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Hold High the Great Banner of Deng Xiaoping Theory for an All-round Advancement of the Cause of Building Socialism With Chinese Characteristics’ Into the 21st Century

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Comrades,

Now, I should like to present a report to the congress on behalf of the 14th Central Committee.

The 15th National Congress of the Communist Party of China is an extremely important congress. Held at the turn of the century to break new ground for the future, it will ensure that the whole Party will carry out Comrade Deng Xiaoping's behests and march unswervingly and triumphantly along the correct line adopted since the Third Plenary Session of the llth Central Committee.

The theme of the congress is to hold high the great banner of Deng Xiaoping Theory for an all-round advancement of the cause of building socialism with Chinese characteristics into the 21st century.

The issue of the banner is of the utmost importance. The banner represents our orientation and image. Firmly adhering to the line formulated since the Third Plenary Session of the 1lth Central Committee means firmly upholding the banner of Deng Xiaoping Theory. After the death of Comrade Deng Xiaoping, it is all the more necessary for the whole Party to keep a high level of consciousness and staunchness on this issue.

To advance our cause into the 21st century in an allround way requires us to seize opportunities without fail, and blaze new trails instead of following the beaten track. Taking economic development as our central task, we should make new breakthroughs in economic restructuring, deepen political restructuring and develop socialist culture and ethics in real earnest. These aspects of work should be handled in tandem with a view to bringing about economic development and all-round social progress.

The theme has been defined in the light of the requirements of the times and the aspirations of the people.

I. Looking Back and Ahead Upon the Turn of The Century

When the National Party Congress is being held toward the end of the 20th century, we all realize that our Party shoulders a lofty historical responsibility for the destiny of the Chinese nation.

Earth-shaking changes have taken place in China over the past century from 1900 when the Eight-Power Allied Forces occupied Beijing, subjecting the Chinese nation to great humiliation and bringing the country to the verge of subjugation, to the year 2000 when China will enjoy a fairly comfortable life on the basis of socialism and will make big strides toward the goal of being prosperous and strong.

After the Opium War of 1840, China was reduced to a semi-colonial and semi-feudal country. The Chinese nation was faced with two great historical tasks: to win national independence and the people's liberation, and to make the country prosperous and strong and achieve common prosperity for the people. The former task was set to remove obstacles and create essential prerequisites for the fulfillment of the latter task.

The past century has witnessed the Chinese people undergoing three historic changes on their road of advancement and the birth of Sun Yat-sen, Mao Zedong and Deng Xiaoping, three great men who stood at the forefront of the times.

The first change was represented by the Revolution of 1911, which overthrew the autocratic monarchy reigning in China for thousands of years. It was led by Dr. Sun Yat-sen. He was the first man who raised the slogan of "rejuvenating China" and pioneered the national and democratic revolution in the true sense in modern times. The Revolution of 1911 failed to change the social nature of old China and free the people from their hard lot, but it opened the sluice-gates for progress in China and made it impossible for the reactionary rule to remain stable any longer.

The second change was marked by the founding of the People's Republic of China and the establishment of the socialist system. This was accomplished after the founding of the Communist Party of China and under the direction of the first generation of collective leadership with Mao Zedong at the core. Through the Northern Expedition, the Agrarian Revolution, the War of Resistance Against Japan and the War of Liberation, we overthrew the three big mountains of imperialism, feudalism and bureaucrat-capitalism. The Chinese people rose to their feet. Proceeding from New Democracy, they took the road to socialism and scored tremendous achievements in socialist construction. This was a great victory of the people's revolution which had never been recorded in Chinese history, a great victory of global significance for socialism and national liberation.

The third change was featured by the reform, opening up and endeavor to achieve socialist modernization. It was a new revolution initiated by the second generation of collective leadership with Deng Xiaoping at the core. Basing itself on achievements scored in revolution and construction since the founding of the People's Republic, our Party reviewed historical experiences and lessons and blazed a new trail in building socialism with Chinese characteristics. The exuberant vigor and vitality of socialism displayed in China has attracted world attention.

Our conclusion drawn from the great changes over the past century is as follows: Only the Communist Party of China can lead the Chinese people in achieving victories of national independence, the people's liberation and socialism, pioneering the road of building socialism with Chinese characteristics, rejuvenating the nation, making the country prosperous and strong, and improving the people's well-being.

As the new century is approaching, we are faced with grim challenges and, more significantly, we are confronted with unprecedented favorable conditions and excellent opportunities. We must be soberly aware that international competition is becoming increasingly acute, that the economic, scientific and technological gap between China and developed countries has brought great pressure to bear on us, and that we ourselves still have many difficulties. In the meantime, we must be well aware of the following factors: First, peace and development have become the main themes of the present era. The pattern of the world is moving in the direction of multi-polarization. It is, therefore, possible to secure a peaceful international environment for a fairly long period of time. The worldwide scientific and technological revolution is forging ahead by leaps and bounds, and the economy has continued to grow. This has provided favorable external conditions for us. Second, considerable overall national strength has been built up in China since the founding of the People's Republic, especially over the past 20 years. The reform and opening up have brought about favorable structural conditions for the modernization drive, created broad market demands and sources of funds, and given fuller play to the new creativity of the people in their hundreds of millions. Third, what is more important is that our Party has established the basic theory and basic line of building socialism with Chinese characteristics which have proved to be correct in practice. These are conditions we enjoy today, but we totally or partially lacked in the past.

Whether we are able to seize opportunities has always been a major issue which has a vital bearing on the success of our revolution and construction. We did seize important historical opportunities, but we lost some as well. Now the whole Party must maintain a high level of consciousness, firmly seize the historical opportunities at the turn of the century and take new steps forward.

Looking into the next century, we have set our goals as follows: In the first decade, the gross national product will double that of the year 2000, the people will enjoy an even more comfortable life and a more or less ideal socialist market economy will have come into being. With the efforts to be made in another decade when the Party celebrates its centenary, the national economy will be more developed and the various systems will be further improved. By the middle of the next century when the People's Republic celebrates its centenary, the modernization program will have been accomplished by and large and China will have become a prosperous, strong, democratic and culturally advanced socialist country. As Deng Xiaoping put it, "Since we have the necessary domestic conditions and a favorable international environment, and since under the socialist system we have the advantage of being able to concentrate our forces on a major task, it is now both possible and necessary for us to bring about, in the prolonged process of modernization, several periods of rapid growth with good economic returns. We must have this ambition."

II. Work of the Past Five Years

The five years since Deng Xiaoping gave talks during his visit to the south and the Party held its 14th National Congress in 1992 have been no ordinary years. In the five years, our Party led the people of all nationalities in our country in standing up to the severe tests of political disturbances at home and abroad in the late 1980s and early 1990s and continuing to make big strides on the road to socialism with Chinese characteristics. In the five years, we have further emancipated our minds and made pioneering efforts, bringing the reform, opening up and the modernization drive to a new stage of development. In the five years, we have, in the course of profound changes in establishing a socialist market economy, properly handle the relations between reform, development and stability and scored great achievements in various fields. In the five years, China's international standing has risen notably in the midst of radical changes in the pattern of the world.

The 14th Party Congress made three policy-decisions of far-reaching significance: One, seize opportunities to speed up development; two, define the establishment of a socialist market economy as the goal of economic restructuring in China; and three, establish the guiding position of Deng Xiaoping's theory of building socialism with Chinese characteristics in the whole Party. Acting in the spirit of the 14th Party Congress, the Central Committee convened seven plenary sessions to adopt programs and plans regarding a series of major issues which have a vital bearing on the overall situation, such as the establishment of a socialist market economy, the strengthening of Party building, the formulation of the Outline of the Ninth Five-Year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2010, and the development of socialist culture and ethics. Over the past five years, the work of the whole Party has been highlighted in the all-round implementation of the Party's basic theory and basic line, the conscientious enforcement of the important policy-decisions of the 14th Party Congress, the formulation of and adherence to the basic principle of "seizing current opportunities to deepen the reform and open China wider to the outside world, promote development and maintain stability," and the fostering of both material progress and cultural and ethical progress. Major advancements have been made in developing our productive forces, increasing the overall national strength and improving the people's living standards.

Marked successes were attained in economic development over the past five years. From 1992 through 1996, the gross domestic product rose by 12.1 percent a year on the average. Rapid economic growth was registered while inflation was brought under effective control, and thus drastic fluctuations were avoided. Notable headway was made in economic restructuring. Greater attention was paid to agriculture and the output of grain and other farm produce increased steadily. Infrastructure including water conservancy, transport and telecommunications and basic industries such as iron and steel and energy sectors expanded swiftly. Rapid economic growth was witnessed in the eastern part of the country and the pace of economic development was speeded up in the central and western parts as well. The Eighth Five-Year Plan was crowned with success, and a good beginning has been recorded in the implementation of the Ninth Five-Year Plan.

New breakthroughs have been made in the reform and opening to the outside world. In accordance with the requirements for establishing a socialist market economy, we made big strides in reforming the systems of finance, taxation, banking, foreign trade, foreign exchange, planning, investment, pricing, circulation, housing and social security. Market forces notably served as the basic means of regulating the allocation of resources, and the framework of a macroeconomic control system was preliminarily established. We pressed forward with the reform of state-owned enterprises after making experiments in selected ones. We further developed the pattern of the public sector remaining dominant and diverse sectors of the economy developing side by side. We continued to expand economic and technological cooperation and exchanges with other countries, scored big increases in foreign trade and in the use of foreign funds and brought about a marked rise in state foreign exchange reserves.

We took new steps in promoting cultural and ethical progress. Gratifying achievements were scored in science, technology, education, culture, public health, sports, family planning and other social undertakings. We further improved publicity work and guidance for public opinion and promoted ideological and ethical progress. Significant progress was made in developing socialist democracy and improving the legal system. A series of laws and statutes commensurate with the development of a socialist market economy were enacted, and law enforcement and the judiciary work were strengthened. The patriotic united front expanded, and the great unity of all our nationalities was further consolidated and developed. Social and political unity and stability provided an important guarantee for the reform and development.

Progress was made in modernizing national defense. The combat effectiveness of the army was further enhanced. The people's army made major contributions to defending the national security, safeguarding the unification of the motherland, taking part in national economic development and fulfilling such tasks as dealing with emergencies and disasters and providing relief.

The living standards of the people rose notably. The average annual per-capita income for living expenses increased by 7.2 percent for city dwellers in real terms, while the average annual per-capita net income went up by 5.7 percent for rural residents in real terms, making the period one of those with the biggest increases. The market had an adequate supply of commodities, and the people's living conditions including food, clothing, housing, articles for daily use and transportation improved markedly. Savings deposits of urban and rural residents rose considerably. The rural poor population of the country decreased by 32 million.

In the past five years, we have done a great deal of work with marked results for the peaceful reunification of the motherland. The Chinese government has resumed the exercise of sovereignty over Hong Kong, which is a consolation to numerous revolutionary martyrs and veterans as it has wiped out a century-old humiliation of the Chinese nation. This is a great event which makes every Chinese elated and has won universal acclaim from the international community.

We unswervingly implemented the independent foreign policy of peace and continued to improve the external environment for China's reform, opening up and modernization drive. China's influence on international affairs kept growing.

We stepped up our efforts to strengthen Party building. The whole Party studied Deng Xiaoping's theory of building socialism with Chinese characteristics more deeply. Progress was made in strengthening leading bodies and the contingent of cadres, with a large number of fine young cadres taking leading posts. We redoubled our efforts to improve the Party's work style, build a clean government and fight corruption and achieved successes by stages. The building of primary organizations was strengthened, and Party members played a vanguard and exemplary role. Progress was made in institutionalizing and standardizing inner-Party activities.

