engage in foreign trade, and we should encourage enterprises to expand their investments abroad and their transnational operations.

3. To readjust and optimize the structure of production, put great effort into agriculture and accelerate the development of basic industries, infrastructural facilities and the tertiary industry.

In light of the current condition of our economy and its trend of development, we should try to raise the level of agriculture, which is the primary industry, and steadily increase its output. We should continue expanding the secondary industry and readjusting its structure, and we should make greater efforts to promote the tertiary industry.

Agriculture is the foundation of the national economy. We must continue to give first priority to developing it, and we must revitalize the whole rural economy. We must recognize the importance of diversification and, while ensuring that the output of grain and cotton increases steadily, continue to adjust the agricultural structure. We should do all we can to expand farming, forestry, animal husbandry, sideline production and fisheries, and to develop a highly efficient agriculture that provides greater and better yields. We should persist in revitalizing agriculture by relying on science and technology and on education. We should increase investment in agriculture in different forms and through different channels, continue our efforts to build water conservancy projects and constantly raise the level of intensive management and overall productivity. We should vigorously expand township enterprises, particularly supporting those in the central and western parts of the country and in areas inhabited by people of minority nationalities.

We must carry out the decision of the Eighth Plenary Session of the 13th Central Committee in all respects by further restructuring the rural economy and reforming the methods of operation. We should try to stabilize for a long time to come, and constantly improve, the responsibility system, the main form of which is the household contract that links remuneration to output, and the system of unified management combined with independent management. We should develop diverse forms of collectivized agricultural services and gradually increase the economic strength of collectives, as actual conditions in various places allow. We should move faster to reform the pricing system for agricultural products and the rural circulation system. In developing the rural economy we should continue to expand the regulatory role of the market.

Rapid development of such infrastructural facilities and basic industries as transportation, telecommunications, energy, important raw and semi-finished materials and water conservancy is urgently needed both to accelerate economic development now and to prepare for further development later. For this purpose, we should concentrate on building efficiently a certain number of "backbone" projects of high quality. We should lose no time in launching construction of the key Yangtze Three Gorges water conservancy project, the project to divert water from the Yangtze River to north China, the railway for transporting coal from west to east China, the 10-million-ton iron and steel complex and other super-projects that will not be completed until the next century.

We should intensify geological exploration. We should revitalize the machine-building and electronics industries, the petrochemical industry, the automobile industry and the construction industry to make them the pillars of the economy. We should lose no time in developing high- and new-technology industries. Ordinary enterprises in textiles, processing and other light industries should increase their efficiency and raise their technical level through association, reorganization and technical transformation. Full attention should be paid to economizing energy and raw and semi-finished materials so that resources can be put to best use. So far as investment in fixed assets is concerned, we should give priority to infrastructural facilities, basic industries and projects for the technological transformation, rebuilding and expansion of existing enterprises, especially those for the technological transformation of the old industrial bases and of "backbone" enterprises.

A flourishing tertiary industry is one of the important features of a modern economy. At present, the total value of services in China is far less than it is in developed countries and even in many other developing countries. An expansion of commerce, banking, insurance and tourism, of services in the fields of information, law, accounting and auditing and also of neighbourhood services will augment the growth of the market. It will also help to socialize and professionalize services, to achieve better economic results and increase efficiency, and to ensure convenience for the people and enrich their lives. Moreover, it will create employment opportunities and provide the necessary conditions for readjusting the economic structure, changing the way enterprises operate and reforming the government structure. We must call upon the initiative of the state, collectives and individuals and step up development of the tertiary industry so as to greatly increase its proportion in the GNP.

4. To accelerate progress in science and technology, make special efforts to develop education and give full scope to the abilities of intellectuals.

Science and technology constitute a primary productive force. If the economy is to be revitalized, it is necessary first and foremost to promote the development of science and technology. Only steady progress in those domains will enable us to gain the initiative in sharp competition. At a time when we are facing the major tasks of accelerating development, readjusting the economic structure and improving performance, it is especially necessary to make all sectors of society more aware of the importance of science and technology and of the need to increase investment in them, so that progress in those fields will provide the basis for economic development. Scientific and technological work should be geared to economic development, which is our main field of endeavour. Personnel should be divided rationally among three areas: development research, development of high and new technology and of industries using it, and basic research. Scientists and technicians should set themselves the goal of scaling the heights: the Chinese nation must take its place in the realm of advanced science and technology.

By deepening the reform, we should establish a mechanism for integrating science and technology with the economy, making them real productive forces by speedily commercializing research results. We should constantly improve the protection of intellectual property rights. We should assimilate advanced technologies from abroad and improve upon them. We must increase the contributions of high technology to economic growth, so as to bring about a change from extensive to intensive management of the economy as a whole.

Scientific and technological progress, economic prosperity and social advances are all basically dependent on the raising of the educational level of workers and the training of personnel. Accordingly, we must make education a strategic priority. If we are to modernize China, it is of fundamental importance to raise the ideological and ethical standards and the scientific and educational levels of the whole population. We have to make the educational structure as effective as possible and to do all we can to strengthen basic education, expand vocational and adult education, develop higher education and encourage independent study. Governments at all levels should devote more resources to education and urge all non-governmental sectors to pool funds to open schools of different types, thus breaking up the state monopoly of education. Schools of all types at all levels should implement the Party's principles with regard to education and raise the overall quality of instruction. We should try to eliminate illiteracy among most young and middle-aged people by the end of the century and to institute nine-year compulsory education in most places by that time as well. We must further reform the educational system, the content that is taught and the methods of teaching it, strengthen the training of teachers, grant schools more autonomy and promote the integration of education with the development of science and technology and of the economy.