However, we are soberly aware that there are still quite a few difficulties on the road ahead, and that there are also shortcomings and defects in our work. The following are the main ones: The quality and efficiency of the national economy as a whole remain fairly low, the irrational economic structure still poses a rather outstanding problem, and especially part of the state-owned enterprises lack vitality. The work style of the Party and the government, the current social conduct and public security still fall short of the expectations of the people; corruption, extravagance and waste and other undesirable phenomena are still spreading and growing; and bureaucratic style of work, formalism and deception constitute serious problems. The relationship between income and distribution has yet to be straightened out, uneven regional development is obvious, and some urban and rural residents still live in difficult circulnstances. Population growth and economic development have caused great strains on resources and the environment. We must pay great attention to these problems and solve them in a down-to-earth way.

Reviewing the work of the past five years, we can say that on the whole the reform and development have proceeded satisfactorily during this period. Our Party realized the replacement of veteran cadres with younger ones in its collective leadership, maintained the consistency of the line, principles and policies and social and political stability throughout the country, properly settled a series of major issues at home and in our foreign relations, and consolidated and developed the excellent situation prevailing since the Third Plenary Session of the llth Party Central Committee. This has gratified the people throughout the country and won praises from the world opinion. Practice during the five years shows that the policy-decisions made at the 14th Congress are correct and that our Party is capable of handling complex domestic and international situations. The achievements scored in the five years are the outcome of the united endeavor of the whole Party and the people throughout the country. They have provided valuable new experiences and will serve as a more solid foundation for our future development. All this will greatly encourage us to win new victories with greater confidence and enthusiasm.

III. Historical Status and Guiding Significance Of Deng Xiaoping Theory

During the new period of" the socialist reform, opening up and modernization drive and the cross-century new journey ahead, we must hold high the great banner of Deng Xiaoping Theory and apply it to our entire cause and all our undertakings. This is an unshakable conclusion the Party has drawn from the history and realities.

The Chinese Communist Part attaches great importance to the guiding role of theory. Since the Chinese people found Marxism-Leninism, the Chinese revolution has taken on an entirely new look. The integration of Marxism-Leninism with China's reality has experienced two historic leaps, resulting in two great theories. The result of the first leap was the theoretical principles concerning the revolution and construction in China and a summary of experience therein, both of which have been proved correct by practice. Its principal founder being Map Zedong, our Party has called it Map Zedong Thought. The result of the second leap was the theory of building socialism with Chinese characteristics. Its principal founder being Deng Xiaoping, our Party has called it Deng Xiaoping Theory. These two great theories so achieved are the crystallization of the practical experience and collective wisdom of the Party and the people.

Ever since it was founded, our Party has taken Marxism-Leninism as its guiding ideology. After the Zunyi Meeting and the Yanan Rectification, the Party decided at its Seventh Congress to take Map Zedong Thought-the integration of the theory of Marxism-Leninism with the practice of the Chinese revolution-as its guiding ideology. This historic decision was based on a summary of the experiences of 24 years after the founding of the Party. On the basis of the Third Plenary Session of the llth Party Central Committee and 12th, 13th and especially 14th congresses of the Party, the Party Central Committee has proposed that the 15th Party Congress establish Deng Xiaoping Theory as its guiding ideology by stipulating in its Constitution that the Chinese Communist Party takes Marxism-Leninism, Map Zedong Thought and Deng Xiaoping Theory as its guides for action. This historic decision has been made by our Party after nearly 20 years of successful practice of the reform, opening up and the socialist modernization drive. It shows the determination and conviction of the central collective leadership and the whole Party to bring about an all-round advancement of the cause of building socialism with Chinese characteristics initiated by Deng Xiaoping toward the new century. It also reflects the common understanding and aspirations of the people of the whole country.

Practice proves that Deng Xiaoping Theory, a continuation and development of Map Zedong Thought, is a correct theory guiding the Chinese people in successfully accomplishing their socialist modernization in the process of reform and opening to the outside world. In China today, it is Deng Xiaoping Theory, which integrates Marxism with the practice of present-day China and the features of the times, and this theory alone, that can settle the issues concerning the future and destiny of socialism. Deng Xiaoping Theory is Marxism of present-day China, representing a new stage of developmerit of Marxism in China.

The reasons why Deng Xiaoping Theory has become a new stage of development of Marxism in China are as follows:

First, Deng Xiaoping Theory, upholding the principles of emancipating the mind and seeking truth from facts, not only inherits the achievements of predecessors but also breaks with outmoded conventions on the basis of new practice, and explores a new realm for Marxism. Seeking truth from facts is the quintessence of Marxism, of Map Zedong Thought, and of Deng Xiaoping Theory as well. The speech titled Emancipate the Mind, Seek Truth From Facts and Unite as One in Looking to the Future made by Deng Xiaoping in 1978 was a declaration which, at the end of the "cultural revolution" when China was at a crucial historical juncture and was faced with the question of which course to take, shattered the argument of the "two whatevers" (the notion that after the death of Chairman Map Zedong, whatever policy decisions he had made must be firmly upheld and whatever instructions he had given must be followed unswervingly-Tr.), opened up a new road for a new era and initiated the new theory of building socialism with Chinese characteristics. The talks given by Deng Xiaoping in the south in 1992 constituted another declaration showing the spirit of emancipating the mind and seeking truth from facts, which, at a crucial historical juncture when we experienced severe tests of political disturbances at home and abroad, upheld the theory and line formulated since the Third Plenary Session of the llth Party Central Committee, cleared up many important misconceptions that had long shackled people's thinking, and promoted the reform, opening up and the modernization drive to a new stage. Under the new situation when the 21st century is approaching and when we are faced with many hard issues we have never met before, Deng Xiaoping Theory requires us to emancipate our minds and seek truth from facts more firmly and more conscientiously, and judge everything by the fundamental criterion whether it is favorable toward promoting the growth of the productive forces in a socialist society, increasing the overall strength of the socialist state and raising people's living standards, or the "three law)rable" for short, so as to open new horizons for our cause.

Second, Deng Xiaoping Theory, upholding the basic achievements of the theory and practice of scientific socialism, has grappled with the fundamental question of "what socialism is and how to build it" and has incisively expounded the essence of socialism, raising our understanding of socialism to a new scientific level. To emancipate the mind in the new period, the key lies in doing it on this question. Failure to have a very clear understanding of this question has, in the final analysis, been the cause of the twists and turns and mistakes our socialism experienced before the reform and opening up, and the cause of the perplexities people encountered on their way forward since then. The efforts to set things right and the all-round reform from taking class struggle as the key link to taking economic development as the central task. from closedness or semi-closedness to reform and opening up, and from a planned economy to a socialist market economy- these historic changes of the past 20 years have constituted a process of gradually understanding this fundamental question. And this process will continue in practice in the years to come.

Third, Deng Xiaoping Theory persisting in observing the world in the broad perspective of Marxism, has made new, scientific judgments on the basis of correctly analyzing the features of the times and the overall international situation, the success or failure of other socialist countries in the world, the gains or losses of developing countries in seeking development, and the trend of development and conflicts of developed countries. Great and rapid changes are taking place in the world, and particularly, the daily advancing science and technology have profoundly changed and will continue to change the current economic and social activities and the appearance of the world. Marxists of any country have to take this seriously. It is in these circumstances that Deng Xiaoping Theory has determined the line and international strategy of our Party, requiring us to understand, carry forward and develop Marxism from a new point of view, and stressing only that is true Marxism and that sticking to conventions can only lead to backwardness and even failure. This shows Deng Xiaoping Theory is clearly geared to the times.

Fourth, to sum up, Deng Xiaoping Theory constitutes a new, scientific system of the theory of building socialism with Chinese characteristics. It has been gradually formed and developed under the historical conditions in which peace and development have become the main themes of the times, in the practice of China's reform, opening up and modernization drive, and on the basis of reviewing the historical experience of successes and setbacks of socialism in China and learning from the historical experience of the rise and fall of other socialist countries. For the first time, it has given preliminary but systematic answers to a series of basic questions concerning the road to socialism in China, the stages of development, the fundamental tasks, the motive force, the external conditions, the political guarantee, the strategic steps, Party leadership, the forces to be relied on, and the reunification of the motherland. It has guided our Party in formulating the basic line |or the primary stage of socialism. It is a fairly complete scientific system which embraces philosophy, political economics and scientific socialism and covers, among other things, the economy, politics, science and technology, education, culture, military and foreign affairs, the united front and Party building. It is also a scientific system which needs to be further enriched and developed in all aspects.

Deng Xiaoping was a great Marxist. He performed immortal deeds for the independence and liberation of the Chinese nation, for the establishment of the socialist system in China and |or its reform, opening up and modernization drive. He dedicated all his life to the Chinese people, with the interests of the people as the starting point and objective in everything he did. His greatest contribution to the Party, the people and Marxism, or his valuable legacy to us, is Deng Xiaoping Theory. This theory is embodied in the works of Deng Xiaoping and the important documents of the Party and the state written since the Third Plenary Session of the 11th Party Central Committee.

Marxism is a science which is firmly based on objective |'acts. Actual life, however, is always changing and the changes over the past century and more have been so drastic and profound that our predecessors could hardly have conceived them. Hence, Marxism will necessarily advance along with the development of the times, practice and science; it cannot remain unchanged. There is a question concerning the style of study of Marxism whether we should indulge in book worship or use the Marxist stand, viewpoint and method to study and solve the practical problems in China. During the rectification campaign in Yanan, Mao Zedong emphasized, "A policy should be established of focusing on the study of the practical problems of the Chinese revolution and using the basic principles of Marxism-Leninism as the guide, and the method of studying Marxism-Leninism statically and in isolation should be discarded." Today when we advocate arming the whole Party with Deng Xiaoping Theory and studying Marxism-Leninism and Mao Zedong Thought with the focus on studying the theory of building socialism with Chinese characteristics, we mean precisely to carry |brward this fine tradition. We must never discard Marxism-Leninism and Mao Zedong Thought. If we did, we would lose our foundation. Meanwhile, centering on the practical problems in the reform, opening up and the modernization drive and on the things we are doing, we must emphasize the application of the Marxist theory, the theoretical study of practical problems, and new practice and development. It is meaningless to talk about Marxism in isolation from a given country's reality and the development of the times. We would get nowhere if we studied Marxism statically and in isolation, and separated it from its vigorous development in actual life, or set them against each other. In present-day China, Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory constitute a unified scientific system imbued with the same spirit. Adhering to Deng Xiaoping Theory means genuinely adhering to Marxism-Leninism and Mao Zedong Thought; upholding the banner of Deng Xiaoping Theory means genuinely upholding the banner of Marxism-Leninism and Mao Zedong Thought.

IV. The Basic Line and Program for the Primary Stage of Socialism

Since the Third Plenary Session of the llth Party Central Committee, the Party has correctly analyzed China's conditions and formulated the scientific thesis that China is still in the primary stage of socialism. When we talk about the need to proceed from reality in everything we do, the biggest reality is that China is currently in the primary stage of socialism and will remain in this stage for a long time to come. When we say we must be clear about what socialism is and how to build it, we must acquire a clear understanding of what socialism in the primary stage is and how to build it. One of the fundamental reasons for our failings in building socialism prior to the convocation of the Third Plenary Session of the 1lth Party Central Committee is that some of our tasks and policies overstepped the primary stage of socialism. One of the basic reasons for the achievements in the reform, opening up and the modernization drive over the past two decades is that we corrected the erroneous concepts and policies transcending the primary stage of socialism and rejected the erroneous proposition that we should give up the basic system of socialism. By so doing, instead of deviating from it, we are building socialism in a down-to-earth manner, so that it is full of vigor and flourishing in China, and the people, thanks to their personal experiences, have become all the more enthusiastic in supporting socialism.