Intellectuals are members of the working class who have a better scientific and general education than others and who, as pathbreakers, constitute advanced productive forces. They have an especially important role to play in the reform, the opening up and the modernization drive. Whether we do or do not give full scope to their abilities will determine, to a considerable degree, the prosperity or decline of our nation and the success or failure of the drive for modernization. We should strive to create a better environment for intellectuals that will allow them to use all their skills and knowledge, and we should make further efforts to create an atmosphere of respect for learning and for professionally trained people.

We are determined to adopt policies and measures to improve the working, studying and living conditions of intellectuals and to reward handsomely those who make outstanding contributions. We should introduce a regular reward system. We appreciate it when our people studying abroad show concern and support for the drive to modernize the motherland and become involved in it in various ways. When they come back to participate in socialist construction, they will be warmly welcomed no matter what their political attitudes were in the past; proper arrangements will be made for their employment, and they will be allowed to come and go freely and easily. Intellectuals have made tremendous contributions to the cause of socialist modernization. We have no doubt that they will live up to the ardent hopes of the state and the people and prove worthy of the trust placed in them by working even harder to make fresh contributions.

5. To exploit the particular advantages of each region, accelerate its economic development and rationalize the geographical distribution of the different sectors of the economy.

The territory of China is so vast that conditions vary greatly from place to place, and so does the level of economic development. We should try to achieve a rational pattern of industry and promote the healthy development of regional economies under the guidance of unified planning by the state. We should proceed in the light of local conditions and in accordance with a rational division of labour, with all the regions exploiting their own particular advantages for mutual benefit and prosperity.

The coastal region in east China should make every effort to develop an export-oriented economy, concentrating on developing products that yield a high added value, earn foreign exchange and are produced with advanced technology and an efficient use of energy and raw and semifinished materials. The region should use more foreign capital and other foreign resources to achieve a higher growth rate and better economic performance.

Through overall planning, the state should support the central and western regions, which are endowed with rich natural resources, and the border areas there, which have great potential for opening to the outside world. To help establish a market economy, these regions and areas should open up faster to the other parts of the country and to the outside. They should build more infrastructural projects to facilitate the utilization of their natural resources and develop industries and products for which they are particularly well adapted. Where conditions permit, they should build up the export trade so as to stimulate the development of the entire local economy.

Instead of attempting to build complete, self-sufficient economies of their own, the regions should do everything in the interest of the nation as a whole, avoiding construction of redundant projects and duplication of imports. We should promote rational exchange and cooperation between regions, so as to form a new pattern of circulation that will be beneficial to all. In our effort to develop regional economies on the basis of their natural geographical features and existing economic links, we should take full advantage of key cities.

To strengthen national unity, consolidate frontier defence and promote economic development nationwide, it is extremely important to bring about faster development in areas inhabited by people of minority nationalities. The poor regions must shake off poverty and set out on the road to prosperity as soon as possible. That is one of our strategic objectives for the second stage of China's development. The state should adopt effective policies to support areas inhabited by people of minority nationalities, the old revolutionary base areas, border areas and poor areas. In one way or another, economically developed regions should also help them develop.

6. To push forward reform of the political structure and bring about great advances in socialist democracy and in the legal system.

To keep pace with economic development and the reform of the economic structure, it is imperative to push forward reform of the political structure, bearing in mind that promotion of democracy must be closely combined with improvement of the legal system. The goal of this reform is to build a socialist democracy suited to Chinese conditions and in no respect a Western, multiparty, parliamentary system. The Constitution of our country provides that the state organs of the People's Republic of China shall apply the principle of democratic centralism, which is a fundamental principle in China. Democracy among the people is an essential requirement for socialism and one of its intrinsic characteristics. Without democracy and a legal system, there can be no socialism or socialist modernization. We should make notable progress in developing socialist democracy and perfecting the socialist legal system, so as to consolidate the stable social and political environment and ensure the smooth progress of economic development, the reform and the opening to the outside world.

We should further improve the system of people's congresses, strengthen the functions of the congresses and their standing committees in legislating, exercising supervision and so on and expand the role of the people's deputies. We should improve the system of multiparty cooperation and political consultation under the leadership of the Communist Party. In this new period we should consolidate and broaden the patriotic united front and let the people's political consultative conferences play a greater part in political consultation and in democratic supervision. We should continue to abide by the principles of "long-term coexistence and mutual supervision" of the various parties and "treating each other with all sincerity and sharing weal or woe". We should reinforce the practice of consulting with the democratic parties and support the appointment of their members and of persons without party affiliations to leading posts in state organs, with a view to solidifying the alliance of our Party with non-Party people.

For our unified, multinational state, the great solidarity of all nationalities is an important guarantee that the motherland will remain unified and that socialist modernization will be realized. It is essential to implement all the Party's policies with regard to the nationalities. We must perfect the system of regional autonomy in areas inhabited by minority nationalities and adhere to the principle of equality, mutual assistance, unity and co-operation among all nationalities so as to promote common prosperity. The Party's policies on religion and on the affairs of overseas Chinese must likewise be carried out conscientiously in the service of socialist modernization.

Scientific and democratic decision-making is essential to democratic centralism and to the building of socialist democracy. Leading organs and leading cadres must listen attentively to the opinions of the people, seek advice from experts in different fields and from research and consultancy institutions and establish a system of democratic and scientific decision-making as soon as possible. We must strengthen democracy at the grassroots level and see to it that the congresses of workers and other employees, the neighbourhood committees and the village committees function well. We should improve the work of the organs supervising law enforcement and government administration, recognize the importance of supervision by public opinion through the media and gradually perfect the supervisory mechanism, so that government organs at all levels and their staff will be brought under effective supervision.