The reason why we are laying further emphasis on this question at the current congress is that, in the face of the arduous tasks of tackling hard issues in the reform and creating a new situation, the key to resolving various contradictions, dispelling doubts and understanding why we must carry out the existing line and policies and not any other line or policies lies in our unified, correct understanding of the basic conditions in China today in the primary stage of socialism.

Socialism is the primary stage of communism and China is in the primary stage of socialism, that is, the stage of underdevelopment. In this large Eastern country, it is a great victory for us to take the socialist road after a period of New Democracy. But, at the time when China entered socialism, it lagged far behind developed countries in terms of the level of development of the productive forces. We are, therefore, destined to go through a rather long primary stage of socialism. During this stage, we shall accomplish industrialization and the socialization, market orientation and modernization of the economy. This is a historical stage we cannot jump over.

It is the first time in the history of Marxism that the scientific concept of the primary stage of socialism is specified in a party's program. When talking about building socialism in the primary stage, Deng Xiaoping especially emphasized, "Ours is an entirely new endeavor, one that was never mentioned by Marx, never undertaken by our predecessors and never attempted by any other socialist country. So there are no precedents for us to learn from. We can only learn from practice, feeling our way as we go." That is to say, if we really want to build socialism in China, we should proceed in everything we do only from the actual situation of the primary stage of socialism, and not from our subjective desires, nor from this or that kind of foreign models, nor from the dogmatic interpretations of some theses in Marxist works, nor from certain erroneous viewpoints imposed on Marxism.

The primary stage of socialism is a historical stage in which we shall gradually put an end to underdevelopment and realize socialist modernization by and large. It is a stage in which an agricultural country, where people engaged in agriculture take up a very large proportion of the population and mainly rely on manual labor, will gradually turn into an industrial country where non-agricultural people constitute the majority and which embraces modem agriculture and service trade. It is a stage in which a society with a natural and semi-natural economy making up a very large proportion of the whole will gradually turn into one with a fairly developed market-oriented economy. It is a stage in which a society with illiterate and semi-literate people making up a very large proportion of the population and with backward science, technology, education and culture will turn step by step into one with fairly developed science, technology, education and culture. It is a stage in which a society with poverty-stricken people making up a very large proportion of the population and people having a low standard of living will gradually become one where all people are well-off. It is a stage in which a society with very uneven economic and cultural development among regions will become one in which the gap will be gradually narrowed, with some regions becoming developed first. It is a stage in which, by introducing reforms and exploring new ways, we will establish and improve a socialist market economy, a political system of socialist democracy and other systems that are relatively mature and full of vitality. It is a stage in which the great number of people will firmly foster the common ideal of building socialism with Chinese characteristics, and will make unremitting efforts to overcome difficulties, build the country with industry and thrift, and promote cultural and ethical progress as well as material progress. It is a stage in which we will narrow the gap between our level and the advanced world standards and bring about a great rejuvenation of the Chinese nation on the basis of socialism. It will take at least a century to complete this historical process. It will take a much longer period of time to consolidate and develop the socialist system, and it will require persistent struggle by many generations, a dozen or even several dozens.

In the four decades and more since the mid-1950s when China entered the primary stage of socialism, and especially in the past two decades, China has greatly developed its productive forces and made much headway in all its undertakings. In general, however, due to a large population and a poor foundation to begin with, China has seen uneven regional development, and its underdeveloped productive forces have yet to be fundamentally improved. The socialist system still needs to be perfected, the socialist market economy is immature, the socialist democracy and legal system still have to be strengthened, and decadent feudal and capitalist ideas and the small-producers' force of habit still have widespread influence in society. All this shows that the socialist society in China still remains in the primary stage.

The fundamental task of socialism is to develop the productive forces. During the primary stage, it is all the more necessary to give first priority to concentrating on their development. Different contradictions exist in China's economy, politics, culture, social activities and other areas, and class contradictions, due to international and domestic factors, will still exist within a certain scope for a long time to come. But the principal contradiction in society is the one between the growing material and cultural needs of the people and the backward production. This principal contradiction will remain throughout the process of China's primary stage of socialism and in all activities of society. Hence we are destined to make economic development the central task of the entire Party and the whole country and make sure that all other work is subordinated to and serves this task. Only by focusing on this principal contradiction and the central task can we soberly observe and control all social contradictions and effectively promote their resolution. Development is the absolute principle. The key to the solution of all China's problems lies in our own development.

In the primary stage of socialism, focusing on the fundamental task of developing the productive forces, we should take reform as the motive force for promoting all the work in building socialism with Chinese characteristics. Ours is a comprehensive reform which means, on the premise of upholding the basic system of socialism, we conscientiously readjust all the aspects and links of the relations of production and the superstructure so as to suit the level of development of the productive forces in the primary stage and the historical requirement for modernization. It is a great pioneering undertaking to combine socialism with the market economy. To do this, it is necessary to make active explorations and bold experiments and respect the pioneering initiative of the masses. It is necessary to deepen the reform and resolve the deep-rooted contradictions and crucial problems that may arise during structural transformation. It is necessary to open China wider to the outside world and absorb and use for reference the advanced technology and managerial expertise of other countries including developed capitalist countries.

In the primary stage of socialism, it is of the utmost importance to balance reform, development and stability and to maintain a stable political environment and public order. Without stability, nothing could be achieved. We must uphold the leadership by the Party and the people's democratic dictatorship. We should promote material progress and cultural and ethical progress, attaching equal importance to both. We must eliminate all factors jeopardizing stability, oppose bourgeois liberalization and guard against the infiltrating, subversive and splittist activities of international and domestic hostile forces. We must balance the intensity of reform, the speed of development and people's ability to sustain them, promoting reform and development amid social and political stability and securing social and political stability through reform and development.

At this historical moment when we are advancing our cause to the 21st century in an all-round way, we must solemnly point out that the whole Party must firmly adhere to the Party's basic line for the primary stage of socialism and, in the great practice of building socialism with Chinese characteristics, combine the central task of economic development with the two basic points-adherence to the four cardinal principles (keeping to the socialist road, upholding the people's democratic dictatorship, leadership by the Communist Party, and Marxism-Leninism and Mao Zedong Thought-Tr.), and the reform and opening up. This is the most valuable experience our Party has gained in the past two decades and the most reliable guarantee for the victorious advance of our cause. We should maintain vigilance against the "Right" tendencies, but primarily against the "Left." We should remain sober-minded, overcome all interference and firmly adhere to Deng Xiaoping Theory and the basic line. In accordance with this theory and the basic line and with a focus on the goal of building a prosperous, strong, democratic, culturally advanced and modern socialist country, it is necessary to acquire a better understanding of what the socialist economy, politics and culture with Chinese characteristics in the primary stage of socialism are and how to build them.

\* Building a socialist economy with Chinese characteristics means developing a market economy under socialism and constantly emancipating and developing the productive forces. To be more specific, we should uphold and improve the basic economic system in which the socialist public ownership is dominant and different types of ownership develop side by side. We should uphold and improve the socialist market economic structure so that the market will play a basic role in the allocation of resources under state macro-control. We should uphold and improve different modes of distribution with distribution according to work remaining dominant, allowing some people and some areas to become prosperous first so that they can help others to become well-off and achieving common prosperity step by step. We should uphold and improve opening up and take an active part in international economic cooperation and competition. We should ensure that the national economy will develop in a sustained, rapid and sound way and that the people will share the fruits of economic prosperity.

\* Building socialist politics with Chinese characteristics means managing state affairs according to law and developing socialist democracy under the leadership of the Communist Party of China and with the people as the masters of the country. To do this, we should uphold and improve the people's democratic dictatorship led by the working class and based on the worker-peasant alliance. We should uphold and improve the system of people's congresses, the system of multi-party cooperation and political consultation under the leadership of the Communist Party and the system of regional autonomy in areas inhabited by ethnic minorities. We should promote democracy, improve the legal system and build a socialist country ruled by law. We should create a political situation in which we have social stability, a clean and efficient government and unity, harmony and liveliness among the people of all our nationalities.

\* Building a socialist culture with Chinese characteristics means taking Marxism as guidance, aiming at training people so that they have high ideals, moral integrity, a good education and a strong sense of discipline, and developing a national, scientific and popular socialist culture geared to the needs of modernization, of the world and of the future. To do this, we should persist in arming the whole Party and educating the people with Deng Xiaoping Theory. We should strive to raise the ideological and ethical standards and the educational, scientific and cultural levels of the whole nation. We should adhere to the orientation of serving the people and socialism and the principle of letting a hundred flowers blossom and a hundred schools of thought contend, laying emphasis on progress and boosting academic activities, art and literature. We should foster socialist ideology and ethics by basing ourselves on China's reality, carrying on the fine cultural traditions handed down from history and assimilating the advances of foreign culture.

The aforementioned basic targets and basic policies for building a socialist economy, politics and culture with Chinese characteristics are well integrated and inseparable. They constitute the basic program of the Party for the primary stage of socialism. This program is an important part of Deng Xiaoping Theory, and elaboration of the Party's basic line in the economic, political and cultural fields and a summary of the major experience gained over the years.

V. Economic Restructuring and Economic Development Strategy

The period from the present to the first decade of the next century will be crucial for China to realize its strategic objective of the second step before marching toward that of the third step. We must promote the fundamental shift of the economic system and of the mode of economic growth, fulfill the Ninth Five-Year Plan and attain the Long-Range Objectives Through the Year 2010 so as to lay a solid foundation for achieving basic modernization by the middle of the next century. During this period, we must solve two major problems, that is, how to establish a more or less ideal socialist market economy and how to maintain sustained, rapid and sound development of the national economy. Keeping to the orientation of building a socialist market economy, we must strive for new breakthroughs in some major aspects of our reform and make substantial progress in optimizing the economic structure, developing science and technology and raising the level of opening up, so as really to find a way to coordinated development of the economy featuring a fairly high speed, fairly good performance and constant improvement of the quality of the economy as a whole.

(1) Readjust and improve the ownership structure.

It is China's basic economic system for the primary stage of socialism to retain a dominant position for public ownership and to develop diverse forms of ownership side by side. The establishment of such a system is determined by the socialist nature and the reality of China in the primary stage of socialism: First, being a socialist country, China must keep to public ownership as the foundation of its socialist economic system; second, being in the primary stage of socialism, China needs to develop diverse forms of ownership with public ownership in the dominant position; and third, any form of ownership that meets the criterion of the "three favorables" can and should be utilized to serve socialism.

Since the Third Plenary Session of the 1lth Party Central Committee, our Party has earnestly reviewed its past experience and lessons with regard to the ownership issue, formulated the principle of keeping public ownership in a dominant position and developing diversified economic sectors side by side, gradually removing the letters of the irrational ownership structure on the productive forces and bringing about a situation featuring diversified forms of public ownership with all sectors of the economy developing side by side. It remains a major task in the economic restructuring to continue readjusting and improving the ownership structure so as to further release and develop the productive forces.

We should see the full meaning of the public sector of the economy. The public sector includes not only the state- and collectively-owned sectors, but also the state-and collectively-owned elements in the sector of mixed ownership. The dominant position of public ownership should manifest itself mainly as follows: Public assets dominate in the total assets in society and the state-owned sector controls the life-blood of the national economy and plays a leading role in economic development. This is the case for the country as a whole. There may be differences in some localities and industries. Dominance of the public assets should feature in quantitative terms, but more so in terms of improved quality. The leading role of the state-owned sector should manifest itself mainly in its control power. We should make a strategic readjustment of the pattern of the state-owned sector of the economy. The state-owned sector must be in a dominant position in major industries and key areas that concern the life-blood of the national economy. But in other areas, efforts should be made to rearrange assets and readjust the structure so as to strengthen the focal points and improve the quality of the state assets as a whole. On the premise that we keep public ownership in the dominant position, that the state controls the life-blood of the national economy and that the state-owned sector has stronger control power and is more competitive, even if the state-owned sector accounts for a smaller proportion of the economy, this will not affect the socialist nature of our country.

The collectively-owned sector is an important component of the public sector of the economy. The collective economy is able to reflect the principle of common prosperity, extensively absorb funds that are scattered in society, ease employment pressure and help increase public accumulation and state tax receipts. We should support, encourage and help all forms of collective economy in their development in the urban and rural areas, which will be of great significance to the public sector of the economy in playing its dominant role.

Public ownership can and should take diversified forms. All management methods and organizational forms that mirror the laws governing socialized production may be utilized boldly. We should strive to seek various forms for materializing public ownership that can greatly promote the growth of the productive forces. The joint stock system is a form of capital organization of modern enterprises, which is favorable for separating ownership from management and raising the efficiency of the operation of enterprises and capital. It can be used both under capitalism and under socialism. We cannot say in general terms that the joint stock system is public or private, for the key lies in who holds the controlling share. If the state or a collective holds the controlling share, it obviously shows the characteristics of public ownership, which is favorable to expanding the area of control by public capital and enhancing the dominant role of public ownership. Now there have appeared a large number of diverse forms of joint stock partnerships in the urban and rural areas. They are new things arising in the process of reform. We should support them, give them guidance, constantly sum up their experience and improve them. What should be specially advocated and encouraged is the kind of collective economy that features, in the main, the association of laborers in labor and capital.

The non-public sector is an important component part of China's socialist market economy. We should continue to encourage and guide the non-public sector comprising self-employed and private businesses to facilitate its sound development. This is of great importance to satisfy the diverse needs of the people and promoting the development of the national economy.

It is necessary to improve the legal system concerning property and protect the legitimate rights and interests of, and fair competition among, all types of enterprises and at the same time exercise supervision and control over them according to law.

(2) Accelerate the reform of state-owned enterprises.

State-owned enterprises constitute the pillar of the national economy. Well-executed reform of state-owned enterprises is, therefore, of vital importance to building a socialist market economy and consolidating the socialist system.

The establishment of a modern enterprise system is the orientation of the reform of state-owned enterprises. We shall convert large and medium-sized state-owned enterprises into standard corporations according to the requirements of "clearly established ownership, well defined power and responsibility, separation of enterprise from administration, and scientific management" so that they will become corporate entities and competitors adaptable to the market. We shall define more clearly the powers and responsibilities of the state and enterprises. The state will enjoy the owner's equity according to the amount of capital it has put into the enterprises and bear limited responsibilities for the debts of enterprises while enterprises will operate independently according to law, responsible for their own profits and losses. The government should not directly intervene in the operation of enterprises, and enterprises have to be restrained by the owner and should not harm the owner's equity. We shall adopt all kinds of possible means, including direct financing, to replenish the capital funds of enterprises. We shall cultivate and develop a diversity of investors in order to push the separation of administrative functions from enterprise management and change the way enterprises operate.

We should combine the reform of state-owned enterprises with their reorganization, upgrading and better management. Aiming at improving the state sector of the economy as a whole, we shall effectuate a strategic reorganization of state-owned enterprises by well managing large enterprises while adopting a flexible policy toward small ones. By using capital as the bonds and relying on the market forces, we shall establish highly competitive large enterprise groups with trans-regional, inter-trade, cross-ownership and transnational operations. We shall also quicken the pace in relaxing the control over small state-owned enterprises and invigorating them by way of reorganization, association, merger, leasing, contract operation, joint stock partnership or sell-off. We shall promote technological progress of enterprises, encouraging and channeling the flow of funds of enterprises and society into technological upgrading so as to form a new mechanism for the development of market-oriented new products and technological renovations. Strengthening scientific management, we should try to institute in enterprises a system of leadership and a system of organization and management that conform to the law of the market economy and the national conditions, and set up a decision-making, enforcement and supervision system so as to form an effective incentive and control mechanism. We shall improve leadership of enterprises, give play to the role of Party organizations there as political nuclei and adhere to the principle of relying on the working class wholeheartedly.

We should encourage merger of enterprises, standardize bankruptcy procedures, divert laid-off workers, increase efficiency by downsizing staff and encourage reemployment projects so as to form a competitive mechanism selecting the superior and eliminating the inferior. With the deepening of enterprise reforms, technological progress and readjustment of the economic structure, it would be hard to avoid the flow of personnel and lay-offs. It will cause temporary difficulties to some of the workers. But, fundamentally speaking, it is conducive to economic development, thus conforming to the long-term interests of the working class. The Party and the government will take measures and rely on all quarters of society to show concern for laid-off workers, help them with their welfare, organize job training, and open up new avenues of employment and promote the reemployment project. All workers should change their ideas about employment and improve their own quality to meet the new requirements of reform and development.

We should press ahead with all the supportive reforms. We shall build an effective mechanism for the management, supervision and operation of state assets to preserve or increase their value and prevent the loss of state assets. We shall build a social security system, introducing old-age pensions and medical insurance systems by combining social pools with individual accounts, and improve the unemployment insurance and social relief systems so as to provide the basic social security. We shall establish public accumulation funds for urban housing and accelerate the reform of the housing system.

To deepen the reform of state-owned enterprises is an important yet arduous task of the Whole Party. We should be firm in determination and bold in exploration and practice to make sure that by the end of this century most of the large and medium-sized state-owned key enterprises will have initially established a modem enterprise system and markedly improved their operation, thus breaking fresh ground in the reform and development of state-owned enterprises.

(3) Improve the structure and mode of distribution.

We shall keep to the system in which distribution according to work is primary and in which a variety of modes of distribution coexist. By combining remuneration according to work and remuneration according to factors of production put in, and by giving priority to efficiency with due consideration to equity, such a system is conducive to optimizing the allocation of resources, promoting economic development and maintaining social stability. We shall protect lawful incomes according to law, allowing and encouraging some of the people to get wealthy first through honest labor and lawful operations, and allowing and encouraging the use of capital, technology and other factors of production to participate in the distribution of gains. Illegal earnings shall be banned and those who appropriate public property or seek gains by such illegal means as tax evasion or by striking deals between power and money shall be resolutely punished according to law. We shall take stock of irrational incomes and must correct the malpractice of individuals obtaining extra incomes by taking advantage of sectoral monopolies and some special privileges. We shall regulate the excessively high incomes, improve the individual income tax system, introduce such new taxes as inheritance tax, and standardize income distribution so as to make income gaps more reasonable and prevent polarization.

To concentrate financial strength on improving the state finance is an essential requirement for ensuring the development of all economic and social undertakings. It is necessary to correctly handle the relations of distribution among the state, enterprises and individuals and between the central and local authorities so as to gradually raise the proportion of fiscal revenue in the gross national product and the proportion of the central government revenue in the national revenue and, at the same time, adjust the revenue and expenditure structure to adapt to the changed ownership structure and the changed government functions and establish secure and balanced state finances.

(4) Give full play to the role of the market mechanism and improve the macroeconomic control system.

We should accelerate the process of building a complete market system in the national economy We shall continue to develop all kinds of markets, with emphasis on markets for capital, labor, technology and other production factors and the mechanism for pricing these factors. We shall reform the circulation system, improve market rules, strengthen market management, remove obstacles to market development, break through regional blockades and sectoral monopolies so as to build as soon as possible a unified and open market system with orderly competition and make better use of the basic role of the market in the allocation of resources.

The main task of macroeconomic control is to keep a balance between total demand and total supply, curtail inflation, promote the optimization of the major economic structures and achieve stable economic growth. In macroeconomic control, we should mainly employ both economic and legal means. We shall deepen the reforms of the banking, fiscal and planning systems so as to improve the means of macroeconomic control and the coordinating mechanism. We shall carry out appropriately tight financial and monetary policies, keeping an eye on the degree of the control. We shall, in accordance with the law, strengthen the supervision and control of the financial institutions and markets, including the securities market, standardize and safeguard the financial order, and effectively guard against financial risks.

(5) Strengthen agriculture as the foundation of the economy, and readjust and optimize the economic structure.

In line with our economic development and taking into full account the trend of accelerated development of science and technology in the world and the speedy regrouping of the international economic structures, we should make strategic readjustments in the economic structure aimed at improving the quality and performance of the entire national economy in an all-round way and at boosting the overall national strength and international competitiveness. This is a pressing requirement of the national economic development and a long-term task. The general principles are as follows: with the market as the orientation, to make production respond to the changing demands of the domestic and foreign markets; to optimize the industrial structure by relying on scientific and technological progress; to bring about coordinated development of regional economies by giving scope to the advantages in their respective localities; and to change the mode of economic growth, putting an end to the situation featuring high input, low output, high consumption and low efficiency.

We should continue to give priority to agriculture in all our economic work. We shall keep the Party's basic rural policies stable, deepen rural reforms and see to it that agriculture and the rural economy develop and the peasants' income increases. We shall increase agricultural input through multiple channels, improve agricultural infrastructure and constantly better production conditions. We shall step up the effort to develop agriculture by relying on science and education, aiming at high yields, fine quality and high efficiency as well as good water-saving results. We shall promote an industrial management of agriculture to get production, processing and marketing integrated and supporting each other so that agriculture will develop toward commercialization, specialization and modernization. We shall develop farming, forestry, animal husbandry, sideline production and fishery in an all-round way and continue to develop town and township enterprises so as to bring into being a rational industrial structure. We shall do well in planning and building up small towns and cities. We shall keep stable, for a long time to come, the household responsibility contract system with remuneration linked to output, improve the two-tier operation system that combines unified management with independent management and gradually boost the strength of the collective economy. We shall reform the grain and cotton purchasing and marketing system and introduce a rational pricing policy. We shall set up and improve a socialized service system for agriculture, a farm produce market system and a system of state support and protection. We must respect the decision-making power of peasants in their production and operations, protect their legitimate rights and interests and really lighten their burdens so that the broad masses of the peasants will truly benefit from the various rural policies and the work of the Party.

We should transform and upgrade traditional industries, develop rising and high-tech industries and try to informationize the national economy. We shall continue to strengthen the construction of infrastructure and basic industries, intensify the readjustment and upgrading of the processing industry, invigorate pillar industries and actively cultivate new points of economic growth. We shall combine the efforts to develop new technologies, products and industries with the efforts to open up markets and integrate the development of technology-intensive with labor-intensive industries. We shall encourage and guide the tertiary industry so that it will develop at an accelerated pace.