All due attention should be given to the legal system. To establish a socialist market economy, we urgently need to strengthen legislation. In particular, we need to draw up laws and regulations that will ensure smooth progress of the reform and the opening up, and provide for better management of the overall economy and standardize the economic behaviour of enterprises and individuals. It is essential to enforce the Constitution and other laws strictly, to supervise their enforcement, to put an end to arbitrary intervention by persons in authority and to correct the practice of replacing imprisonment for criminal offenses with lighter punishment. We must ensure the independence of the people's courts and procuratorates in their work. We should strengthen public security, the procuratorates and the people's courts and improve the quality and competence of their personnel. To enhance the understanding of the people, including the cadres, of democracy and the legal system, education must be combined with practice.

Good public order is of major importance because it is of immediate concern to the people and because it is necessary to ensure social stability and economic development. We must adopt effective measures to put an end to the disorder that exists in some places. We must strengthen the people's democratic dictatorship and rely on close cooperation between the relevant organs and the people in an effort to improve all facets of public security. To uphold justice and protect the people, we must crack down on the activities of hostile forces and of criminals.

7. To reform the administrative system and the organizational structure of the Party and the government so as to bring about a change in their functions, straighten out their relations, simplify administration and improve efficiency.

If we are to reform the political structure, deepen the economic reform, establish a market economy and accelerate the modernization drive, we must make it our urgent task to reform the organizational structure and to simplify administration. At present, the overstaffing, overlapping and inefficiency of many Party and government organizations cut them off from the masses and so greatly hamper the efforts to change the way enterprises operate that there is no alternative to reform. Party committees and governments at all levels must reach a common understanding on this matter. They must make up their minds to reform the current administrative system and their organizational structure, in accordance with the principles of separating the administration of the government from the management of enterprises and achieving simplification, uniformity and efficiency.

The departments in charge of the overall balance of the economy should turn their attention to enhancing macro-economic control. Some specialized economic departments and some organizations whose functions overlap or whose work is similar must be abolished or merged, and the number of temporary, ad hoc organizations should be considerably reduced. Party and government organs must cut back personnel so that they do not exceed their authorized size.

To reform organizational structure and simplify administration is an arduous task that will demand overall planning, meticulous organization, concerted efforts by people at all levels and phased implementation. We should try to complete it basically within three years. In the course of reducing personnel, we should raise efficiency and develop the productive forces. On the one hand, we want to rationalize the structure of Party and government departments and improve the quality of personnel; on the other, we want to transfer to the service sector and to other jobs where they are needed large numbers of professionally trained people, who will become a vital new force in the modernization drive.

We must accelerate the reform of the personnel and labour systems and gradually establish scientific management systems and effective incentive mechanisms appropriate to Party and government departments, to enterprises and to institutions. The reform in this connection must be combined with the reform of the organizational structure and of the wage system. The system of public service must be put in place as soon as possible.

8. To continue to foster both material progress and cultural and ideological progress, attaching equal importance to both.

The reform, the process of opening to the outside world and the modernization drive are stimulating the Chinese people to emancipate their minds, acquire a broader outlook, turn their attention to the future and to the world at large and exert every effort to advance material wellbeing. At the same time, these new undertakings call for greater cultural and ideological progress. Only when there is both material progress and cultural and ideological progress can there be socialism with Chinese characteristics. Progress in this second sphere must be closely linked to the central task of economic development, providing our development, reform and opening to the outside world with a powerful ideological driving force and with strong intellectual support.

The emphasis must be on progress. We should attach great importance to theoretical work, protect academic freedom, take care to integrate theory with practice, initiate creative research, develop philosophy and other social sciences and uphold and advance Marxism. We should train more young and middle-aged theoretical workers so as to raise their professional competence. We should adhere to the principles of serving the people and the cause of socialism and of letting a hundred flowers blossom and a hundred schools of thought contend. We should push forward the reform of the system of managing cultural undertakings, improve our economic policies concerning them and promote a flourishing socialist culture. We should attach importance to the social impact of works of art and encourage the creation of works with healthy content and aesthetic value, especially ones in praise of reform, opening to the outside world and modernization. We should do better work in the fields of the press and publishing, radio and television, literature and art. We should use ideological and political work to arouse the enthusiasm of the masses for devoting themselves to socialist construction.

We should teach the people of all nationalities, especially young people, about the Party's basic line, about modern and contemporary history and about the present conditions of our country, fostering patriotism, community spirit and socialist ideology. Thus, they will come to prize national dignity, self-confidence and self-reliance. They will resist the corrosive influence of the decadent capitalist and feudal ideologies and cherish correct ideals, convictions and values.

In every trade and profession, we should cultivate ethical conduct, gradually developing norms of occupational ethics appropriate to each and resolutely overcoming unhealthy practices such as the abuse of power for personal gain. We should strengthen education in social ethics and make a point of commending model workers who embody the spirit of the age. Communities, villages, townships, enterprises and schools should all work for cultural progress. We should continue to have model communities and units established jointly by the army and the people and by the police and the people, so as to achieve cultural progress at the grassroots level in both town and country. Cultural progress requires material support. We should increase investment in this area through all channels and include cultural facilities in the overall programme of urban and rural construction.