We should promote rational distribution and coordinated development of regional economies. Taking advantage of its favorable conditions, the eastern part of the country should strive for a still higher level of development in the course of reform and opening up, and take the lead in achieving basic modernization where conditions permit. The central and western parts should speed up the reform, opening up and development, make use of their advantages in natural resource and develop related industries. The state will increase its support for the central and western parts by giving them priority in planning infrastructure and resources development projects, instituting step by step a standard payment transfer system, and encouraging both Chinese and overseas investors to invest in the regions. It is necessary to further develop all forms of association and cooperation between the eastern and the central and western parts. We shall pay more attention and give active support to areas inhabited by ethnic minorities in their economic development. We must try all possible ways to minimize the regional development disparities step by step. Proceeding from their actual conditions, all regions should develop their economies with distinct local characteristics, speed up the upgrading of old industrial bases, let the central cities play their role, and continue to guide the formation of trans-regional economic zones and key industrial belts. We shall accelerate the reform of investment and financing systems, improve state industrial policies, and take measures to solve such problems as launching "large and all-inclusive" and "small and all-inclusive" projects and irrational and duplicated construction projects.

(6) Implement the strategies of developing the country by relying on science and education and of achieving sustainable development.

Science and technology being a primary productive force, their progress is a decisive factor in economic development. We must take full account of the great impact of the future development of science and technology, particularly high technology, on the overall national strength, social and economic structure and the life of the people and make the acceleration of their progress a vital task in economic and social development. In this way, we shall really get onto the path of developing our economy by relying on scientific and technological progress and improving the quality of laborers. In drawing up long- and medium-term science development programs, we should proceed from China's long-term development requirements, bear in mind the overall situation, highlight key areas and, trying to do certain things and refraining from doing other things, strengthen basic research and research in high technology and accelerate the pace of applying high technology to production. We should intensify the development and spread of applied technologies, promote the translation of scientific and technological achievements into practical productive forces, and concentrate on tackling major and key technological problems in economic and social development. We should import, with our priorities in mind and on a selective basis, advanced technologies from abroad with a view to enhancing our own abilities of independent creation. As a developing country, China should attach greater importance to the application of the latest technological achievements and bring about a leap in its technological development.

We should deepen the reform of the management systems of science and technology and education to promote their integration with the economy. We should give gull scope to the roles of the market and social demand in orienting and promoting scientific and technological progress and encourage and help enterprises to engage in research, development and technological upgrading so that they will undertake to engage in research and development and invest in them. Wherever conditions permit, scientific research institutes and institutions of higher learning should take the road of combining production, teaching and research by entering into association or cooperation with enterprises in various ways so as to solve the problems of segmentation and dispersal of strength in the realm of science, technology and education. Innovation, competition and cooperation should be encouraged. We shall implement the regime of protecting intellectual property rights. Competent people being the most important resource for scientific and technological progress and economic and social development, we should institute a whole set of incentive mechanisms favorable to the training and use of such people. We should actively bring in intellectual resources from overseas and encourage those studying abroad to return and work or render their service to the motherland in one way or another.

As a populous country, relatively short of natural resources, China must implement a sustainable development strategy in the modernization drive. We should stick to the basic state policies of family planning and environmental protection, correctly handling the relationship of economic development versus population, natural resources and the environment. While exploiting our natural resources and making economical use of them, we lay emphasis on the latter so as to raise the efficiency of their utilization. We should make an overall plan for the development and improvement of our land resources and rigorously enforce laws governing the management and protection of such resources as land, water, forests, minerals and seas. We shall institute a system of paid use of natural resources. We must strengthen the control of environmental pollution and improve the ecological environment by planting trees and grass, doing well in the conservation of water and soil, and preventing and controlling desertification. With regard to population, we should control its growth and improve its quality, and pay attention to the problem of an aging population.

(7) Strive to do better in opening to the outside world.

Opening to the outside world is a long-term basic state policy. Confronted with globalization trends in economic, scientific and technological development, we should take an even more active stance in the world by improving the pattern of opening up in all directions, at all levels and in a wide range, developing an open economy, enhancing our international competitiveness, optimizing our economic structure and improving the quality of our national economy.

Focusing on better results, we should expand external trade in commodities and services and optimize the import and export mix. We shall stick to the strategy of achieving success on the strength of quality and a multi-outlet market, and vigorously open up markets abroad. We shall further lower the general level of tariffs and encourage the import of advanced technologies and key equipment. We shall deepen the reform of the system of trade and economic relations with foreign countries, improving the proxy system and expanding the power of enterprises to handle their own foreign trade so as to create a policy environment for competition on an equal footing. We shall take an active part in regional economic cooperation and the global system of multilateral trade.

We shall use foreign capital actively, rationally and effectively. We shall open the service trade step by step. In accordance with the law, we shall protect the rights and interests of foreign-funded enterprises, grant them the same treatment as their Chinese counterparts and improve guidance to and regulation of these enterprises. We shall encourage Chinese investors to invest abroad in areas that can bring China's comparative advantages into play so as to make better use of both Chinese and foreign markets and resources. We shall improve and enforce laws and statutes governing China's trade and economic relations with foreign countries. We must correctly handle the relationship of opening up versus independence and self-reliance, and safeguard the economic security of the country.

We should better operate the special economic zones and the Pudong New Area in Shanghai, encouraging them to continue to march in the forefront by playing their demonstrative, diffusive and leading roles in making institutional creations, upgrading industries and opening wider to the outside world.

(8) Continue to improve the standard of living of the people.

Raising the standard of living of the people is the fundamental goal of the reform, opening up and economic development. We should enable the people to enjoy a fairly comfortable life on the basis of economic growth and then move on toward higher standards. We shall try to increase the real income of the people in both urban and rural areas, and broaden the range of consumption with proper guidance. While improving the people's material well-being, we shall enrich their cultural life and beautify their environment to enhance the quality of life. Special efforts will be made to improve housing, sanitation, transportation and communication conditions and expand the range of service consumption. We shall continue to build more public and social welfare facilities and improve the level of education and medical and health care. We shall adopt a policy that will ensure the basic standard of living for urban residents in difficulty. The state will adopt a variety of measures in a greater effort to fight poverty, striving to accomplish in the main the task of providing adequate food and clothing for impoverished people in rural areas by the end of the century.

Comrades,

The goals and tasks we have set forth for the economic reform and development represent the fundamental interests of the people and can be accomplished only by relying on the initiative and creativeness of the people and their hard work. As long as we persist in pursuing correct policies and in properly guiding, protecting and tapping the initiative of all quarters of society, we shall definitely succeed in establishing a socialist market economy and bringing about a sustained, rapid and sound development of the national economy.

Vl. Reforming the Political Structure and Strengthening Democracy and the Legal System

The deepening of the reform of the economic structure and the cross-century development of the socialist modernization drive require that, under the precondition of adhering to the Four Cardinal Principles, we should continue to press ahead with the reform of the political structure, further extend the scope of socialist democracy and improve the socialist legal system, governing the country according to law and making it a socialist country ruled by law.

It is our Party's persistent goal to develop socialist democracy. Without democracy there would be no socialism or socialist modernization. The essence of socialist democracy is that the people are the masters of the country. All powers of the state belong to the people. China's state system featuring people's democratic dictatorship and its system of government featuring people's congresses are the result of the struggles waged by the people and the choice of history. It is imperative that we should uphold and improve this fundamental political system, instead of copying any western models. This is of decisive importance in upholding leadership by the Party and the socialist system and realizing people's democracy.

Developing democracy must go hand in hand with the efforts to improve the legal system so that the country is ruled by law. Ruling the country by law means that the broad masses of the people, under the leadership of the Party and in accordance with the Constitution and other laws, participate in one way or another and through all possible channels in managing state affairs, economic and cultural undertakings and social affairs, and see to it that all work by the state proceeds in keeping with law, and that socialist democracy is gradually institutionalized and codified so that such institutions and laws will not change with changes in the leadership or changes in the views or focus of attention of any leader. Ruling the country by law is the basic strategy employed by the Party in leading the people in running the country. It is also the objective demand of a socialist market economy, an important hallmark of social and cultural progress, and a vital guarantee for the lasting political stability of the country. The Party has led the people in drawing up the Constitution and other laws, to which it confines its activities. In ruling the country by law, we can unify the adherence to Party leadership, the development of people's democracy and do things in strict accordance with the law, thus ensuring, institutionally and legally, that the Party's basic line and basic policies are carried out without fail, and that the Party plays the role of the core of leadership at all times, commanding the whole situation and coordinating the efforts of all quarters.

Political restructuring must help enhance the vitality of the Party and the state, demonstrate the features and advantages of the socialist system, safeguard national unification, ethnic unity and social stability, give full scope to the initiative of the people, and stimulate the development of the productive forces and social progress. The main tasks of political restructuring for the present and a period of time to come are to develop democracy, strengthen the legal system, separate government functions from enterprise management, streamline government organs, improve the democratic supervision system, and maintain stability and unity.

(1) Improve the systems of democracy.

As a ruling party, the Communist Party leads and supports the people in exercising the power of running the state, holding democratic elections, making policy decisions in a democratic manner, instituting democratic management and supervision, ensuring that the people enjoy extensive rights and freedom endowed by law, and respecting and guaranteeing human rights. In developing socialist democracy, institutions are of fundamental, overall, stabilizing and lasting importance. We shall continue to further improve the system of people's congresses, ensuring that the people's congresses and their standing committees exercise the functions of the organs of state power according to law, strengthen their legislative and supervisory work, and establish closer ties between deputies and the people they represent. While making major policy decisions concerning reform and development, we must enact corresponding laws. We shall gradually establish a mechanism that will help the decision-makers to go deep among the people to see their conditions, adequately reflect their will and pool their wisdom so that decision-making will be more scientific, democratic and efficient and will reach a higher level. We shall continue and improve the system of multi-party cooperation and political consultation led by the Communist Party. Upholding the principle of "long-term coexistence, mutual supervision, treating each other with all sincerity and sharing weal or woe," we shall strengthen our cooperation with the democratic parties and consolidate our alliance with non-Party people. We shall continue to help the people's political consultative conferences to standardize and institutionalize their political consultation, democratic supervision, participation in and deliberation of state affairs, turning them into an important channel for the Party to unite with people from all circles. We shall consolidate and develop a broad patriotic united front. We shall implement in an all-round way the Party's policies toward ethnic minorities, uphold and improve regional autonomy for them, reinforce our work concerning ethnic groups and consolidate and enhance socialist ethnic relations of equality, solidarity and mutual assistance, promoting common prosperity and progress for all our nationalities. We shall implement in real earnest the Party's policies concerning religion and overseas Chinese affairs. The trade unions, the Communist Youth League, the women's federations and other mass organizations should play their role of democratic participation and supervision in managing state and social affairs, and serve as a bridge or bond linking the Party with the people.

We shall extend the scope of democracy at the grassroots level to make sure that people directly exercise their democratic rights, manage their own affairs according to law and create a happy life for themselves. This is a practice of socialist democracy on the most extensive scale. The grassroots organs of power and self-governing mass organizations in both urban and rural areas should establish a sound system of democratic elections, and keep the public informed of their political activities and financial affairs so as to enable the people to take a direct part in the discussion and decision-making concerning local public affairs and welfare undertakings, and exercise supervision over the cadres. We should uphold and improve the democratic management system of enterprises and institutions with workers' conferences as its basic form so that workers can participate in reform and management and protect their legitimate rights and interests. We must resolutely correct such erroneous acts as suppressing democracy and resorting to coercion and commandism.

(2) Improve the legal system.