The spread of social evils damages people, especially young people, both physically and mentally, impedes the modernization drive, reform and opening to the outside world, and mars the image of socialism. These evils are therefore detested by the people, and we should wage a determined and effective long-term campaign to wipe them out.

Party committees at all levels should review the experience they have gained since we began the reform and the opening to the outside world, so as to improve their leadership in the effort to achieve cultural and ideological progress. We should maintain and enrich the fine traditions of the Chinese nation, assimilate the best achievements of other peoples and create an advanced culture and ideology through the rich, active practice of building socialism. We should create a favourable environment for the reform, the opening up and the modernization drive and nurture one generation after another of citizens who have high ideals, moral integrity, a better education and a strong sense of discipline.

9. To continue improving people's living standards, strictly control population growth and strengthen environmental protection.

The purpose of accelerating the reform, the opening up and economic development is to meet the growing material and cultural demands of the people. As production expands and social wealth increases, the real incomes, the consumption levels and the living standards of both urban and rural people will rise markedly. Their food, clothing, transportation and especially their housing will greatly improve. Their cultural life will grow richer, physical culture will develop, public health services will improve and the general level of health will rise.

It will be a magnificent achievement when the people of our country - one-fifth of the world's population - can lead a relatively comfortable life. At the same time, it should be remembered that China started with a poor economic foundation and that in this pioneering stage of the modernization drive we need more funds for construction. We must therefore continue the fine tradition of building the country through hard work and frugality. We should encourage people to practise economy.

We should firmly carry out the basic state policies of controlling population growth and strengthening environmental protection. We must never let up in the work of family planning. We should make sure that the established goal of population control is attained, promote prenatal and postnatal care and improve the people's health. We should study the ageing of the population and take appropriate measures to deal with it. We should increase the people's awareness of the importance of the environment, so that they will help preserve land, mineral resources, forests, water and other natural resources, use them wisely and protect the ecology.

10. To strengthen the army and increase our defence capabilities so as to guarantee the smooth progress of the reform, the opening up and economic development.

The Chinese People's Liberation Army is the strong shield of the people's democratic dictatorship, a great wall of steel protecting the socialist motherland and an important force for building socialism with Chinese characteristics. Now and for a long time to come, our drive for socialist modernization will be conducted in a complex and changing international environment. It is essential always to uphold the Party's absolute leadership over the army. In accordance with Comrade Deng Xiaoping's concept of army-building in the new period, we must create the best armed forces that our conditions permit, turning the PLA into a strong, modernized, revolutionary regular army and constantly increasing our defence capabilities, so as to provide powerful protection for the reform, the opening up and economic development. We have already cut the size of the army by one million men. From now on, it must work hard to meet the requirements of modern warfare, pay attention to quality and enhance its overall combat effectiveness. Thus it will be ready to perform even better the sacred mission of defending China's interests, its sovereignty over its territory, territorial waters and air space, and its maritime rights and of safeguarding the unity and security of the motherland. At the same time, the army must consciously subordinate itself to the overall interests of national economic development, actively support and participate in the reform, the opening up and the modernization drive and make its contributions to China's development and prosperity.

The army must strengthen and reform itself, giving education and training strategic importance and improving the overall combat effectiveness of officers and men. All army units must be qualified politically and competent militarily. They must have a fine style of work, maintain strict discipline and be assured of adequate logistical support. To gradually improve weapons and equipment we must recognize the importance of scientific and technological research for national defence and that of the defence industry.

As always, Party organizations, governments at all levels and all the Chinese people should be concerned with strengthening national defence and should support the army in its tasks. We must educate the people about the importance of national defence. The army should never abandon the work it does to support the government and show its concern for the people, and the government should never abandon its support for the army and its preferential treatment of families of revolutionary armymen and martyrs. This will improve the excellent situation in which both the army and the government on the one hand and the army and the people on the other are united and support each other. We must make a success of the work with regard to the militia and reservists, constantly building up the reserves for national defence.

The Chinese People's Armed Police is an important force for protecting the drive for socialist modernization. We must continue to strengthen that force, together with the public security and state security departments, so they can be more effective in maintaining national security and social stability.

Comrades,

The reform, the opening to the outside world and the modernization drive are great undertakings of the people. To accomplish the arduous tasks of the 1990s, we must rely wholeheartedly on the working class and on the rest of the vast labouring people, giving full play to their enthusiasm and creativity. So long as the Chinese people of all nationalities remain closely united and work hard for the prosperity of the country and for socialist modernization, our cause will surely triumph.

III. The International Situation and Our Foreign Policy

In the complex and volatile world situation, we have scored major achievements in our relations with other countries. The People's Republic of China has cemented optimum good-neighbour relations with surrounding countries since its founding, has strengthened its solidarity and cooperation with the large numbers of developing countries and has improved and expanded its relations with all countries, including the developed ones in the West, on the basis of the Five Principles of Peaceful Co-existence. China's international influence has steadily increased and its international standing has risen.

The world today is in a historical period of great change. The bipolar structure has come to an end, forces are disintegrating and their elements are being realigned and the world is moving in the direction of multipolarization. The formation of a new structure will be a long and complex process. For a long time to come, it will be possible to secure a peaceful international environment and avert a new world war. At the same time, it should be pointed out that the current international situation remains turbulent. Contradictions everywhere are deepening, and in quite a few countries and regions ethnic contradictions, territorial disputes and religious conflicts have sharpened and have even led to bloodshed and local war. International economic competition has become increasingly intense. The economies of many developing countries have deteriorated even more, and the gap between North and South has further widened.