The smooth progress of the undertakings of the Party and the state inevitably requires that there must be laws to go by, that the laws must be observed and strictly enforced, and that lawbreakers must be prosecuted. We shall strengthen legislation, improve its quality and form a socialist legal system with Chinese characteristics by the year 2010. To safeguard the dignity of the Constitution and other laws, we must see to it that all people are equal before the law and no individuals or organizations shall have the privilege to overstep it. All government organs must perform their official duties according to law and guarantee the citizens' rights in real earnest by instituting a system of responsibility for law enforcement and a system of assessment and examination. We shall promote the reform of judicial affairs to ensure institutionally that the judicial organs are in a position to exercise adjudicative and procuratorial powers independently and fairly according to law, and establish a system for investigating and prosecuting anyone who is held responsible for unjust or misjudged cases. We shall improve the ranks of law-enforcing and judicial personnel. We shall educate the populace about the law to make them more aware of its importance. In particular, we shall enhance the leading cadres' awareness of the importance of the legal system and their ability to perform their duties according to law. We must closely integrate the improvement of the legal system with the promotion of cultural and ethical progress and make sure that they advance synchronously.

(3) Reform the structure of government institutions.

Unwieldy organization, overstaffing, failure to separate the functions of the government from those of enterprises and serious bureaucracy directly hamper the deepening of the reform and economic development and impair the relationship between the Party and the masses. This problem calls for an urgent solution and must be studied from an overall point of view. Special forces should be organized to work out plans to solve it. In accordance with the requirements of a socialist market economy, we need to alter the functions of the government and separate them from those of enterprises so that enterprises will be truly given the power with regard to production, operation and management. Following the principle of simplification, uniformity and efficiency in the reform, we shall establish a highly efficient, well-coordinated and standardized administrative system, with a view to improving their service for the people. The departments in charge of comprehensive economic management should shift their functions to macroeconomic control, and specialized economic departments should be reorganized or reduced. We shall improve the work of departments supervising law enforcement and cultivate and expand social intermediary organizations. We shall deepen the reform of the administrative system, statutorily delimiting the structures, functions, sizes and working procedures of the state organs and ensuring that their sizes are kept within authorized limits and their redundant personnel are reduced. We shall also deepen the reform of the personnel system by introducing a competitive and incentive mechanism and improving the system of public servants to build up a contingent of administrators who are highly competent and professionally specialized.

(4) Improve the system of democratic supervision.

Our powers are given to us by the people and all cadres are their servants who must be subjected to supervision by the people and the law. We should deepen the reform in this connection, improve the legal system of supervision, and establish and improve a mechanism ensuring that our cadres exercise their authority within the framework of law. The departments handling affairs of immediate concern to the people should carry out an open administrative system to make sure what they do is fair, just and open. We shall integrate the supervision by Party members with that by the law and the masses and give scope to the role of supervision by public opinion. We shall strengthen the supervision over the enforcement of the Constitution and other laws to safeguard the uniformity of the legal system of the state as well as the supervision over the implementation of general and specific policies of the Party and the state to see to it that they are truly carried out. We shall also strengthen the supervision over cadres at all levels and especially leading cadres to prevent them from abusing their powers. We must severely punish those in charge of law enforcement who break the law and those who accept bribes.

(5) Maintain stability and unity.

With the deepening of the reform and opening up and the readjustment of economic relations, many changes have taken place in the various contradictions in the economic and social life and, in particular, some contradictions concerning the people's immediate interests are rather conspicuous. The Party committees and governments at all levels must work conscientiously, responsibly and enthusiastically to solve the people's practical problems in their life and work. With regard to contradictions among the people, we should go deep into the realities, carry out investigation and study and do ideological and political work well. As the circumstances may differ, we should properly use economic, administrative or legal means to tackle the contradictions and prevent them from becoming more acute.

Sound public security is of prime importance for the safety of people's lives and property as well as the reform, development and stability. We should improve the work of the procuratorial, judicial and public security departments. We must crack down on all kinds of crime according to the law and eradicate social evils such as pornography, gambling, and drug abuse and trafficking. In our efforts to improve all facets of public security, we need to combine punishment with prevention and lay more stress on the latter. We should intensify education and management to reinforce the responsibility system and bring about a sound environment for public security.

Building socialist democracy is a gradual historical process, so it should be advanced under the leadership of the Party, in light of China's conditions, step by step, and in an orderly way. The more developed socialism is, the more developed democracy will be. We should continue to promote a Chinese-style socialist democracy by exploring the law of its development in practice, and enable it to display greater vitality in the 21st century.

VII. Developing Socialist Culture With Chinese Characteristics

Socialist culture with Chinese characteristics, as far as its substance is concerned, is identical to the socialist ideological and ethical progress we have been promoting since we introduced the reform and opening up. Culture is relative to the economy and politics, while ideological and ethical progress is relative to material progress. Only when economic development and political and cultural advances are well coordinated and only if there are both material progress and cultural and ideological progress can there be socialism with Chinese characteristics.

Socialist modernization requires both a prosperous economy and a flourishing culture. The process of the modernization drive is largely dependent on the enhancement of the quality of the entire population and the exploitation of intellectual resources. In view of the rapid scientific and technological development, the keen competition in overall national strength, the worldwide interaction of different ideologies and cultures as well as the increasing cultural needs of our people leading a relatively comfortable life, the whole Party must fully understand that cultural advancement is essential and urgent because it plays a great role in developing the cause of socialism and rejuvenating the nation.

A socialist culture with Chinese characteristics is a major force in uniting and inspiring the people of all our nationalities, and an important indicator of our overall national strength. This culture originated from the 5,000-year-old civilization of the Chinese nation and is deeply rooted in our endeavor to build socialism with Chinese characteristics. It has distinctive features of the times, representing the basic features of our socialist economy and politics and playing a great role in promoting their development. In building socialism with Chinese characteristics, we must redouble our efforts to raise the ideological and ethical standards and scientific and educational levels of the whole nation and provide a powerful ideological driving force and strong intellectual support for economic development and all-round social progress. We must nurture citizens one generation after another who have high ideals, moral integrity, a good education and a strong sense of discipline, meeting the requirements of the socialist modernization drive. This is a long-term arduous task for our cultural advancement.

Fostering common ideals and aspirations in the whole society is the basic objective of our cultural advancement with Chinese characteristics. We should make unremitting efforts to educate cadres and the masses in Deng Xiaoping Theory. We should persistently conduct education in socialist ethics with emphasis on serving the people and on the principle of collectivism and strengthen education in democracy, the law and discipline so as to guide our people to foster a correct outlook on the world and life and correct values. We shall make great efforts to promote patriotism, collectivism, socialism and the hardworking and enterprising spirit. We shall advocate communist ideology and ethics and, combining progressiveness with exten-siveness, we shall encourage all ideologies and ethics that are conducive to national unification, ethnic unity, economic development and social progress. We shall carry forward socialist humanitarianism. Young people are the future of the motherland and the hope of the nation, so we should pay great attention to their ideological and ethical progress.

The progress of education and science is the foundation of our cultural advancement. Training hundreds of millions of qualified laborers and tens of millions of professional personnel to meet the needs of the modernization drive and exploiting the advantage of our vast human resources has a direct bearing on the cause of socialism in the 21st century. We must see to it that education is given a strategic priority. We should respect teachers and their teaching, and strengthen the ranks of teachers. Bringing the initiative of all quarters of society into full play, we shall spare no efforts to make the nine-year compulsory education universal, eliminate illiteracy among young and middle-aged people, expand vocational and adult education of different types and steadily develop higher education. We shall optimize the educational structure, speed up the reform of the management system of higher education, and judiciously allocate resources for education so as to enhance the quality of instruction and raise the overall efficiency of schools. We should implement the Party's educational policy with an emphasis on improving the quality of students and train builders of and successors to the cause of socialism, who are developed morally, intellectual and physically in an all-round way. Great efforts should be made to raise the scientific and technological level, popularize science and technology, guide people to take a scientific approach and master scientific methods, and encourage them to be creative and inventive. We should eliminate ignorance and combat feudal and superstitious activities. We shall develop philosophy and other social sciences, which are of great importance to retaining the guiding position of Marxism in the ideological sphere of our country, to studying the laws governing the development of socialism with Chinese characteristics, and to improving our ability to understand the world and change it.

The development of the cultural undertakings, including literature and art, the press and publishing, radio, film and television, is an important aspect of cultural advancement. In the press and publicity work we must adhere to the principle of keeping the Party spirit, persist in seeking truth from facts and maintain a correct orientation for public opinion. We should tighten control over the press and publishing, optimizing their structures and improving their quality. We should deepen reform of the system for managing cultural undertakings, and implement and improve related economic policies. We must 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," giving full scope to the theme of our times while advocating diversity so as to create more excellent works which integrate ideological content with artistry.

A healthy cultural environment is an important condition for promoting the cultural and ideological progress of society and advancing the reform, opening up and the modernization drive. We should conduct mass activities to promote ideological and ethical progress in depth and in a protracted way, and make efforts to advocate social, occupational and family ethics. We should, on the one hand, try to boost our cultural undertakings, and on the other, tighten control over the markets for cultural products so as to facilitate their sound development. We should build more cultural establishments. More attention should be paid to the protection of scientific and cultural heritage and revolutionary relics. We should promote the reform and development of public health and sports. We should advocate healthy and civilized lifestyles and constantly improve the cultural life of the masses.

China cannot develop its culture in isolation of the common achievements of human civilization. Following the principle of keeping our own culture as the base and making use of that of others, we should conduct various exchanges with other countries, drawing on their strong points while introducing our own achievements to the world. We must resolutely resist the corrosion of decadent ideas and cultures.

As part of the working class, intellectuals are playing an important role in the drive for modernization. We should implement the Party's policy toward intellectuals and give full play to their initiative and creativity. Intellectuals should study hard and better themselves so that they will be propagators of advanced thoughts, pioneers in the development of science and technology, educators training people to be citizens with high ideals, moral integrity, a good education and a strong sense of discipline, and producers of excellent intellectual works, contributing hand in hand with workers and peasants to the rejuvenation of the Chinese nation.

Chinese culture has a glorious history. In the great practice of the socialist modernization drive, we are sure to create a more magnificent socialist culture with Chinese characteristics and make due contribution to human civilization.

Comrades,

Having talked about the economic, political and cultural tasks, I should now like to make a special point on national defense and army building. To strengthen national defense and army building is the basic guarantee for our national security and modernization drive. Deng Xiaoping's concept of army building in the new period is the continuation and development of Mao Zedong's thinking on military affairs and the scientific guide to building our army and our national defense. In line with the general requirements of being qualified politically and competent militarily and having a fine style of work, strict discipline and adequate logistical support, we should press ahead with the army building and reform so as to make the People's Liberation Army a more revolutionary, modernized and standardized army. In our army's 70 years of brilliant history, it has stood all kinds of tests and become stronger and stronger, for which the fundamental guarantee is the strong Party leadership. Under the new historical conditions, the army must consistently uphold the absolute leadership by the Party, be in agreement with the Party Central Committee ideologically and politically, obey orders of the Party Central Committee in all actions and never forget its nature and purposes as the people's army. It should adhere to the strategy of active defense, improve its quality and take the road of fewer but better troops with Chinese characteristics. The army should be strict with itself, strengthen ideological and political work, carry forward its fine traditions and take the lead in the whole society in promoting cultural and ethical progress. In order to adapt itself to the profound changes in the military arena in the world, the army should intensify its education and training, and upgrade its defense capabilities under modern technology and especially high-tech conditions. In addition to the army reduction by one million men in the 1980s, we shall reduce the armed forces by another 500,000 in the next three years. We should strengthen the army by relying on science and technology, put more efforts in the research in defense-related science and technology, establish and improve an operation mechanism so that the defense industries are adapted to the socialist market economy, and gradually upgrade weapons and other equipment. The army should subordinate itself to and serve the overall interests of national economic development, strengthening itself through thrift and hard work and actively supporting and participating in the economic development of the country. Party organizations and governments at all levels and the masses should be concerned about and support the development of national defense and army building. We shall intensify defense education, increasing the people's awareness of the importance of national defense. The army should continue to support the government and cherish the people, and the government and the people should continue to support the army and give preferential treatment to families of armymen and martyrs so as to consolidate the unity between the army and the government and between the army and the people. We should also strengthen the work with regard to the militia and the reserves, and improve the mobilization system for national defense. We should continue to strengthen the Chinese People's Armed Police and the public and state security departments.