The questions of peace and development remain the two top priorities on the international agenda today. Development needs peace, and peace cannot be maintained without development. Hegemonism and power politics have all along constituted the main obstacles to peace and development. World development cannot be based for long on the poverty and backwardness of the great number of developing countries. The drastic changes and turmoil of the international situation have helped awaken the world's people. Among the developing countries that have shared common experiences, the trend of safeguarding independence and sovereignty and seeking solidarity and cooperation is gaining momentum. The world needs peace, countries need to develop, society needs to progress, economies need to thrive and living standards need to improve. These have become the universal demands of the world's peoples.

Faced with the new international situation, the Communist Party of China, the Chinese government and the Chinese people will continue to develop their relations with foreign countries, to seek a favourable international environment for China's reform, opening up and modernization and to make their own contributions to world peace and development.

China has consistently pursued an independent foreign policy of peace. The basic objectives of that policy are to safeguard our independence and sovereignty and to promote world peace and development. On questions involving our national interests and state sovereignty, we shall never yield to any outside pressure. China will always stand firm as a strong defender of world peace. It will not enter into alliance with any country or group of countries and will not join any military bloc. China will never seek hegemony and expansion; it is opposed to hegemonism, power politics, aggression and expansion in any form. China is against the arms race and stands for effective disarmament and arms control carried out in a fair, reasonable, comprehensive and balanced manner. Today, some countries are calling for disarmament too, but they have not, in effect, reduced the number of their sophisticated weapons. In handling international affairs, China abides strictly by the Charter of the United Nations and the acknowledged norms of international relations and adheres to the principled position of seeking truth from facts and upholding justice.

The nature of the new international order that is to be established is a question of great concern to the international community today. In view of past experience and present reality, we advocate the establishment of a peaceful, stable, just and rational new international order on the basis of the five principles of mutual respect for sovereignty and territorial integrity, mutual nonaggression and non-interference in each other's internal affairs, equality and mutual benefit and peaceful co-existence. Such a new order would include a new international economic order based on equality and mutual benefit.

The world is diverse, and differences of all kinds exist among nations. The peoples of all countries are entitled to choose the social systems and paths of development that suit their specific conditions. All nations, big or small, strong or weak, rich or poor, should take part in international affairs as equal members of the international community. All nations should respect each other, seek common ground while putting aside differences, treat each other as equals, and live together in amity. The differences and disputes between nations should be resolved peacefully through negotiation, in compliance with the United Nations Charter and the norms of international law, and force or the threat of force should not be used. Hegemonism and power politics - that is, the monopoly and manipulation of international affairs by a few countries - will not be tolerated. The establishment of a new international order is a long-term undertaking, and the Chinese people, together with all other peoples of the world, will make unremitting efforts to accomplish it.

As a member of the United Nations and a permanent member of the Security Council, China attaches great importance to the work of the United Nations and actively participates in it. We support the United Nations and the Security Council in their efforts to preserve world peace, promote disarmament, push forward global development and settle international disputes.

China is a developing country. A key element of our foreign policy is to strengthen our solidarity and co-operation with other third world countries. China and the other developing countries will, as always, support each other in safeguarding their independence and sovereignty and will increase their economic and cultural exchanges. China has become an observer of the Non-Aligned Movement and has established close ties with the Group of 77 as well. We shall further strengthen our co-operation with them.

China is willing to develop friendly relations and co-operation with all other countries on the basis of the Five Principles of Peaceful Coexistence. The differences in social systems and ideologies should not constitute obstacles to the development of relations between nations. In international contacts, China will never try to impose its social system or ideology on other countries, nor will China allow other countries to impose their social systems and ideologies on it. This is a principled position and it will never change.

China is firmly determined to open to the outside world and is ready to increase its economic, scientific and technological co-operation with all countries on the basis of equality and mutual benefit and to promote exchange in the fields of culture, education, health and sports.

The Communist Party of China values its relations with the political parties of other countries. It has already established ties of various sorts with political parties and organizations in more than 100 countries. We shall continue to develop friendly relations with such parties in accordance with the principles of independence, complete equality, mutual respect and non-interference in each other's internal affairs and to increase mutual understanding and co-operation in the spirit of seeking common ground while putting aside differences.

The founding of the People's Republic of China put an end to the Chinese people's tragic history of suffering from long aggression, oppression and humiliation, and it fundamentally changed the situation of human rights in China. The people have become the masters of the country and have steadily built their own new life. The Constitution of our republic has given basic protection to all the people's rights. China has acceded to a series of international conventions on human rights and agrees to the conduct of international dialogues on human rights on an equal footing. In the final analysis, the question of human rights is a matter within each country's sovereignty; China is resolutely opposed to the use of human rights to interfere in other countries' internal affairs.

Historical experience has taught us that whenever, on any pretext, any country encroaches upon the independence and sovereignty of others and interferes in their internal affairs, or whenever any big, strong or rich country coerces, humiliates and intimidates countries that are small, weak or poor, it will be internationally condemned. Any country that overreaches itself or rides roughshod over others will be denounced by the peoples of the world. A just cause enjoys abundant support, while an unjust cause finds little. The forces championing a just cause are always invincible.

IV. Strengthening Party-Building and Improving Party Leadership

We must follow the basic line of the Party unswervingly for a long time to come; we must rapidly carry out the socialist reform, the opening to the outside world and the modernization programme; and we must maintain long-term stability and make our country prosperous and strong. The key to all this is our Party, a party armed with Comrade Deng Xiaoping's theory of building socialism with Chinese characteristics.

For more than seven decades the Communist Party of China has united the Chinese people of all nationalities and led them in a struggle to overcome all difficulties and hardships and make a fundamental change in their status, in the direction of Chinese history and in the image of Chinese society. Since the Third Plenary Session of the Eleventh Central Committee, it has led the people in an effort to create a new situation of reform, opening up and modernization in every field of endeavour. The great, glorious and correct Communist Party of China, which led the people to victory in the revolution, can also lead them to victory in the reform and in economic development. It would be absolutely wrong and harmful for anyone to doubt, weaken or negate the Party's position in power and its leading role.

In the new historical period there have been major changes in the environment in which our Party functions and in the tasks it undertakes. Ideologically, politically, organizationally and in terms of work style, it is faced with many new situations and problems. In light of the new realities and in compliance with the Party's basic line, we must adhere to the principle that the Party handles Party affairs, being strict with its members, improving Party building and exercising more effective power and leadership. This will make it possible for our long-tested Marxist Party to function better as the force at the core providing leadership in the reform, the opening to the outside world and the drive for modernization.

1. We should study the theory of building socialism with Chinese characteristics and increase our awareness of the need to firmly carry out the Party's basic line.

Our Party is the vanguard of the working class, and Marxism-Leninism and Mao Zedong Thought are the guides to our action. Marxism is a science that is deeply rooted in practice and developed through practice. The theory of building socialism with Chinese characteristics is the latest product of the integration of Marxism with Chinese reality. It is a Marxist theory for present-day China. It is a powerful ideological weapon that will enable us to fulfil our new historical mission. When we talk about the need to study Marxism-Leninism and Mao Zedong Thought, we mean in essence the need to study that theory. Leading Party members, high-ranking cadres in particular, should be the first to study it and apply it in practice. We should try to understand Comrade Deng Xiaoping's strategy, theories and viewpoints and to emulate his scientific approach in examining new situations and his creativity in solving new problems by applying the Marxist stand, viewpoint and method. We should learn the basic theories, integrate them with practice, and know how to use them effectively. We hope that through study, all our Party cadres will acquire a firm faith in socialism and communism, constantly raise their political level and their ability to solve practical problems, and transform their consciousness into tremendous material strength that will serve to accelerate the reform, the opening up and the drive for modernization.

Emancipating our minds and seeking truth from facts are the essence of the theory of building socialism with Chinese characteristics and a "magic weapon" guaranteeing that our Party will always be vigorous. The two precepts are identical. They mean that we should keep our understanding in line with current realities, that under the guidance of Marxism we should break the shackles of traditional conceptions and subjective prejudices and overcome our habit of following the beaten track and rejecting new things. We must not simply cling to certain Marxist principles, to a dogmatic interpretation of certain theories, to an unscientific or distorted understanding of socialism or to ideas that are wrong because in the primary stage of socialism they are premature. Instead, we must try to analyse and solve problems with the world outlook and methods of dialectical materialism and historical materialism, adapting our thinking to changing circumstances. In the course of reform and economic development, leading organs and leading cadres at all levels should integrate the Party's line, principles and policies with the actual conditions in their localities or departments. They should courageously explore new ways, conduct bold experiments, frequently review their experience and seek creative solutions to problems.

We should be keenly aware that because modern science and technology are progressing rapidly and the socialist market economy is constantly expanding, there are many new things we need to understand and become familiar with. All our Party comrades must regard it as an urgent, long-term task to learn through practice. We should study not only political affairs but also economic affairs, advanced techniques of production and management, and modern science and culture. We should work hard to gain professional proficiency and become skilled in our work.

2. We must build strong leading bodies and train successors to the socialist cause.

In accordance with the principle of making the contingent of cadres more revolutionary, younger, better educated and more competent, with both professional ability and political integrity, we must help make the leading bodies at every level staunch collectives that are devoted to Marxism and will resolutely follow the road to socialism with Chinese characteristics. This is of vital importance for guaranteeing the continuity of the Party's line and the long-term peace and stability of the country.

In judging the integrity and ability of cadres, we must look primarily at their performance in carrying out the Party's basic line. We must appoint the right cadres to important posts. They should be persons who firmly carry out the basic line, who are highly revolutionary and enterprising and who have a strong sense of their responsibility to serve the people. They should have scored outstanding achievements in the reform, the opening up and the modernization drive and have gained the trust of the people. We must replace those cadres who are irresponsible, have proved incompetent or have abused their power for personal gain. Persons who think only of themselves or who merely crave official positions can never be assigned to important posts. In selecting cadres for promotion, we must follow democratic procedures and the mass line and act strictly in accordance with regulations, preventing or correcting unsound practices.

Selecting a large number of fine young cadres to become leaders at different levels is currently a pressing and important task. To accomplish it we must break with the old notions of following seniority and seeking absolute perfection, widen the range of our search and open up new channels of advancement. We should take good care of young cadres and set high demands on them. We should make an effort to foster and promote women cadres and cadres from among the minority nationalities. We should continue the practice of transferring cadres from one job to another as appropriate. We should strictly enforce the cadre retirement system and continue to replace older cadres with younger ones while encouraging cooperation between them. We should take practical measures to show concern for retired cadres both politically and in terms of material benefits, giving them some work to do and making arrangements for them to enjoy their remaining years.

The consolidation and development of socialism will require one generation after another of hard, persistent, unyielding struggle. The responsibilities are heavy and the road is long; our hopes must be placed on the young. We must win the youth if we are to win the future. The Communist Youth League is the Party's assistant and its reserve force; we must take full advantage of it to unite and educate young people. The whole Party and the whole society should be concerned about the healthy growth of our children and adolescents. In the process of reform and economic development, we must work hard to nurture tens of millions of successors to advance the socialist cause.