VIII. Promoting the Peaceful Reunification Of the Motherland

Complete reunification of the motherland is the common aspiration of all Chinese at home and abroad. Taking the great cause of the peaceful reunification of the motherland as their historical task, the Chinese Communists have made unremitting efforts to that end. Deng Xiaoping's scientific concept of "one country, two systems" has vigorously pushed forward the process of the peaceful reunification of the motherland.

As a hallmark of the great success of the concept of "one country, two systems," Hong Kong's return to the motherland constitutes a crucial step taken by the Chinese people in the great cause of the reunification of the motherland. Since Hong Kong's return, the policies of "one country, two systems," "Hong Kong people administering Hong Kong" and a high degree of autonomy have been conscientiously implemented, and Hong Kong has maintained its prosperity and stability. Facts will prove that the government of the Hong Kong Special Administrative Region (HKSAR) and our compatriots in Hong Kong will certainly be able to administer Hong Kong well in accordance with the Basic Law of the HKSAR.

Macao will return to the embrace of the motherland in 1999, another great event for the Chinese nation. All preparations for Macao's return are being made in an energetic and orderly fashion. Macao's smooth transition and smooth transfer of government can certainly be secured and its long-term development and stability maintained.

The concept of "one country, two systems" is an important component of Deng Xiaoping Theory. The basic idea is that on the premise of national reunification, the main part of China will stick to the socialist system while Taiwan, Hong Kong and Macao will retain the current capitalist system and way of life for a long time to come. This concept is the basic policy for promoting the great cause of the peaceful reunification of the motherland, because it not only embodies the principled position of achieving national reunification and safeguarding state sovereignty, but also takes into full consideration the past and the present of Taiwan, Hong Kong and Macao and embodies a high degree of flexibility. The adoption of the policy of "one country, two systems" is in the interest of the reunification of the motherland and the rejuvenation of the Chinese nation and conducive to world peace and development.

Thanks to the introduction of the basic principles of "peaceful reunification" and "one country, two systems" as well as other policies, significant headway has been made in the relations between the two sides of the Taiwan Straits. The smooth return of Hong Kong and the maintenance of its long-term prosperity and stability will undoubtedly create favorable conditions for the settlement of the Taiwan issue. However, the growth of the splitting tendency on the Taiwan Island and the interference of certain foreign anti-China forces have stood in the way of peaceful reunification as big obstacles, which of course have met with determined opposition from the Chinese people including our compatriots in Taiwan.

We shall adhere to the basic principles of "peaceful reunification" and "one country, two systems" and the eight-point proposal on developing relations between the two sides and promoting the peaceful reunification of the motherland. We shall stick to the principle of "one China" and oppose splitting, the "independence of Taiwan," the attempt to create "two Chinas" or "one China, one Taiwan" and any interference by foreign forces. We shall not allow any forces whatsoever to change Taiwan's status as part of China in any way. We shall work for peaceful reunification, but we shall not undertake to renounce the use of force. This is not directed against our compatriots in Taiwan, but against the schemes of foreign forces to interfere with China's reunification and to bring about the "independence of Taiwan." We shall spare no efforts in expanding economic exchanges and cooperation between the two sides, speed up the establishment of direct links of postal, air and shipping services and trade between the two sides and continue to promote mutual visits of people and exchanges in various fields such as science, technology and culture. We place our hopes on our compatriots in Taiwan who are endowed with the glorious tradition of patriotism. Except for a handful of people who stubbornly cling to the position of "independence of Taiwan," all parties and personages of all circles in Taiwan are welcome to exchange views with us on relations between the two sides and on peaceful reunification.

Now we should like to renew our solemn appeal: As the first step, the two sides of the Straits can hold negotiations and reach an agreement on "officially ending the state of hostility between the two sides in accordance with the principle that there is only one China." On this basis, the two sides can jointly undertake to safeguard China's sovereignty and territorial integrity and map out plans for the future development of their relations. We hope that the Taiwan authorities will earnestly respond to our suggestions and proposals and enter into political negotiations with us at an early date. On the premise that there is only one China, we are prepared to talk about any matter. All opinions and proposals can be put forward as long as they are in the interest of the reunification. The issue of the reunification of the motherland should be solved by us Chinese on both sides of the Taiwan Straits.

Taiwan's future hinges on the reunification of the motherland, and splitting is no way out. With full determination, we are capable of finding a final solution to the Taiwan issue. No matter how many difficulties and obstacles are in store for us, the complete reunification of the motherland and the all-round rejuvenation of the Chinese nation will certainly come true, for all the Chinese on both sides and living elsewhere will proceed from the fundamental interests of the Chinese nation and go forward hand in hand.

IX. The International Situation and Our Foreign Policy

At present, the international situation as a whole is becoming more relaxed. Peace and development are the main themes of the present era. The trend toward multi-polarity has further developed globally or regionally in the political, economic and other fields. World forces are experiencing a new split and realignment. Relations between the big powers are undergoing major and profound adjustments. Regional and intercontinental organizations of cooperation are active as never before. The overall strength of the great number of developing countries is growing. The development of the trend toward multi-polarity contributes to world peace, stability and prosperity. The call of the people of all countries for treating each other on an equal footing and living together in amity is becoming louder and louder. It has become the mainstream of the times to desire peace, seek cooperation and promote development. The factors for safeguarding world peace are gaining strength. For a fairly long period of time to come, it will be possible to avert a new world war and secure a favorable, peaceful international environment and maintain good relations with the surrounding countries.

However, the Cold War mentality still exists, and hegemonism and power politics continue to be the main source of threat to world peace and stability. Expanding military blocs and strengthening military alliances will not be conducive to safeguarding peace and security. The unjust and irrational old international economic order is still infringing upon the interests of developing countries, and the gap in wealth is widening. It is still serious that human rights and other issues are used to interfere in the internal affairs of other countries. Local conflicts due to ethnic, religious and territorial factors crop up from time to time. The world is not yet tranquil.

It is necessary to adhere to the ideas of Deng Xiaoping about diplomatic work and firmly pursue an independent foreign policy of peace. In international affairs, we should determine our position and policies by proceeding from the fundamental interests of the people of China and other countries and judging each case on its own merits. We shall not yield to any outside pressure or enter into alliance with any big power or group of countries, nor shall we establish any military bloc, join in the arms race or seek military expansion.

We oppose hegemonism and safeguard world peace. All countries should settle their disputes and conflicts through peaceful consultations instead of resorting to force or the threat of it. No country should interfere in the internal affairs of another country under any pretext, still less bully the weak, invade or subvert other countries. We do not impose our social system and ideology upon others, nor will we allow other countries to force theirs upon us.

We shall work to bring about a just and rational new international political and economic order. This order should be based on the Five Principles of Peaceful Coexistence, conform to the purposes and principles of the United Nations Charter and reflect the trend of the times to seek peace and development.

It is necessary to respect the diversity of the world. The world today is rich and varied. All countries are entitled to choose the social systems, development strategies and lifestyles that suit their own conditions. The affairs of a country should be decided upon by its own people, and global issues should be dealt with through consultations by all countries.

The good-neighborly policy should be upheld. This has been our consistent stand and will never change. Keeping in mind the overall objective to maintain peace and stability, we should settle the disputes between China and the surrounding countries through friendly consultations and negotiations. Should this fail to serve the purpose, we should put them aside ['or the time being, seeking common ground while reserving differences.

We should further strengthen our solidarity and cooperation with the Third World countries. The developing countries share the same fundamental goal of safeguarding their independence and developing the economy. China will, as always, join the vast number of developing countries in mutual support and close cooperation in all areas to safeguard our lawful rights and interests.

We should further improve and develop our relations with developed countries on the basis of the Five Principles of Peaceful Coexistence. All countries should respect each other and live together in amity regardless of differences in their social systems and ideologies. They should seek the point where their common interests converge, expand mutually beneficial cooperation and work together to take up the challenge facing mankind for survival and development. They should persist in dialogue, not confrontation, in properly handling their differences by proceeding from their long-term interests and the overall task of promoting world peace and development. We are opposed to imposing or threatening to impose sanctions without good reason.

Pursuant to the principle of equality and mutual benefit, we should conduct extensive trade, economic and technological cooperation and scientific and cultural exchanges with all countries and regions to promote common development.

We should take an active part in multilateral diplomatic activities and give full play to China's role in the United Nations and other international organizations.

On the basis of the principles of independence, complete equality, mutual respect and non-interference in each other's internal affairs, we shall develop new types of inter-party relations of exchange and cooperation with all political parties of various countries which are ready to have contacts with our Party with a view to promoting state relations.

China is a staunch force for safeguarding world peace and regional stability. In carrying out the socialist modernization program, we need a long-term peaceful international environment, and above all, we need to maintain good relations with the surrounding countries. China's development will not pose a threat to any other country. China will never seek hegemony even when it becomes developed in future. The Chinese people, for a long time subjected to aggression, oppression and humiliation by foreign powers, will never inflict these sufferings upon others.

The future of the world is bright, though the road is tortuous. The Chinese people are ready to join hands with the people of other countries in making unremitting efforts to promote the lofty cause of peace and development and work for a brighter future for mankind.

X. The Communist Party of China Facing The New Century

To hold high the great banner of Deng Xiaoping Theory, fulfill the tasks defined at this congress and advance our cause in an all-round way to the 21st century, it is essential to uphold, strengthen and improve the leadership of the Party and do well in Party building.

The Communist Party of China is the core of the leadership of the people of all nationalities in China. The leading role of the Party is determined by its nature of being the vanguard of the working class and secured after going through ordeals in long years of struggle. Never in China has there been any political organization like our Party that has absorbed so many advanced elements, that is so well organized and broadly based and that has made so many sacrifices for the Chinese nation. The Party maintains close ties with the people, and, in its forward march, is good at reviewing its experience and taking its errors seriously, thereby formulating and upholding correct theories and lines. History has entrusted a colossal responsibility to our Party, and the people place high hopes on it. Having led the people in writing a glorious chapter in the annals of the 20th century, it can certainly write another one in the 21st century.

Party leadership and Party building have always been connected with the historical tasks of the Party and with the theories and lines it has formulated for accomplishing the tasks. Guided by Marxism-Leninism and keeping the political line of the Party in mind, the first generation of collective leadership with Mao Zedong at the core successfully launched the great project of Party building - it established a vanguard of the working class which led the people in winning victory in the new-democratic revolution and establishing the socialist system. The second generation of collective leadership with Deng Xiaoping at the core, creatively applying Marxism-Leninism and Mao Zedong Thought to present-day China, launched another great project of Party building centering on what kind of party it should be and how to build it under the conditions of reform, opening up and the modernization drive. Facing the new century, the Central Committee is leading the entire Party in advancing this great project. The project is designed to make the Party a Marxist political party that is armed with Deng Xiaoping Theory, that serves the people wholeheartedly, that is completely consolidated ideologically, politically and organizationally, that can withstand all trials and tribulations, that is always at the forefront of the times and that leads the people of the country in building socialism with Chinese characteristics. In light of the general objectives of this great new project, the entire Party should strengthen its building in ideology, organization, style of work and all other aspects, always try to improve its leading and governing ability, and guard against corruption and degeneration so as to show a new look and greater militancy in leading the people in accomplishing the new historical tasks.