In the course of our socialist modernization, attempts to bring about a peaceful evolution toward capitalism and the struggle against those attempts will continue for a long time, so we cannot let down our guard. Senior Party cadres, in particular, must always bear this in mind.

3. The Party should maintain close ties with the masses and resolutely eliminate corruption.

The people are the source of our strength, and their support is the basis of our success. The Party's basic line, principles and policies adopted since the Third Plenary Session of the 11th Central Committee conform to the interests of the people, and the Party has maintained basically good relations with the people. But at the same time, we must recognize that some leading comrades are still bureaucratic or formalistic or show other failings in their work, and that a few Party cadres violate the law and discipline. This has seriously tarnished the reputation of the Party and damaged its relations with the people.

Every Party member should remember that at all times and under all circumstances he must serve the people wholeheartedly and keep to a good work style, integrating theory with practice, maintaining close ties with the masses and making self-criticisms. Leading bodies and leading cadres at all levels should go down to the grassroots units, investigating and studying matters at first hand, so as to get to know the wishes of the people, help alleviate their hardships and take heed of their criticisms. They should also reduce the number of meetings they hold and documents they issue, emphasizing instead practical work for practical results. In this way they will be able to advance the fundamental aims of the Party, maintain a good work style and follow the mass line in practice.

The Party should improve its leadership of the trade unions, the Communist Youth League, the women's federations and other mass organizations and encourage them to serve as a bridge linking the Party with the masses.

The fight against corruption is crucial to the maintenance of close ties between the Party and the people. We should all recognize that this is an urgent, long-term and arduous struggle. Throughout the course of the reform and the opening to the outside world, we must combat corruption and make determined efforts to improve the Party's work style and to build clean government. If we want to win the people's confidence, we must be successful in this. Leading bodies and leading cadres at all levels should set an example by performing their official duties honestly and diligently for the people. Leading Party cadres, high-and middle-ranking ones in particular, should be strict with themselves, set a good example, teach their children to do the same and take the lead in combatting corruption. To build clean government we should rely on education, and especially on the legal system.

Party organizations and discipline inspection organs at all levels should exercise strict supervision over Party cadres. We should also encourage the people, the democratic parties and persons without party affiliation to do the same. For this purpose, we should institute a system under which people both inside and outside the Party can supervise it, with Party members doing so either from the top down or from the bottom up. In particular, we should take effective measures to prevent law enforcement departments and cadres who are responsible for assigning personnel and distributing financial and material resources from abusing their power for personal gain and from perpetuating other undesirable practices. Persons who are corrupt damage the Party and harm the people, so they must be punished in accordance with the rules of Party discipline and the laws of the state.

4. We should strengthen primary Party organizations and encourage Party members to play an exemplary, vanguard role.

The primary Party organizations are the locus of all the Party's work and the base of its fighting capacity. Party committees at all levels should try to turn those organizations into a powerful force that can unite with the masses and lead them in reform and socialist construction. In rural areas, we should make a greater success of building village-level organizations with Party branches as the nuclei. In state-owned enterprises Party organizations should likewise be the political nuclei. They should continue to improve the system under which the factory director assumes full responsibility and to rely wholeheartedly on the working class. Other economic organizations should proceed from their own conditions and lose no time in establishing Party organizations and drawing up rules to govern their work. In addition, the primary Party organizations in government departments, schools, research institutes and urban neighbourhoods should strengthen themselves as necessary. We should make a particular effort to draw into the Party excellent workers, farmers and intellectuals who are working in the forefront of production. Some primary Party organizations are weak at present, so Party committees at the next higher level should send cadres there to help consolidate them.

The new historical period places new demands on Party members to set an example. It is therefore essential to educate and supervise them more effectively, increase their ability and cultivate their Party spirit. Our goal is that, as advanced elements, they should faithfully carry out the Party's basic line, devote themselves to the reform, the opening up and the modernization drive, work heart and soul for the interests of the people and, together with them, contribute to economic development and social progress. All Party members should be urged to emancipate their minds, emphasize reform and innovation, respect science and do practical work. They should take into consideration the situation as a whole, unite and coordinate their efforts, be modest and prudent, learn from the advanced and work hard to make contributions and attain goals without considering their own interests. In this way, Party members can fully play a vanguard role in promoting both material progress and ideological and cultural progress.

5. We should uphold and improve the system of democratic centralism and safeguard Party solidarity and unity.

Modernization, reform and opening to the outside world are Herculean undertakings. Only by combining centralism based on democracy with democracy under centralized guidance can we enable all Party organizations and all Party members to take the initiative and demonstrate their creativity. Only by so doing can we pool the wisdom of the entire membership, guarantee that the Party's policy decisions will be correct and carried out effectively and make sure that it will tighten its discipline, increase its fighting capacity and advance our cause.

We should enhance inner-Party democracy and institute more systems as necessary to protect the democratic rights of all Party organizations and members. Channels for inner-Party democracy must be cleared and widened, so that Party organizations will be promptly informed of the opinions, suggestions and criticisms of the members. In inner-Party activities we should carry on the fine tradition of speaking the truth and matching our deeds to our words. We should also encourage Party members to express their views, and we should protect their right to do so, as set forth in the Party Constitution. We must identify and deal with anyone who infringes upon the democratic rights of Party members, suppresses criticism, retaliates against those who dare to criticize or tries to frame others.

Party committees at all levels must maintain and strengthen the Party's collective leadership. If a Party member has differing views, he may preserve them, but he must abide by the decisions made by the collective. We must see to it that the organizational principle of the Party is adhered to - the principle that individual Party members are subordinate to the organization, that the minority is subordinate to the majority, that the lower Party organizations are subordinate to the higher ones and that all the constituent organizations and members of the Party are subordinate to the National Congress and the Central Committee. We must not tolerate liberalism or any defiance of organization and discipline, such as going one's own way in disregard of orders and prohibitions. We must tighten Party discipline and keep a constant watch on the way it is maintained. All Party members are equal before Party discipline; anyone who violates it must be subject to disciplinary measures. Our objective is, as always, to create a political situation in which there is both centralism and democracy, both discipline and freedom, both unity of will and a relaxed and lively atmosphere.

The Party's unity is its life. At this critical time when we need to speed up the reform, the opening to the outside and the modernization drive, it is particularly important for the comrades of the entire Party to close ranks on the basis of the Party's basic line. Every Party member, especially every leading cadre, should conscientiously work to safeguard Party unity and the authority of the Central Committee. They should all be in agreement with the Central Committee on ideological and political matters. We must never permit anyone to attempt to undermine and split the Party. Both central and local Party committees should hold democratic meetings regularly. Members of leading groups should trust, support and understand each other and engage in criticism and self-criticism. They should co-operate with each other to make their work a success. Leading cadres at all levels should set a good example by adhering to principle, observing strict discipline, protecting the interests of the Party as a whole and strengthening unity. So long as the Party remains vigorous and united in struggle, our cause will surely triumph.

To strengthen Party building and improve Party leadership, the 13th Central Committee presents for the examination and deliberation of this National Congress the draft of a revised Constitution of the Communist Party of China. This draft includes in the Constitution the theory of building socialism with Chinese characteristics and the Party's basic line. This is of great importance to ensure that there is unity of understanding and action throughout the Party and that we continue to advance along the path to socialism with Chinese characteristics.

Since it was founded ten years ago, the Central Advisory Commission has done much fruitful work. It has helped the Central Committee to preserve Party unity and social stability and to promote the reform, the opening up and the modernization drive, thus making historic contributions to the Party, the state and the people. The Central Advisory Commission now presents to this National Congress a proposal that the commission be abolished as of this congress.

Comrades,

To accomplish the reunification of the motherland is in the fundamental interest of the Chinese nation, and it is the common aspiration of the entire Chinese people, including our compatriots in Taiwan, Hong Kong and Macao and those residing overseas. We shall work steadfastly for the great cause, adhering to the principles of peaceful reunification and "one country, two systems". The Chinese government will continue to co-operate with the British and Portuguese governments to ensure that the transfer of power in Hong Kong and Macao proceeds smoothly and that the two regions enjoy long-term stability and prosperity. Taiwan is an integral part of the sacred territory of China. We resolutely oppose in any form the notion "two Chinas," "one China, one Taiwan," "one country, two governments" and any acts aimed at bringing about the independence of Taiwan. We shall continue to work for direct links for postal, air, and shipping services and trade between the two sides of the Taiwan Straits and to promote people-to-people exchanges and co-operation in various fields. In particular, we shall work for greatly expanded economic co-operation between the two sides in an effort to revitalize the economy of the whole nation.

We reiterate that the Chinese Communist Party is ready to establish contact with the Chinese Kuomintang at the earliest possible date to create conditions for talks on officially ending the state of hostility between the two sides of the Taiwan Straits and gradually realizing peaceful reunification. Representatives from other parties, mass organizations and all circles on both sides of the Taiwan Straits could be invited to join in such talks. On the premise that there is only one China, we are prepared to talk with the Taiwan authorities about any matter, including the form that official negotiations should take, a form that would be acceptable to both sides. We hope that the Taiwan authorities will comply with the wishes of the people and help remove the artificial obstacles to the reunification of the motherland, so as to make it possible for relations between the two sides to enter a new stage of development.

Comrades,

Socialism is a completely new social system in the history of mankind. It is bound to replace capitalism - that is the general trend of social and historical development. Any new social system, as it is born, consolidated and developed, inevitably follows a zigzag course involving a succession of struggles and sacrifices, of victories and defeats. Communists and the people in general will surely be tempered in this process and draw lessons from it, pushing socialism in the right direction. Thanks to the united efforts of all the Party comrades and the people of all our nationalities, socialism is flourishing in China. China is a huge country with 1.1 billion people, and the Chinese Communist Party is a great party with 50 million members. There is no doubt that the vigorous development of socialism with Chinese characteristics will make an important contribution to socialism and to human progress worldwide.

The period between now and the middle of the next century will be a most important and precious time for making our country prosperous and for advancing socialism. We have difficult tasks to accomplish, and we bear grave responsibilities. In the 1990s we must establish a preliminary new economic structure and attain the objective of the second stage of development: a relatively comfortable level of life for all our people. In another 20 years, when we mark the 100th anniversary of the founding of the Party, a whole set of more mature and complete management systems will have taken shape in every field of work. Thus, in the middle of the next century, when we celebrate the 100th anniversary of the founding of the People's Republic of China, we shall have attained the objective of the third stage: the basic realization of socialist modernization. The comrades of the whole Party and the people of all our nationalities must unite more closely under the leadership of the Central Committee. Sharing weal and woe, and with all hearts beating as one, we must hold high the great banner of socialism with Chinese characteristics and forge ahead courageously toward the magnificent goal!

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