To strengthen Party building ideologically, it is essential to unswervingly arm the entire Party with Deng Xiaoping Theory and give full play to the ideological and political strength of the Party. Deng Xiaoping Theory has provided a powerful ideological weapon that will enable our Party to understand the world and to change it. The entire Party should attach great importance to study, be adept at studying and usher in a new upsurge in studying Marxism-Leninism, Mac) Zedong Thought and particularly Deng Xiaoping Theory. Leading cadres at all levels, and especially the several hundred members of the Party Central Committee and the several thousand cadres at the provincial and ministerial levels bear an especially important responsibility for holding high the great banner of Deng Xiaoping Theory. They should take the lead in studying that theory and comprehensively and accurately master its scientific system. They should grasp both the basic ideas and the essence of the theory in an overall perspective and systematically analyze and understand the relevant aspects of the theory in light of the respective fields of their work. We should continue to educate the cadres at and above the county level in Party spirit and conduct, focusing mainly on the need to study, to be politically minded and to be honest and upright. We shall make it a common practice within the entire Party to study conscientiously, hold democratic discussions, try to explore new ways and be realistic and pragmatic. We should continue to integrate theory with practice, study for the sake of application, acquire a better understanding of the theory of Marxism, learn to better solve practical problems and transform our subjective world while transformling the objective world.

To strengthen Party building organizationally, it is essential to make the Party the core of strong leadership and give full play to its organizational strength. Our Party has 58 million members and 3.4 million grassroots organizations, organized as an integral whole according to democratic centralism under the guidance of Marxism and working hard to achieve its common goal. This is a tremendous organizational advantage. Under the conditions of reform, opening to the outside world and developing a socialist market economy, democratic centralism, instead of being weakened, must be improved and developed. We should further enhance democracy, guaranteeing the rights of Party members and clearing and widening channels for inner-Party democracy so as to give full play to the initiative and creativity of the whole Party. We should safeguard the authority of the Central Committee of the Party and be in agreement with it on ideological and political matters, ensuring the smooth implementation of the Party's line and the Central Committee's policy decisions. We should improve the system of Party congresses and the system whereby the collective leadership by Party committees at all levels is combined with division of work and individual responsibility. We should ensure that local Party committees better play the leading core role in the various organizations at corresponding levels. Leading cadres should take the lead in observing the various rules of democratic centralism, protecting the interests of the Party as a whole, strictly observing discipline, preventing the tendency to make decisions arbitrarily and go their own way, and opposing the defiance of orders and prohibitions. In accordance with the principle of making our cadres more revolutionary, younger, better educated and more competent professionally, we should foster a contingent of highly qualified cadres who can meet the requirements of the socialist modernization drive, for that is the key to ensuring successive victories for our cause. With the emphasis on building the Party ideologically and politically, we should turn the leading bodies at all levels into united, staunch collective leaderships that resolutely carry out the Party's basic theory and line, serve the people wholeheartedly and are capable of leading the modernization drive. We should accelerate the reform of the cadre system, enhance democracy, improve their assessment, promote their exchanges and tighten supervision, so that competent people will emerge. In particular, we should make marked progress showing that our cadres are ready to go up and equally ready to come down. In selecting cadres, we must thoroughly carry out the principle of having both political integrity and professional competence, persist in appointing people on their merits and oppose favoritism, and prevent or rectify unsound practices. We should promptly promote to leading posts those cadres who are generally acknowledged as having firmly carried out the Party's line and scored outstanding achievements and being honest and clean. Persons who deviate from the Party's lines, seek personal gain, practice fraud and crave official positions can never be assigned to leading posts. It is a strategic task to train and select a large number of excellent young cadres who can shoulder cross-century important tasks. We must lose no time in fulfilling this task. We should pay great attention to fostering and promoting women cadres, cadres from among ethnic minorities and non-Party cadres. We should improve the cadre retirement system and take good care of veteran cadres politically and in terms of material benefits, encouraging them to play their role. The grassroots Party organizations are the locus of all the Party's work and the base of its fighting capacity. The work of consolidating and improving grassroots Party organizations should be geared to the Party's basic line and serve its central task. They should study new situations and problems in a spirit of reform and improve their methods and style of work and their ways of conducting activities. They should conscientiously educate, manage and supervise Party members and enhance their capability to solving their own problems. In light of their own characteristics, they should earnestly perform their duties prescribed by the Constitution of the Party and strive to become a staunch, powerful force that can carry out the Party's line, principles and policies and that can unite with the masses and lead them in fulfilling the tasks of their own units.

To improve the Party's style of work, it is essential to stick to the aim of serving the people wholeheartedly and give full play to the Party's strength in forging close links with the masses. The fine work styles of integrating theory with practice, forging close links with the masses and practicing criticism and self-criticism, which our Party has cultivated in the process of long struggle, are a reflection of its nature and purpose and should be carried forward throughout the Party in the light of new practice. Coming from the people and taking root among them, our Party serves the people. To work for the people's interests wholeheartedly is the starting point as well as the purpose of all our work for building socialism with Chinese characteristics. Party members should listen to the opinions of the masses, help alleviate their hardships and do practical things in their interest. Party cadres, especially leading cadres, must faithfully carry out the Party's line, principles and policies without any deviation from them. They must correctly exercise the powers entrusted to them by the people and must never abuse them for personal gain. They must combine responsibility to their superiors with responsibility to the masses, never separating the two or setting them against each other. In their work they must uphold the mass line, go deep into the realities for investigation and study, and never indulge in bureaucracy, formalism or coercion. So long as we serve the interests of the masses and have faith in and rely on them in everything we do, our Party will obtain an inexhaustible source of strength.

The fight against corruption is a grave political struggle vital to the very existence of the Party and the state. Our Party can never be daunted and vanquished by any enemy. But the easiest way to capture a fortress is from within, so in no way should we destroy ourselves. If corruption cannot be punished effectively, our Party will lose the support and confidence of the people. We should fight corruption and continuously give the warning throughout the process of reform and opening to the outside world. We should be mentally prepared to fight a protracted war against corruption, and we should win battles one by one and stage by stage. We should continue to make sure that leading cadres are clean, honest and self-disciplined, investigate and deal with major cases and rectify unsound practices in departments and trades. Party committees at all levels must take a clear-cut stand and firmly persevere in this work. We should seek both temporary and permanent solutions. Education is the basis, the legal system is the guarantee, and supervision is the key. By deepening the reform, we should gradually eradicate the hotbed for the breeding and spreading of corruption. With Party committees exercising unified leadership, Party and government organs exerting concerted efforts, discipline inspection commissions organizing and coordinating the work and departments assuming their respective responsibilities, and relying on the support and participation of the masses, we shall resolutely check corruption. Leading cadres, especially senior ones, should play an exemplary role in observing discipline and the law, readily accept supervision and resist the corrosion of decadent ideas, setting an example of working hard and performing their official duties honestly and leading the people in resolutely fighting corruption. We should combine the fight against corruption with purification of Party organizations, never allowing corruptionists to hide themselves within the Party.

Tightening Party discipline is the guarantee for maintaining the Party's advanced nature and purity and enhancing its cohesiveness and fighting capacity. We are striving to advance toward the maximum program - the ultimate realization of communism. Those who forget this lofty goal are not qualified Party members, and neither are those who do not exert themselves to achieve the Party's program for the primary stage of socialism. Under the new historical conditions, to maintain their advanced nature, Party members should meet the requirements of the times. They should have lofty communist ideals in mind, take the lead in implementing the various policies of the Party and the state for the present stage, be brave in blazing new trails, and take the initiative to make progress in defiance of difficulties and setbacks. They should work for the interests of the people sincerely, be the first to endure hardships and the last to enjoy comforts, devote themselves to public duties wholeheartedly and make more contributions. They should study Marxism assiduously, enhance their ability to differentiate between right and wrong, master professional knowledge and skills necessary for their jobs and strive for outstanding achievements. At the critical moment they should step forward boldly, safeguard the interests of the state and the people and resolutely combat acts harmful to the people, society and the state. Party committees at all levels should adhere to the principle that "the Party should supervise itself," carry out the policy of tightening Party discipline in all aspects of Party building and firmly rectify the phenomena of lax discipline and weakness existing within the Party. We should, therefore, act in strict accordance with the Constitution of the Party and in line with the Party's rules and regulations. We should be strict with Party members, leading cadres in particular, and strictly manage and supervise them. In inner-Party life we should stress Party spirit and principles, conduct active ideological struggle, encourage healthy trends and oppose unhealthy practices. We should recruit new Party members strictly in accordance with the standards provided for by the Constitution of the Party and see to it that unqualified Party members are duly dealt with. We should strictly enforce Party discipline to ensure that all members are equal before discipline. Strict in discipline and full of vigor and vitality, our Party will surely advance from victory to victory.

Comrades,

The five years from this congress to the 16th National Congress of the Party will be a period in which we shall stand new tests and achieve new victories; a period in which we shall prove with new achievements that our Party, carrying forward Comrade Deng Xiaoping's behests, is capable of living up to the people's expectations and opening new horizons for our cause; and a period in which we shall implement the Ninth Five-Year Plan in an all-round way and lay the foundation for achieving the long-range objectives through the year 2010. Now we can say with complete certainty that the objective of a fairly comfortable life for the end of this century set by our Party in the early days of reform and opening-up can be achieved as scheduled. It is of great significance to enter and build up a society leading a fairly comfortable life in such a country as China with a population of more than 1 billion. This will lay a new foundation for the long-term stability of the country and create a new starting point for vigorously promoting the socialist modernization drive.

The soul of the current congress is to hold high the great banner of Deng Xiaoping Theory. This will be the hallmark of this congress in the annals of history. We have struck out a bright path, but the road ahead is not altogether smooth. We may encounter various difficulties and risks, predictable or unpredictable, from in or outside China, and in our economic life or in social and political life. No difficulties and risks can shake our faith in Deng Xiaoping Theory, but will only encourage us to use it more conscientiously to overcome them on our way to success. Upholding Deng Xiaoping Theory and continuing to enrich and creatively develop it in practice is a solemn historical responsibility of the collective leadership of the Party Central Committee and the entire Party membership.

At this congress, our task is to mobilize the whole Party and the people of all nationalities of the country to unite and work hard for an all-round advancement of the great cause of building socialism with Chinese characteristics. Unity is in our overall interest, and unity is strength. First of all our Party should be united, and Party organization at all levels should strengthen unity. Meanwhile, we should maintain close cooperation between our Party and the democratic parties and friends in various circles, cement close ties between our Party and the masses and consolidate and develop the great unity of the entire people. This unity is based on the common interests of all-round rejuvenation of the Chinese nation and on the common ideal of building socialism with Chinese characteristics. With the entire Party membership and the people of all nationalities safeguarding and strengthening this unity, our cause will be invincible.

Let us hold high the great banner of Deng Xiaoping Theory, closely rally around the Party Central Committee, work hard unyieldingly and with one heart and one mind and carry forward in an all-round way the great cause of building socialism with Chinese characteristics into the 21st century!

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